

US: SOLID SEPTEMBER JOBS REPORT

A 156k new jobs (net) were added to US nonfarm payrolls in September - a deceleration from the prior month's revised 167k gain (+151k previous). Average hourly wages advanced 0.2% m/m and aggregate hours worked rebounded by 0.4% suggesting faster total personal income growth and better private consumption in September. The household survey was solid with the labor force increasing by 444k, most since February, and a sign of more confidence in job-finding prospects (see Chart 4). Indeed, the household survey's employment increased 354k, outpacing the 90k gain in unemployment. The employment population-ratio and the unemployment rate both ticked up by 0.1pp to 59.8% and 5.0%, respectively.

Overall, this was a solid employment report, and one that was expected with the labor market near full employment. Our base case is that there will continue to be a step down in job growth over the coming year (see Chart 1). Slower job gains imply more modest gains in total incomes, unless wages accelerate unexpectedly, which places some downside risk on private consumption (See "[Assessing the risks of a US recession](#)", 30 September 2016).

Details:

-Average hourly earnings picked up to 2.6%, but remained within its recent 2.4-2.7%. Anecdotal evidence suggests that a shortage of skilled labor is placing upward pressure on wages, but we continue to expect only a gradual increase in wages to around 3% due to skepticism about how much wages can accelerate in this low economic growth environment.

-Aggregate hours worked bounced back by 0.4% in September after the 0.2% drop in August which served as a harbinger of the broadly weak economic data that month (see Chart 2). The rebound points to better economic momentum entering Q4.

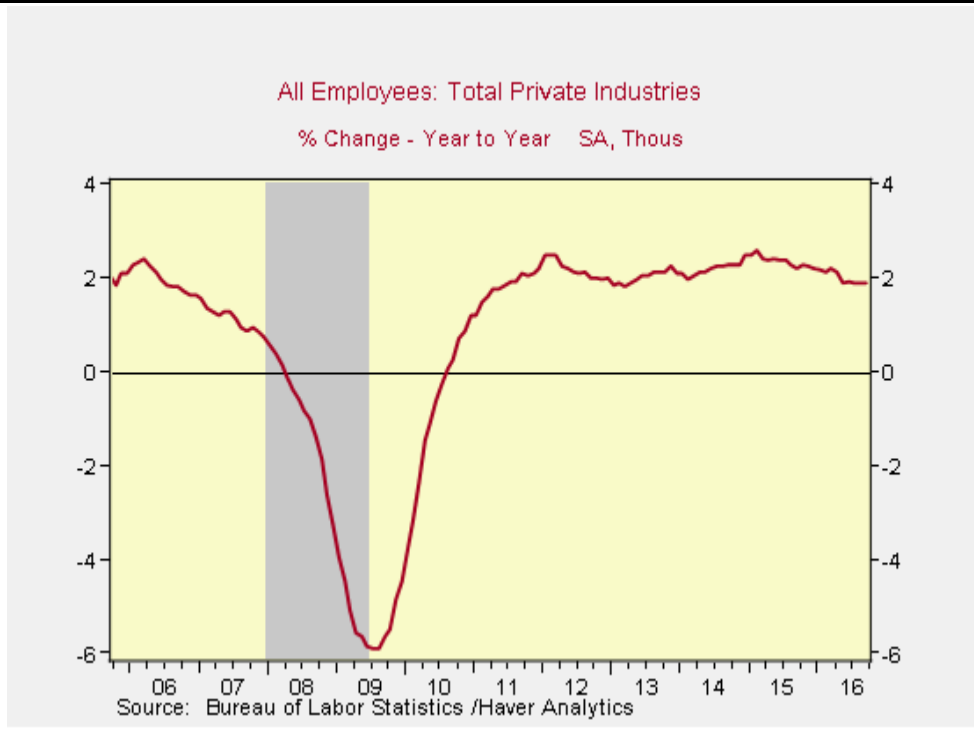
-Private employment increased by 167k as government payrolls fell (-11k) for the first time since April. Surprisingly it was state and local governments which reduced employment for the first time in almost a year.

-The goods sector added jobs for the second time in eight months led by construction employment while manufacturing shed 13k jobs. Total payrolls in the mining sector were actually unchanged in September, the first time the sector hasn't shed jobs since September 2014 - a good sign that activity is stabilizing for energy/energy-related firms (see Chart3).

-Service sector employment slowed to 157k, with all major industries slowing hiring, except for professional business services which was boosted by a robust gain in temporary help services employment.

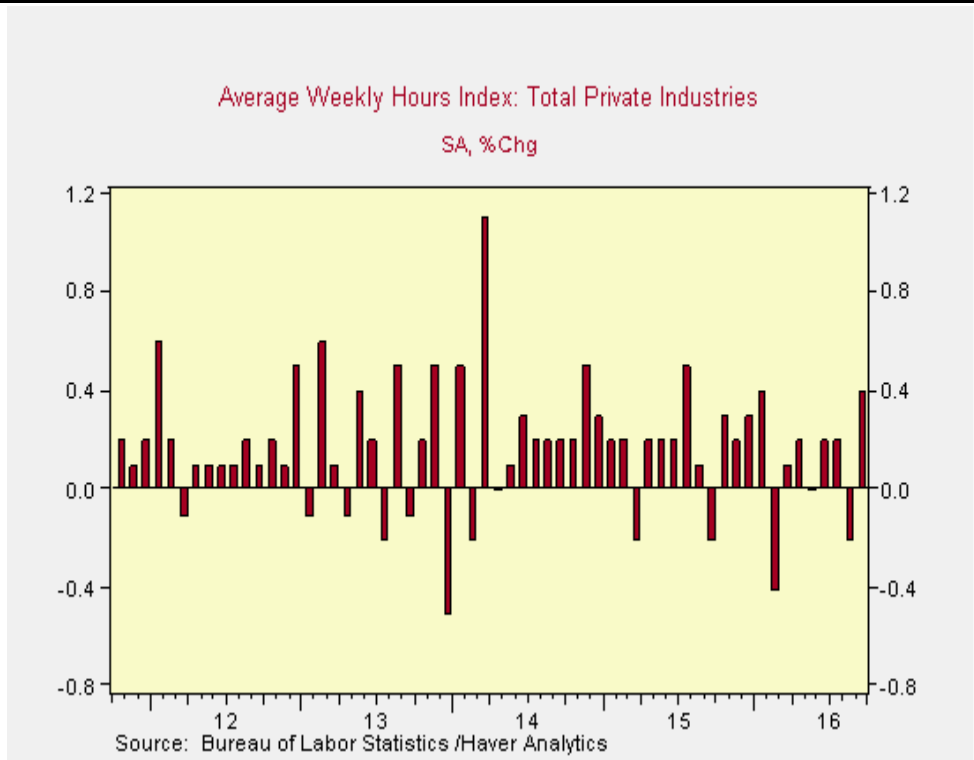
07 October 2016

Chart 1: Total Private Employment (Year-Over-Year Percent Change)



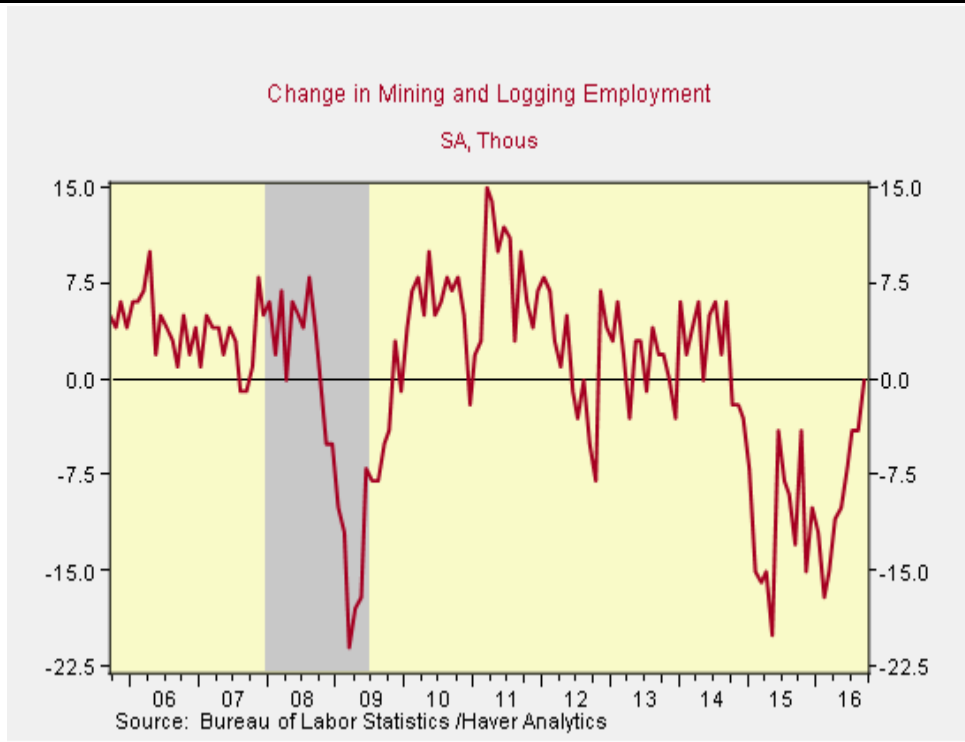
Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 2: Average Weekly Hours Worked in Total Private Industries (Month-Over-Month Percent Change)



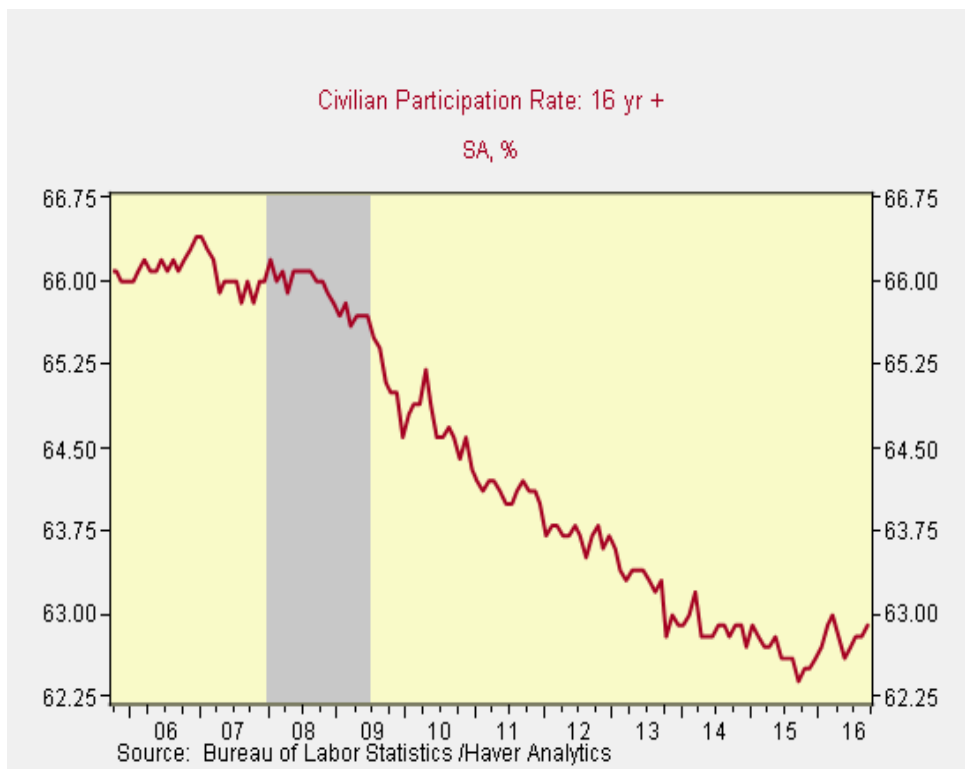
Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 3: Mining and Logging Employment (Month-Over-Month Change)



Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 4: Civilian Labor Force Participation Rate



Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

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