

07.Oct.2022

### **Employment: Solid Gains Will Keep Fed Hiking**

**Bottom Line:** Job gains were slightly stronger than expected in September, despite seasonal adjustments that pushed down the reported level of retail trade and teaching jobs. Leisure and hospitality led the job gains, while the healthcare sector also saw robust gains. The unemployment rate dropped two-tenths to 3.5%, well below expectations as the labor force surprisingly declined. Finally, average hourly earnings rose another 0.3% on the month, mostly as expected and continuing the trend of solid wage gains.

**Overall, this was a solid labor report, and the trend rate of job growth is decelerating only very slightly. Given the Fed's focus on the strength of the labor market as a critical factor behind sustained inflation, this report will likely be fodder for the hawks that they need to do more to fight inflation. Expect markets to continue to price for another 75bp hike in November and increase the odds that they go at least 50, possibly 75, in December.**

## Total Nonfarm Payrolls September: +263.0k, consensus: +255k



Contingent Macro Advisors 2022 source: BLS via FRED

**Payroll Employment** rose by 263k in September, compared with market expectations for an increase of 265k. The prior 2 months were revised, slightly higher in August and higher in July by 11k.

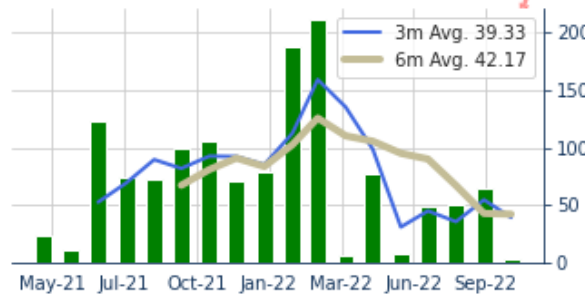
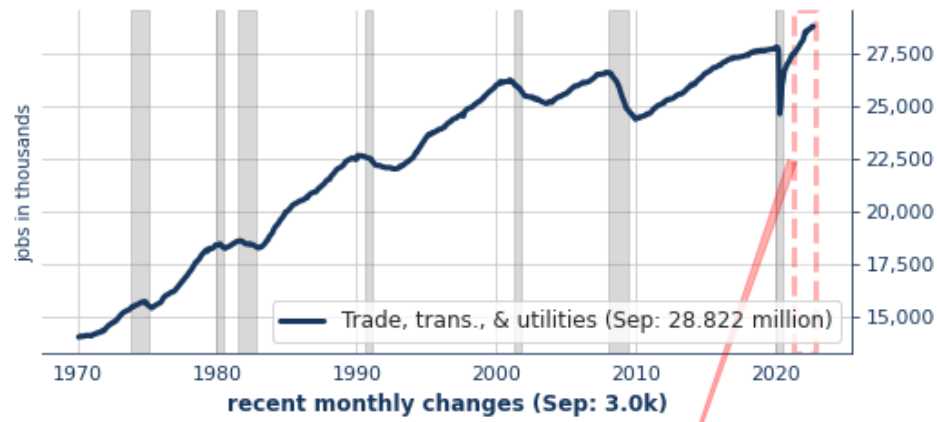
- **Government** jobs FELL by 25k.
- **Private sector jobs ROSE** by 288k.
- **Private education jobs rose** by 14k. **State and Local education jobs fell** by -29k.

Overall employment is now 3.9% ABOVE its year-ago level, Over the past 12 months, 5,690k jobs have been created. In September, the job gains were in:

- Trade, Transportation & Utilities (+4k with -1k of those in Retail Trade)
- Professional & Business Services (+46k with the addition of 27.2k in Temp Help Services)
- Leisure & Hospitality (+83k)
- Education & Health Services (+75k)
- Manufacturing (+22k)
- Construction (+19k)
- Other Services (+17k), and
- Information (+13k).

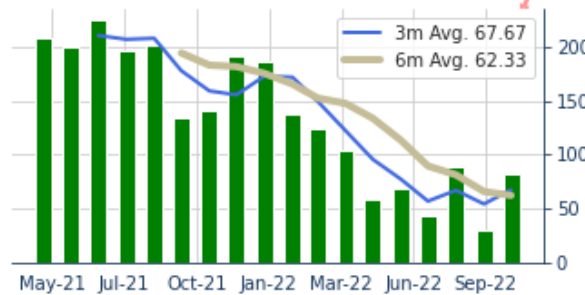
Jobs were shed in Financial Activities (-8k), and Government (-25k).

