

U.S. Employment (September); Trade Balance (August)

## Jobs Bull Market Still Running

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**Bottom Line:** Apart from trade, the U.S. economy is strong and the trend in job growth remains healthy, with the record stretch of payroll gains now at 96 months. The Fed will stress over the near half-century low jobless rate, keeping a rate hike well on track for December.



U.S. nonfarm payrolls disappointed with a 134,000 gain in September. The BLS said that Hurricane Florence may have affected some industries. But the soft print is likely more due to payback from recent strength. August's increase was marked up to 270,000, and the two-month revision tallied 87,000. The three-month average (190,000) is a modest step back from the six-month pace (203,000), but surprisingly healthy despite worsening labour shortages. Industry gains were widespread, with a notable rebound in manufacturing. Household survey jobs snapped back 420,000 after a slightly larger decline the prior month. This lowered the unemployment rate to 3.7% (3.683%), last seen in late 1969. The U6 rate kicked up a notch to 7.5%, but it still indicates a drum tight labour market. Average hourly earnings rose 0.3%, trimming the yearly rate from nine-year highs to 2.8%. Aggregate weekly work hours rose a light 0.1% after a 0.3% gain the prior month. The quarterly annualized gain of 1.6%, if matched by an increase in productivity, is still consistent with our call for 3.0% Q3 GDP growth. We grade the overall jobs report at 63.1, well above this year's average and the neutral 50 mark, **confirming underlying strength, rather than weakness, in labour market conditions.**

The biggest drag on Q3 growth will come from a **widening trade deficit**, which hit a **6-month peak of \$53.2 billion in August**. Reversing soybean shipments (and likely retaliatory tariffs) led to a further 0.8% slide in exports. Meantime, imports continued to motor higher (up 0.6%), as a firmer dollar is offsetting some of the purchasing-power hit from tariffs. The U.S. trade gap with China ballooned to a record high, which won't help ease tensions between the two countries.

Employment					
United States (change in thousands)					
		Sep	Aug	Jul	(average change)
					3-mo. 12-mo.
Nonfarm Payrolls		134	270	165	190 211
Private Sector		121	254	137	171 206
Manufacturing		18	5	22	15 23
Construction		23	26	19	23 26
Retail Trade		-20	12	2	-2 5
Avg. Hourly Earnings	(% chng)	0.3	0.3	0.3	3.8 <sup>1</sup> 2.8 <sup>2</sup>
Private Workweek	(hrs)	34.5	34.5	34.5	34.6 <sup>3</sup> 34.3 <sup>4</sup>
Mfg. Workweek	(hrs)	42.1	42.2	42.2	42.1 <sup>3</sup> 41.8 <sup>4</sup>
Aggr. Hours Worked	(% chng)	0.1	0.3	-0.2	0.7 <sup>1</sup> 2.6 <sup>2</sup>
Unemployment Rate	(%)	3.7	3.9	3.9	4.0 <sup>3</sup> 4.2 <sup>4</sup>
Total Unemployment Rate	(%)	7.5	7.4	7.5	7.8 <sup>3</sup> 8.3 <sup>4</sup>
Avg. Duration of Unemp.	(wks)	24.0	22.6	23.2	21.2 <sup>3</sup> 26.6 <sup>4</sup>
Household Employment		420	-423	389	129 137

<sup>1</sup> (3-mo. % change : a.r.) <sup>2</sup> (12-mo. % change) <sup>3</sup> (3 mo. ago) <sup>4</sup> (12 mo. ago)

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