

U.S. Payrolls: A September Not To Remember

U.S. nonfarm payrolls fell a larger-than-expected 263,000 (-0.2%) in September, bucking the general trend of slowing job losses since the massive -741,000 in January. Adding salt, payrolls were revised down 13,000 in the previous two months. The only redeeming factor in the report is that private-sector employment fell less than the headline (-210k), though even that marked some worsening from the prior month (-182k). Local governments, facing diminished property tax revenue, chopped payrolls 37k. Manufacturers continued to slash as well (-51k), despite signs of stabilization, and non-residential construction workers also remained under the knife. Cutbacks in temporary help services (a bellwether of overall job trends), though slowing, have yet to end. The household survey showed an even larger loss of jobs: -785k (-0.6%) after -392k the previous month. This lifted the jobless rate another rung to 9.8%, a 26-year high. The only reason the jobless rate didn't rise more is that the participation rate sank to 23-year lows of 65.2%, a sign of growing discouragement. The average duration of unemployment rose to a record-high 26.2 weeks, while the employment rate fell to a quarter-century low of 58.8%. Average hourly earnings rose 0.1%, lowering the yearly rate to 2.5%, down 1.2 ppts since the start of the year, which should extend the core disinflation.

The index of aggregate weekly hours fell 0.5% in September and was down 3.0% annualized in the quarter, suggesting a downside risk to our Q3 GDP growth estimate of 3.8% even assuming a sizeable gain in productivity. Total job losses since December 2007 amount to 7.2 million or 5.2%, the worst percentage decline since 1945. Further, the BLS announced preliminary estimates to its annual payroll revisions (to be published in February 2010) that suggest an additional 824,000 jobs were lost in the 12 months to March 2009.

(thousands)	Sep	Aug	Jul	(average change)	
				3 months	12 months
Nonfarm Payrolls	-263	-201	-304	-256	-482
Goods Producing	-116	-132	-116	-121	-232
Service Producing	-147	-69	-188	-135	-250
Manufacturing	-51	-66	-41	-53	-134
Construction	-64	-60	-69	-64	-91
Retail Trade	-39	-9	-45	-31	-48
Avg. Hourly Earnings (% chng)	0.1	0.4	0.3	2.8 ***	2.5 ****
Private Workweek (hours)	33.0	33.1	33.1	33.0 *	33.6 *
Mfg. Workweek (hours)	39.8	39.9	39.9	39.5 *	40.5 *
Aggr. Hours Worked (% chng)	-0.5	-0.2	0.1	-2.4 ***	-6.9 ****
Unemployment Rate (%)	9.8	9.7	9.4	9.5 *	6.2 *

* 3 and 12 months ago *** 3-month % change **** year/year % change

The Bottom Line: Though the underlying trend in job losses is slowing, the September report almost cements the jobless-recovery view. Sal Guatieri, 416-359-5295

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