## Trade, trans., & utilities



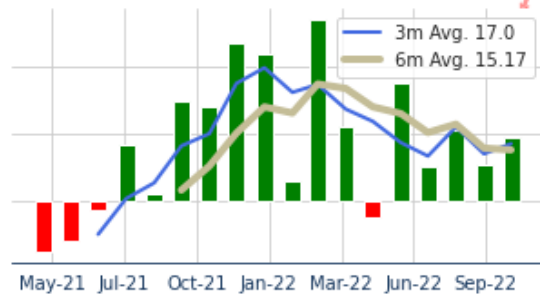
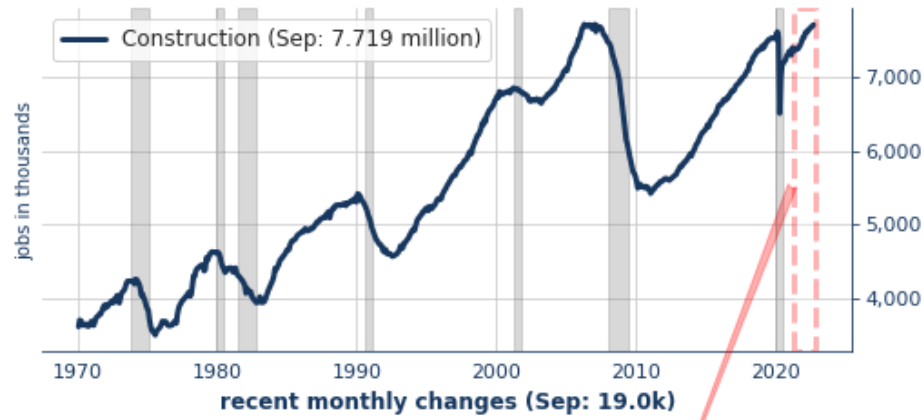
Contingent Macro Advisors 2022 source: US BLS

## Leisure & hospitality



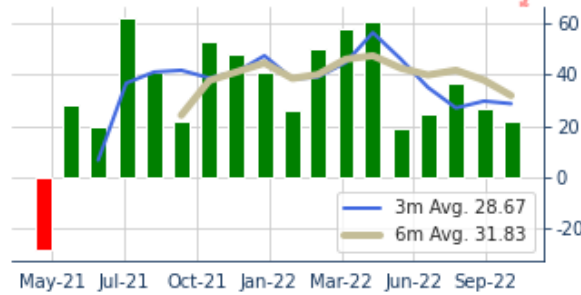
Contingent Macro Advisors 2022 source: US BLS

## Construction



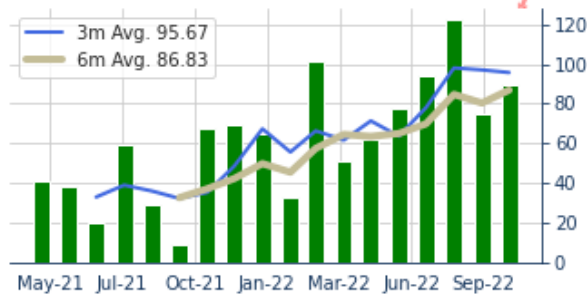
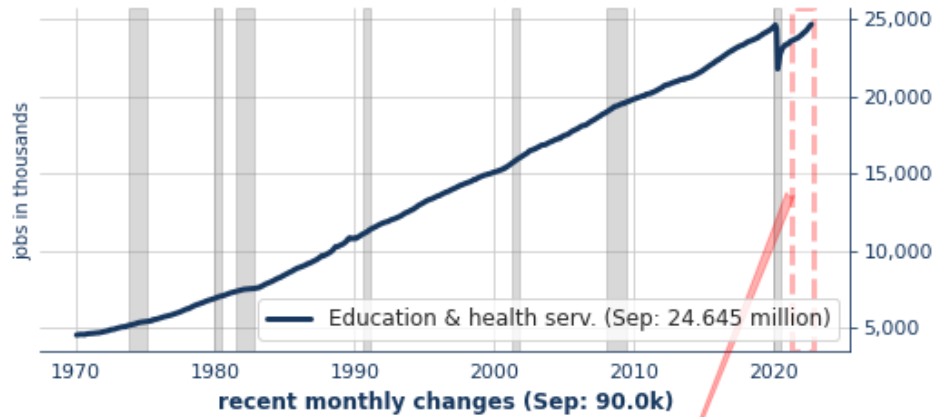
Contingent Macro Advisors 2022 source: US BLS

## Manufacturing



Contingent Macro Advisors 2022 source: US BLS

## Education & health serv.



Contingent Macro Advisors 2022 source: US BLS

Change in US Employment - Major Sectors in 000s	Sep-22	Aug-22	Jul-22	Jun-22	3m. avg.	6m. avg.	12m. avg.	2021	Avg Mo. prior 5 yrs.
<b>Total nonfarm</b>	263.000	315.000	537.000	293.000	371.700	360.300	474.200	561.917	63.700
<b>Trade, trans., &amp; utilities</b>	3.000	65.000	50.000	49.000	39.300	42.200	76.200	83.750	13.800
<b>Education &amp; health serv.</b>	90.000	75.000	122.000	94.000	95.700	86.800	75.700	49.083	16.800
<b>Prof. &amp; business serv.</b>	46.000	54.000	84.000	90.000	61.300	63.800	90.800	94.333	25.600
<b>Government</b>	-25.000	40.000	89.000	-53.000	34.700	17.700	14.200	37.500	-2.700
<b>Leisure &amp; hospitality</b>	83.000	31.000	89.000	43.000	67.700	62.300	104.800	196.333	-12.300
<b>Manufacturing</b>	22.000	27.000	37.000	25.000	28.700	31.800	38.900	30.417	3.300
<b>Financial activities</b>	-8.000	7.000	7.000	5.000	2.000	8.700	13.600	11.833	8.200
<b>Construction</b>	19.000	11.000	21.000	10.000	17.000	15.200	24.300	15.750	12.100
<b>Other serv.</b>	17.000	3.000	17.000	-4.000	12.300	9.300	16.700	23.750	-1.800
<b>Information</b>	13.000	5.000	16.000	26.000	11.300	17.800	14.100	16.167	1.700
<b>Mining &amp; logging</b>	3.000	-3.000	5.000	8.000	1.700	4.700	4.800	3.000	-1.000

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**The Unemployment Rate** FELL by 0.2 percentage points in September to 3.5%, compared with market expectations for a small decline to 3.5%.

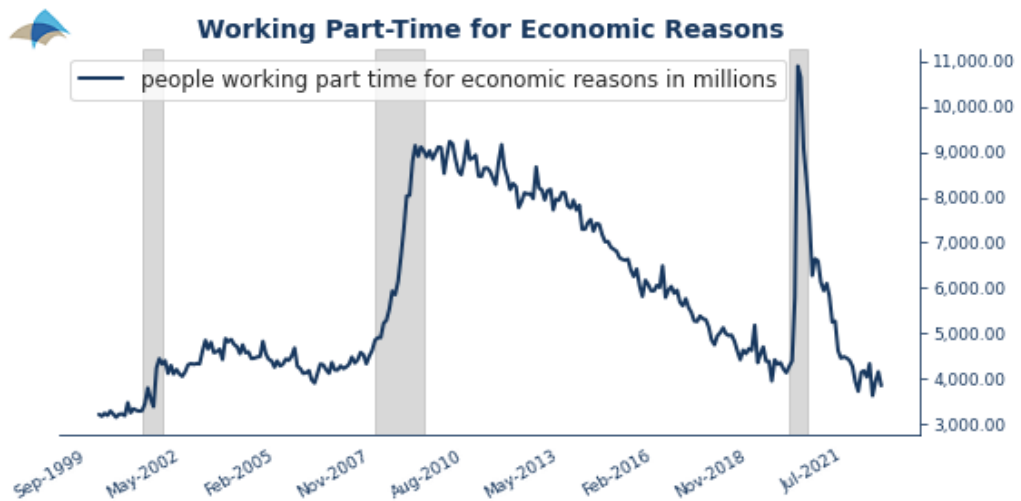
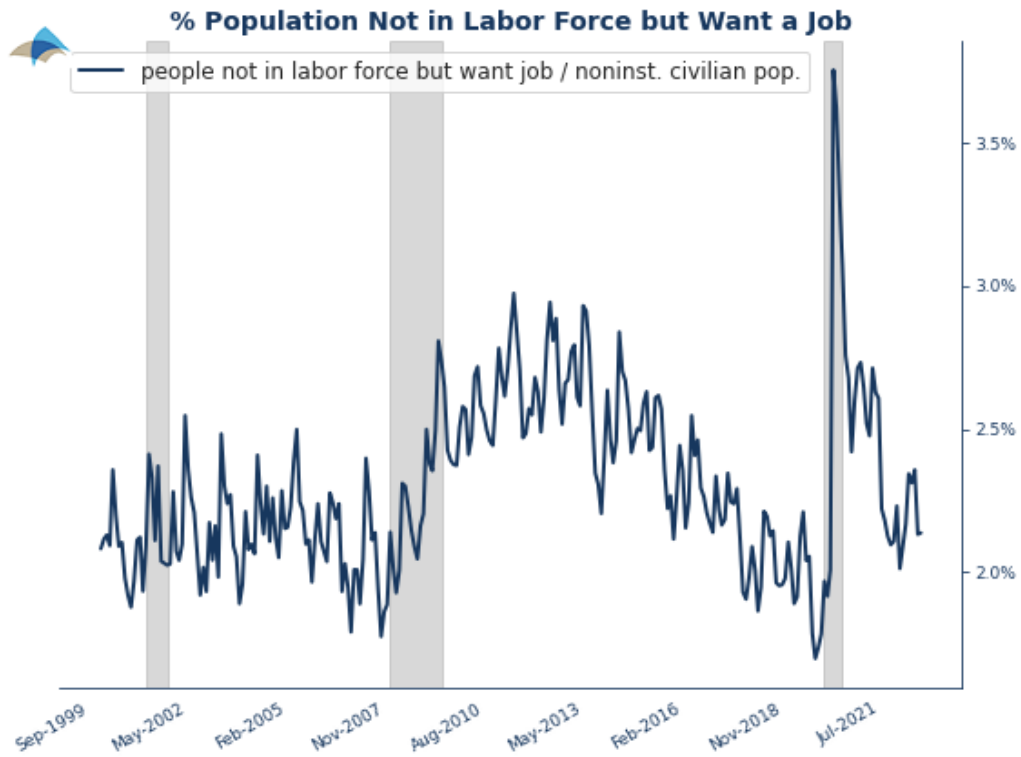
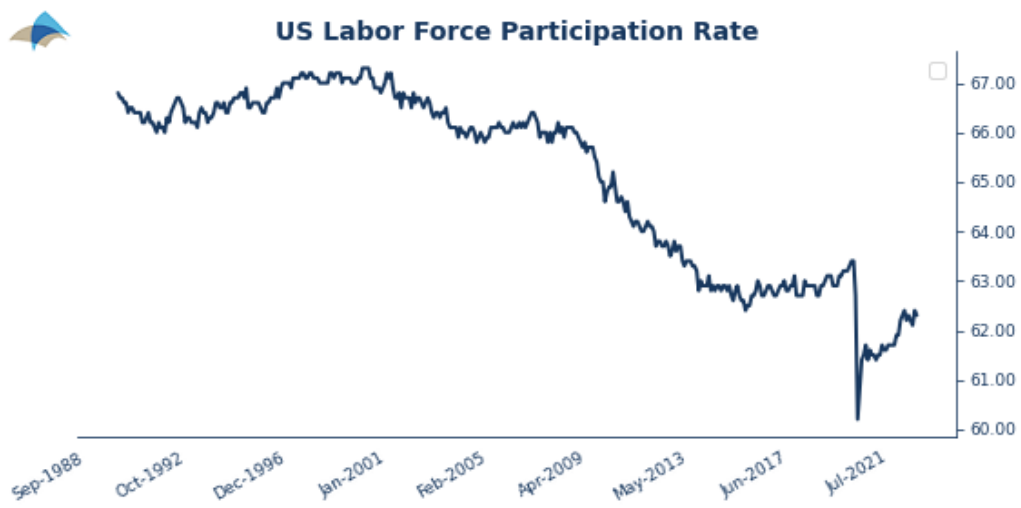
**Household employment** rose by 204k while the **labor force declined** by 57k, resulting in a decrease in the number of unemployed of 261k.

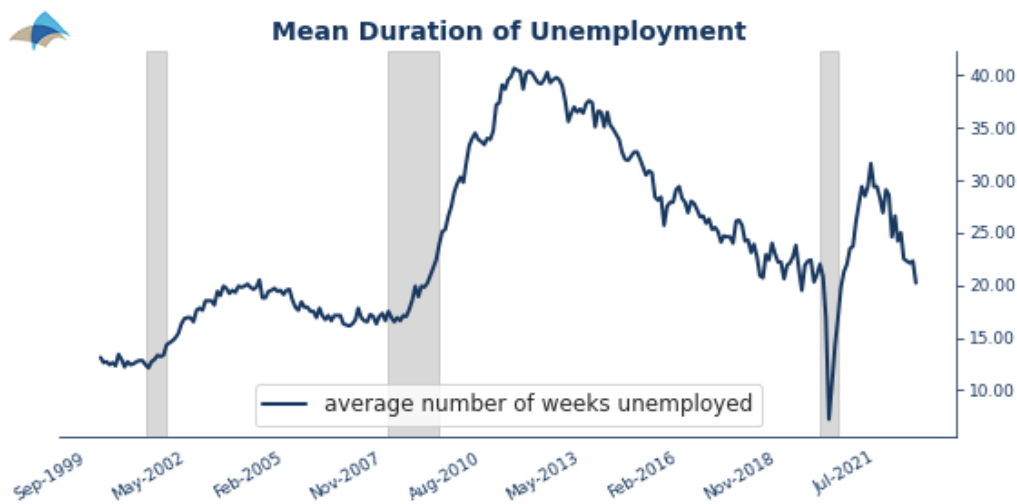
**The Labor Force Participation Rate** FELL by 0.1 percentage points to 62.3%. **The Employment-Population Ratio** was UNCHANGED at 60.1%.

**The number of people Working Part-Time for Economic Reasons** FELL by 312k to 3,763k. while **Long-Term Unemployment** FELL by 70k to 1,067k (accounting for 18.5% of the unemployed), while the **Mean Duration of Unemployment** FELL by 2.1 weeks to 20.2 weeks. There are now 5.8 million people officially unemployed. In addition, there are another 5,834k people who say they want a job but are not currently looking for one. Finally, another 3,763k people are working part-time because of slack economic conditions.



Contingent Macro Advisors 2022 source: US BLS





	Sep-22	Aug-22	Jul-22	Jun-22	Average for						
					Three Months	Six Months	Twelve Months	2020	2019	Five Years	Ten Years
<b>Unemployment Rate</b>	3.5%	3.7%	3.5%	3.6%	3.6%	3.6%	3.8%	8.1%	3.7%	5.0%	6.1%
Civilian Labor Force (mln.)	164.7	164.7	164.0	164.0	164.5	164.3	163.7	164.6	163.1		
Change (thousands)	-57	786	-63	-353	222	47	268	124	218	138	96
Household Employment (mln.)	158.9	158.7	158.3	158.1	158.7	158.4	157.5	149.9	158.8		
Change (thousands)	204	442	179	-315	275	80	428	167	239	186	173
Unemployed (mln.)	5.8	6.0	5.7	5.9	5.8	5.9	6.2	10.8	5.9	7.4	9.0
Change (thousands)	-261	344	-242	-38	-53	-33	-159	-43	-21	-48	-77
Not in the Labor Force (mln.)	99.7	99.4	100.1	99.8	99.7	99.6	99.6	100.6	95.5	96.5	93.6
Currently wants a job (mln.)	5.8	5.5	5.9	5.7	5.8	5.7	5.7	7.3	4.8	5.7	6.0
Adjusted Unemployment Rate	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	7.0%	10.8%	6.3%	7.8%	9.1%
Not at work due to weather ('00's)	0.0	29.0	33.0	12.0	20.7	28.2	64.0	111.0	112.0	137.8	144.6
<b>Mean Duration (in weeks)</b>	20.2	22.3	22.1	22.3	21.5	22.4	24.5	23.7	21.0	23.5	29.3
<b>Long-Term Unemployed (000's)</b>	1,067	1,137	1,067	1,336	1,090	1,241	1,567	3,979	1,196	1,974	2,901
<b>Part-Time for Economic Reasons (000's)</b>	3,763	4,075	3,888	3,694	3,909	3,942	3,995	6,036	4,073	5,004	6,133

Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.

**The Index of Aggregate Hours** ROSE by 0.2%, combining the solid gain in private payroll employment and the steady workweek.

**Hourly Earnings** ROSE by 0.3% in September, below market expectations of 0.4%. Hourly earnings are now 5.0% ABOVE their year-ago level.

