

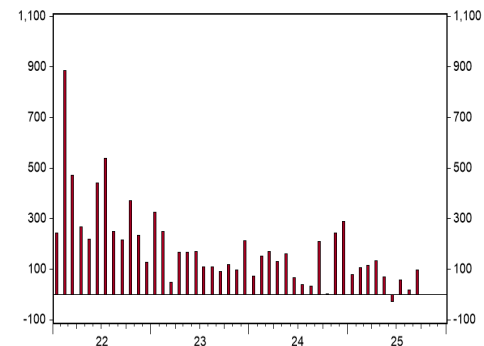
## September Employment Report

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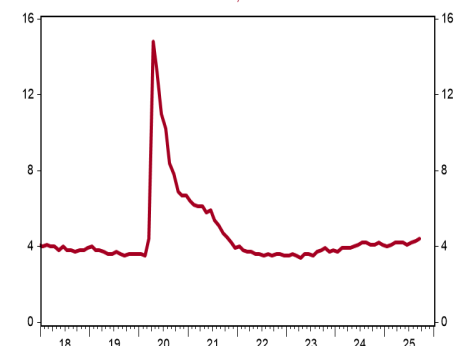
- Nonfarm payrolls increased 119,000 in September, beating the consensus expected 51,000. Payroll gains for July and August were revised down by a total of 33,000, resulting in a net gain, including revisions, of 86,000.
- Private sector payrolls rose 97,000 in September but were revised down by 41,000 in prior months. The largest gains in September were health care & social assistance (57,000) and leisure & hospitality (47,000). Manufacturing declined 6,000 while government grew 22,000.
- The unemployment rate ticked up to 4.4% in September versus 4.3% in August.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in September and are up 3.8% versus a year ago. Aggregate hours rose 0.1% in September and are up 0.9% from a year ago.

**Implications:** The first official employment report released since the federal government shutdown showed the labor market was largely on firm footing in September. However, it's important to recognize that this information is now a little stale and new reports on jobless claims in October and early November suggest a slowdown in job growth. Initial jobless claims came in at 220,000 last week, roughly unchanged from where they were in late September before the shutdown; however, continuing claims came in at 1.974 million, about 50,000 higher than before the shutdown. Regarding September itself, nonfarm payrolls rose 119,000 in September, beating the consensus expected 51,000 and coming in higher than the prediction of any economics group filing a forecast with Bloomberg. Notably, even with a downward revision of 33,000 to prior months, the net gain of 87,000 still beat the consensus forecast. These figures are impressive in light of strict enforcement of immigration laws, as well as uncertainty around trade policy and tariffs. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 251,000, while the labor force (people who are either working or looking for work) grew 470,000. This report also shows signs of strict immigration enforcement, with native-born employment up 2.6 million compared to January while foreign-born employment is down 1.0 million. However, not all the news on the job market in September was good. 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 (including COVID lockdowns and re-openings). This measure of "core payrolls" declined 9,000 in September. The unemployment rate ticked up to 4.4%, but that was the result of more people willing to look for work, so it's not a negative sign. On the inflation front, average hourly earnings grew a modest 0.2% in September and are up only an annualized 3.6% in the past six months, which may give the Federal Reserve an additional reason to cut rates again at the meeting in December. Finally, the Trump Administration continued to make progress reducing federal payrolls, which when we exclude the Post Office and Census workers are down 85,000 versus January, the largest eight-month drop on record going back to at least 1990. In time, we think a smaller government should pay dividends in the form of faster economic growth.

All Employees: Total Private Industries  
Change - Period to Period SA, Thous



Civilian Unemployment Rate: 16 yr +  
SA, %



Source: Bureau of Labor Statistics/Haver Analytics

| Employment Report<br>All Data Seasonally Adjusted        | Sep-25      | Aug-25 | Jul-25 | 3-month<br>moving avg | 6-month<br>moving avg | 12-month<br>moving avg |
|----------------------------------------------------------|-------------|--------|--------|-----------------------|-----------------------|------------------------|
| <b>Unemployment Rate</b>                                 | <b>4.4</b>  | 4.3    | 4.2    | 4.3                   | 4.2                   | 4.2                    |
| <b>Civilian Employment (monthly change in thousands)</b> | <b>251</b>  | 288    | -260   | 93                    | 23                    | 154                    |
| <b>Nonfarm Payrolls (monthly change in thousands)</b>    | <b>119</b>  | -4     | 72     | 62                    | 59                    | 109                    |
| Construction                                             | 19          | -14    | -3     | 1                     | 0                     | 3                      |
| Manufacturing                                            | -6          | -15    | -9     | -10                   | -10                   | -8                     |
| Retail Trade                                             | 14          | 3      | 6      | 8                     | 1                     | 6                      |
| Finance, Insurance and Real Estate                       | 5           | -15    | 1      | -3                    | -1                    | 5                      |
| Professional and Business Services                       | -20         | -17    | -13    | -17                   | -12                   | -5                     |
| Education and Health Services                            | 59          | 43     | 80     | 61                    | 65                    | 69                     |
| Leisure and Hospitality                                  | 47          | 32     | 9      | 29                    | 21                    | 20                     |
| Government                                               | 22          | -22    | 16     | 5                     | 1                     | 11                     |
| <b>Avg. Hourly Earnings: Total Private*</b>              | <b>0.2%</b> | 0.4%   | 0.3%   | 4.0%                  | 3.6%                  | 3.8%                   |
| <b>Avg. Weekly Hours: Total Private</b>                  | <b>34.2</b> | 34.2   | 34.3   | 34.2                  | 34.3                  | 34.2                   |
| <b>Index of Aggregate Weekly Hours: Total Private*</b>   | <b>0.1%</b> | -0.3%  | 0.3%   | 0.7%                  | 0.0%                  | 0.9%                   |

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