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September Employment Report

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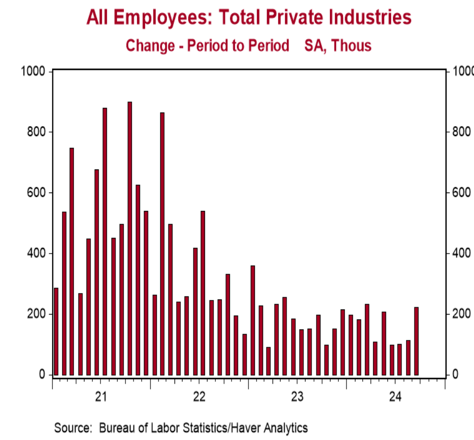
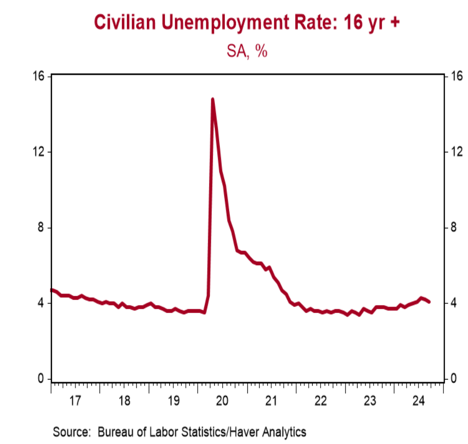
- Nonfarm payrolls increased 254,000 in September, easily beating the consensus expected 150,000. Payroll gains for July and August were revised up by a total of 72,000, bringing the net gain, including revisions, to 326,000.
- Private sector payrolls rose 223,000 in September and were revised up by 21,000 in prior months. The largest increases in September were in restaurants & bars (+78,000), health care & social assistance (+72,000), and construction (+25,000). Government rose 31,000 while manufacturing declined 7,000.
- The unemployment rate ticked down to 4.1% in September from 4.2% in August.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in September and are up 4.0% versus a year ago. Aggregate hours declined 0.1% in September but are up 0.9% from a year ago.





Implications: The labor market was strong in September, but not quite as strong as the headlines suggest. First the evidence of strength. Nonfarm payrolls rose 254,000 for the month, easily beating consensus expectations and higher than every forecast on Bloomberg. Payroll growth in prior months was revised up, as well. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups increased 430,000. As a result of the job growth, the unemployment rate ticked down to 4.1% in September, the lowest level since June. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (that includes COVID lockdowns and reopenings for leisure & hospitality). This "core" measure of jobs increased a respectable 64,000 for the month, beating the 47,000 average per month in the past year. In addition to the job growth, wage growth was strong, as well, with average hourly earnings up 0.4% in September and up 4.0% from a year ago, which is outstripping inflation. So what's not to like? First, in spite of all the job growth the total number of hours worked in the private sector slipped 0.1% in September. How can that be? Because the average workweek ticked down to 34.2 hours versus 34.3 in August. In other words, in the aggregate, there was less work to go around in September so the net hiring resulted in each worker working less. The second negative sign was that those without jobs are taking longer to find jobs; the median duration of unemployment rose to 9.9 weeks in September, the longest since early 2022. What does the report mean for the Federal Reserve? That Chairman Powell's recent hint that rate cuts will be slower than the kick-off 50 basis point cut in September should be taken seriously. A rate cut the day after the election still looks likely, but it's much more likely to be a quarter percentage point, not a half. Why cut at all? Because monetary policy has been tight enough to bring inflation down much closer to the Fed's target of 2.0% and it takes time for shifts in monetary policy to affect the economy. Some will see today's report as a reason to completely ignore recession risk, but, given the lags in policy, there is downside risk in the year ahead.

Employment Report *All Data Seasonally Adjusted*	Sep-24	Aug-24	Jul-24	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	**4.1**	4.2	4.3	4.2	4.1	3.9
Civilian Employment (monthly change in thousands)	**430**	168	67	222	66	26
Nonfarm Payrolls (monthly change in thousands)	**254**	159	144	186	167	203
Construction	**25**	31	14	23	16	20
Manufacturing	**-7**	-27	6	-9	-6	-3
Retail Trade	**16**	-9	-4	1	1	5
Finance, Insurance and Real Estate	**5**	10	-4	4	6	3
Professional and Business Services	**17**	-4	-4	3	6	10
Education and Health Services	**81**	60	67	69	76	82
Leisure and Hospitality	**78**	53	38	56	30	31
Government	**31**	45	45	40	25	43
*Avg. Hourly Earnings: Total Private**	**0.4%**	0.5%	0.2%	4.3%	3.9%	4.0%
Avg. Weekly Hours: Total Private	**34.2**	34.3	34.2	34.2	34.3	34.3
*Index of Aggregate Weekly Hours: Total Private**	**-0.1%**	0.3%	-0.3%	0.0%	0.2%	0.9%

*Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized*