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September Employment Report

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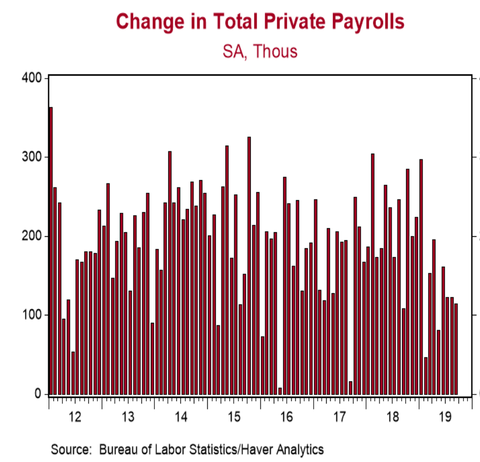
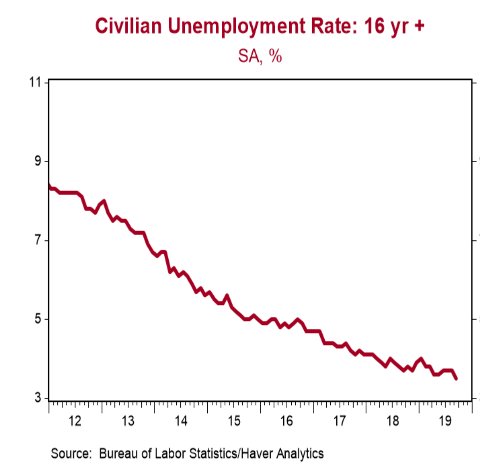
- Nonfarm payrolls rose 136,000 in September, close to the consensus expected 145,000. Including revisions to July/August, nonfarm payrolls were up 181,000.
- Private sector payrolls rose 114,000 in September, while revisions to the two prior months added 17,000. The largest increases in September were for health care (+39,000), professional & business services (+34,000, including temps), and arts, entertainment & recreation (+20,000). Manufacturing declined 2,000 while government increased 22,000.
- The unemployment rate fell to 3.5% in September from 3.7% in August.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – were unchanged in September but are up 2.9% versus a year ago.





Implications: The US labor market remains strong. Nonfarm payrolls rose 136,000 in September, which was slightly less than the consensus expected 145,000. However, at least a few reasons suggest faster job growth in the final quarter of the year. First, upward revisions to prior months added 45,000. Remember the tepid 130,000 gain in payrolls in August? That's now been revised to a healthier 168,000. Second, the initial report on September has come in below consensus expectations in ten of the past twelve years, and usually gets revised higher. And third, civilian employment, an alternative measure of job creation that includes small-business start-ups rose 391,000 in September. Civilian employment is up 183,000 per month in the past year while payrolls are up 179,000, both healthy figures. The best news today was the drop in the unemployment rate to 3.5%, the lowest level since the New York Jets and Joe Namath were reigning Super Bowl champs (that's 1969 if you're a Millennial, or younger). Meanwhile, the employment to-population ratio (the share of those age 16+ with jobs) increased to 61.0%, the highest since 2008. The labor force participation rate remained at 63.2%, tying the highest level since 2013. The worst news in today's report was that average hourly earnings were unchanged in September. We think the months ahead will show that's an outlier and wage growth will rebound quickly. Even so, average hourly earnings are up a respectable 2.9% in the past year. The total number of hours worked were up 0.1% in September and are up 1.4% in the past year. Combining the figures on hours and wages, total wages are up 4.3% from a year ago, which means consumers have plenty of purchasing power. Yes, it'd be better if payrolls grew faster in September, but, given demographics (particularly aging Baby Boomers), anything north of 100,000 per month will tend to push down the jobless rate over time and it's hard to see the jobless rate going much lower than the current 3.5%. In terms of monetary policy, today's report shows why the economy doesn't need another rate cut. Regardless, the Fed is focused on potential downside risks it can't control, like Brexit and trade negotiations, so another rate cut later this year is much more likely than not.

Employment Report *All Data Seasonally Adjusted*	**Sep-19**	**Aug-19**	**Jul-19**	**3-month moving avg**	**6-month moving avg**	**12-month moving avg**
Unemployment Rate	**3.5**	3.7	3.7	3.6	3.6	3.7
Civilian Employment (monthly change in thousands)	**391**	590	283	421	254	223
Nonfarm Payrolls (monthly change in thousands)	**136**	168	166	157	154	179
Construction	**7**	4	-3	3	10	13
Manufacturing	**-2**	2	4	1	3	10
Retail Trade	**-11**	-6	-2	-6	-10	-5
Finance, Insurance and Real Estate	**3**	15	19	12	10	8
Professional and Business Services	**34**	43	37	38	39	36
Education and Health Services	**40**	56	76	57	54	51
Leisure and Hospitality	**21**	9	-13	6	7	29
Government	**22**	46	44	37	22	12
Avg. Hourly Earnings: Total Private*	**0.0%**	0.4%	0.3%	2.6%	2.8%	2.9%
Avg. Weekly Hours: Total Private	**34.4**	34.4	34.3	34.4	34.4	34.4
Index of Aggregate Weekly Hours: Total Private*	**0.1%**	0.5%	-0.2%	1.4%	0.7%	1.4%

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