

U.S. Data Review

- Payrolls: pronounced weather distortions, but undoubtedly favorable
- Unemployment: markedly lower; free of weather distortions...
- ...but probably containing a dose of random volatility

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The Labor Market in September

Nonfarm payrolls fell 33,000 in September, ending a string of 83 consecutive monthly increases. In addition, results in the prior two months were revised lower by a combined total of 38,000 (51,000 lower in July and 13,000 higher in August; results in both months were still respectable at 138,000 in July and 169,000 in August; see table, next page).

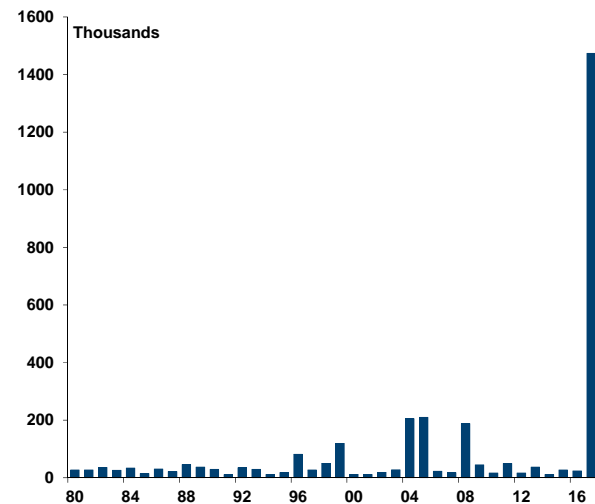
September appeared quite soft, but Hurricanes Harvey and Irma undoubtedly had an influence. The household survey tabulates the number of individuals that were not at work because of bad weather, and the figure for September was astonishing at 1.47 million -- monumentally higher than the 210,00 registered after Hurricane Katrina in 2005 or the 205,000 registered after the trio of hurricanes in 2004 (Frances, Ivan, Jeanne; see chart). The payroll and household surveys are not directly linked, and thus the number of individuals out of work because of bad weather cannot be converted to a payroll-like number, but one can safely conclude that the effect on payrolls was large.

The sharp decline in payrolls was concentrated in the leisure category (off 111,000), which seems logical. Many restaurants, amusement parks, and sporting venues would have been closed during and after the storms. The business service and healthcare industries, usually sources of strong job growth, posted below-average results.

Average hourly earnings jumped 0.5 percent in September, matching the sharpest increases of the current expansion. This figure, however, should be interpreted cautiously because it too might have been distorted by the hurricanes. This figure is the average earnings of those who worked during the survey period. If primarily lower-paid workers were off the job, their absence would push the resulting average higher. Results in the prior two months were revised higher (July now also showing 0.5%), which is encouraging, but we would not get excited about the jump in September.

The unemployment rate fell 0.2 percentage point to 4.2 percent (4.220 percent versus 4.442 percent). The jobless rate should not be affected by the hurricanes. This figure, based on a survey of households rather than business establishments, considers individuals as employed even if they missed work because of bad weather. This survey showed a huge increase in new jobs (906,000) that more than offset a surge in the size of the labor force (575,000). September clearly brought strong results, but the household survey often shows sharp swings. The surge in September was not the sharpest of the expansion (959,000 in November 2013), and readings above 500,000 are not uncommon. Thus, the latest figure probably contained an element of random volatility. Indeed, part of the jump probably reflected payback for a drop of 74,000 in the prior month. The latest tally on employment as measured by the household survey is hard to believe, but nevertheless it allows one to conclude that labor market conditions were quite firm in September (and in September and August combined).

Employment: Weather Effects*



* Employees in non-agricultural industries who missed work because of bad weather. September data.

Source: Bureau of Labor Statistics

The broad unemployment rate (U-6) also improved with a drop of 0.3 percentage point to 8.3 percent. The favorable results in the U-3 measure were joined by a sharp decline in the number of individuals working part-time involuntarily.

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate (Percent)	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2015	226	213	5.3	10.4	209	143	59.4	11.7	6,365	0.2	34.5
2016	187	170	4.9	9.6	173	140	59.7	10.8	5,943	0.2	34.4
2017	148	144	4.4	8.7	248	167	60.1	10.2	5,397	0.2	34.4
Qtrly. Average											
17-Q1	166	162	4.7	9.2	296	187	60.0	10.2	5,699	0.2	34.3
17-Q2	187	185	4.4	8.5	56	-19	60.1	10.1	5,272	0.2	34.5
17-Q3	91	86	4.3	8.5	392	334	60.2	10.5	5,220	0.4	34.4
2017 Monthly											
Apr.	207	194	4.4	8.6	156	12	60.2	10.2	5,272	0.2	34.5
May	145	153	4.3	8.4	-233	-429	60.0	10.4	5,219	0.2	34.4
June	210	207	4.4	8.6	245	361	60.1	9.6	5,326	0.2	34.5
July	138 (189)	133	4.3	8.6	345	349	60.2	10.6	5,282	0.5	34.4
Aug.	169 (156)	164	4.4	8.6	-74	77	60.1	10.5	5,255	0.2	34.4
Sept.	-33	-40	4.2	8.3	906	575	60.4	10.3	5,122	0.5	34.4

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics