

US Unemployment Drops To Half-Century Low

U.S., Change in Non-farm Payrolls SA (m/m 000s) / UR (%) / y/y wage growth (%), September:

Actual: 134.0 / 3.7 / 2.8

Scotia: 160.0 / 3.8 / 2.8

Consensus: 185.0 / 3.8 / 2.8

Prior: 270 / 3.9 / 2.9 (revised from: 201 / 3.9 / 2.9)

- The 51k downside miss on the change in nonfarm payrolls was more than made up for by the 69,000 upward revisions to August and the 18k upward revision to July for a **net positive beat of +36k to consensus. Wage growth met expectations** for a cooler number after August and so the Fed won't care a bit about that and in any event these are still the strongest wage figures since 2009. The FOMC will also look to the trend for job growth which is averaging around 190k over the past three months. That is faster than most estimates of the rate at which new labour supply can grow. **The UR drop to 3.7% is the lowest since January 1970.** On its own, that will reinforce the hawks.
- The unemployment rate fell two ticks to 3.7%. The US unemployment rate number is derived from the companion household survey which reported a strong employment gain of 420k. The civilian labour force grew by 150K. The slower pace of growth in the labor force drove the unemployment rate to 3.7%, which hasn't been seen in nearly a half century. The participation rate stayed constant at 62.7%.
- August's average hourly earnings growth on a m/m basis was revised down from 0.4% to 0.3%. September's m/m measure was a beneficiary of the downward revision as the measure stayed constant at 0.3% m/m. A strong base effect in the y/y calculation for the September report drove average hourly earnings upward at a slightly cooler pace of 2.8% y/y (2.9% prior).
- By sector, the job gains had breadth. Our Sam Fraser notes that employment in restaurants & bars declined 18,200. That may show the effects of Florence but Florence's impact on employment was minimal compared to disruptions caused from Harvey and Irma. Recall that last year's September change in nonfarm payrolls was 14K, which was attributable to the two hurricanes. Although Florence may have marginal impacts on macroeconomic data that is to come, it shouldn't be as pronounced as in 2017.
- Goods producing industries added 46K jobs. Looking into the broad industry, construction (23K) and manufacturing (18K) jobs were the largest contributors.
- The service-providing industries saw jobs grow by 75K. Professional and business services were the largest job growth contributors by far, adding 54 thousand jobs. Most of the rise in business services was excluding temp workers.
- Government jobs grew by 13K. The job gains were entirely from the state level. Federal government jobs shrunk by 1K and local government jobs decreased by 8K. State government jobs grew by 22K.
- Aggregate hours worked were up 0.1% m/m despite Florence and following a 0.3% m/m rise in August.

CONTACTS

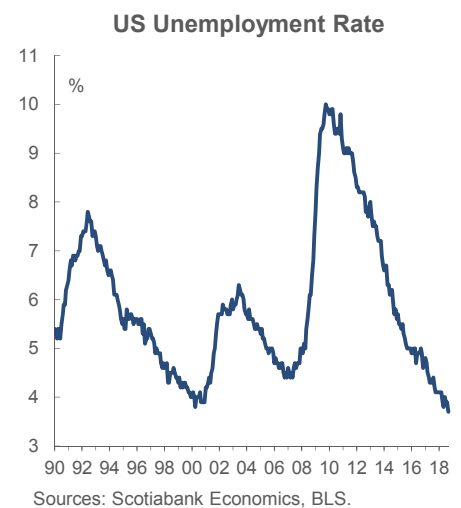
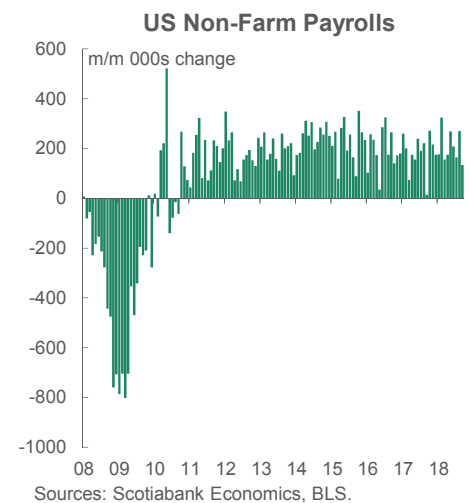
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