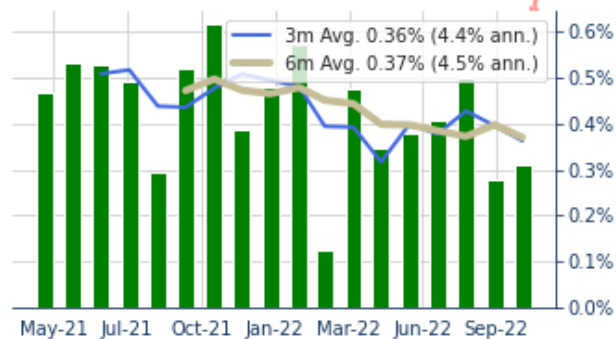
**Weekly Earnings** also ROSE by 0.3%, the result of the change in hourly earnings and a steady workweek. Weekly earnings are now 4.1% ABOVE their year-ago level.

**The Average Workweek** was UNCHANGED at 34.5 hours, BELOW the market consensus of 34.7 hours.

## US Private Average Hourly Earnings September: +4.98%, consensus: +5.0%

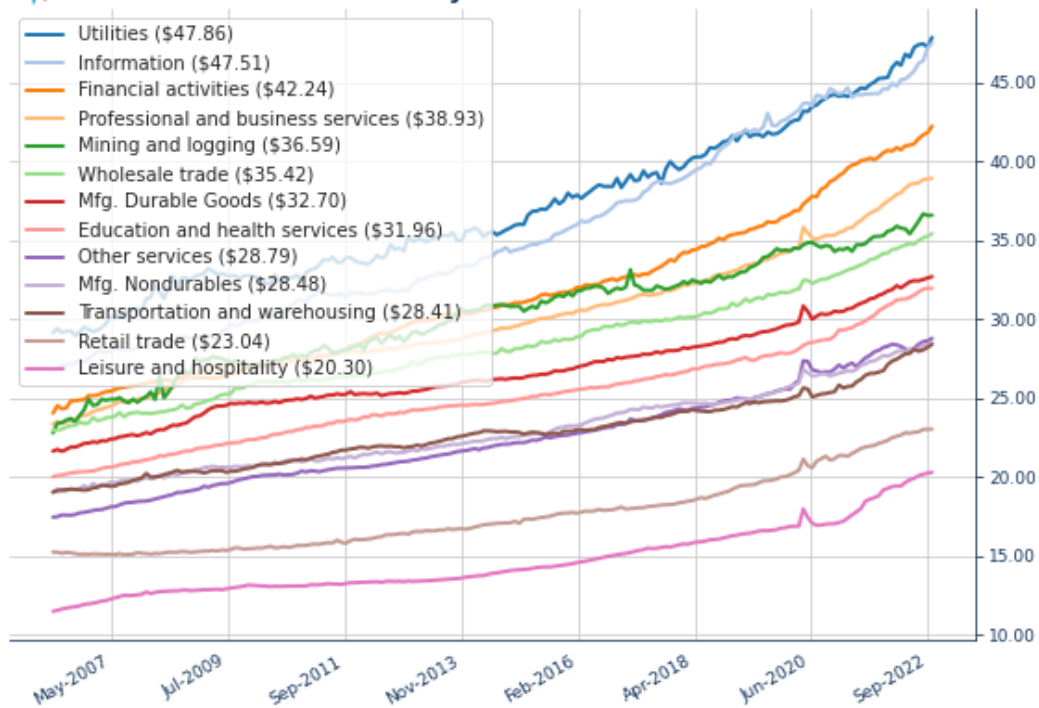


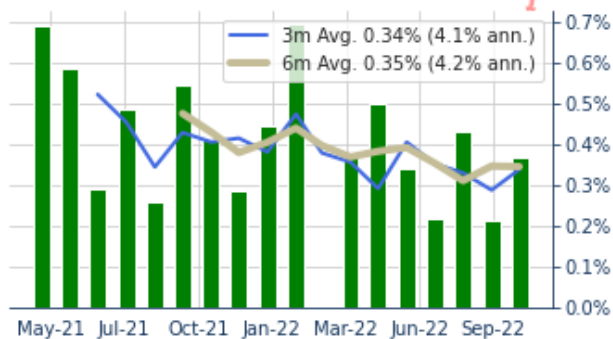
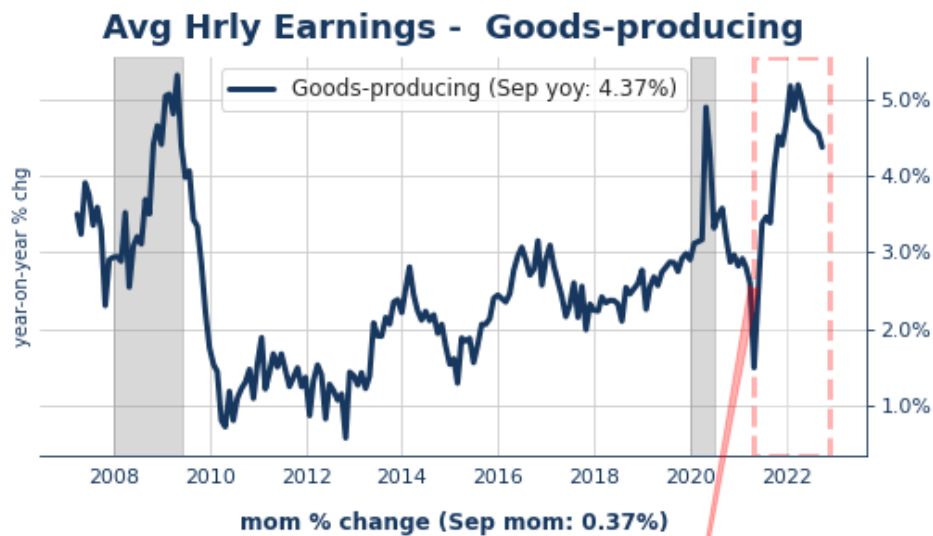
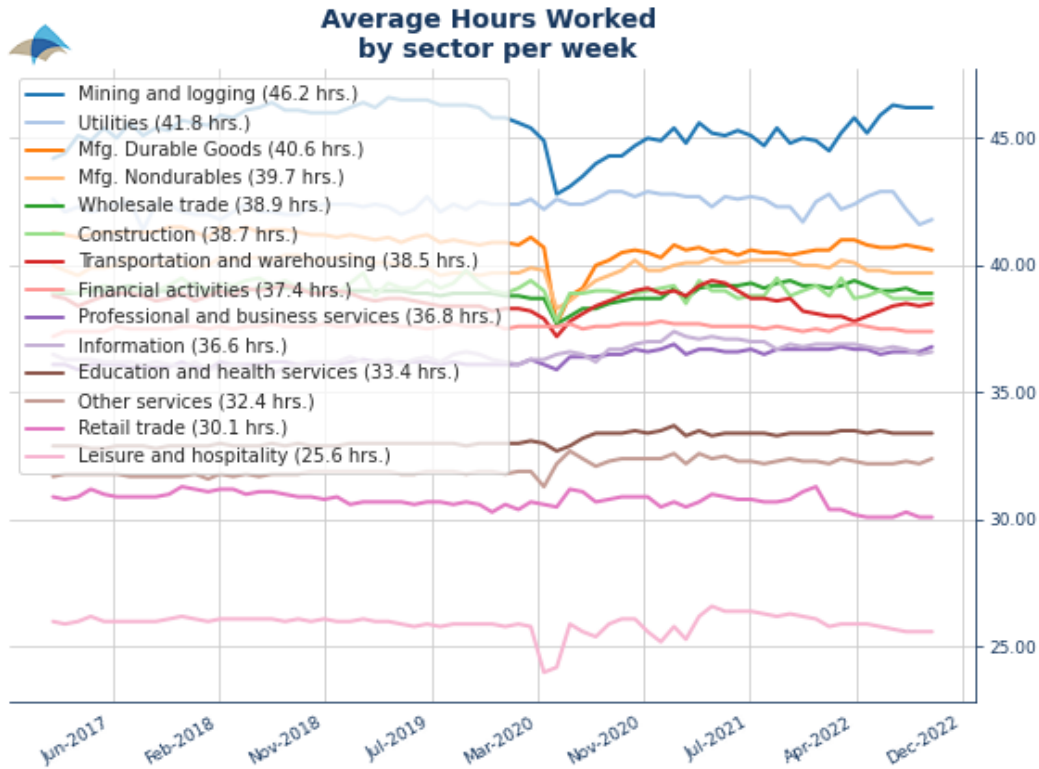
September: +0.31%, consensus: +0.3%(mom % )



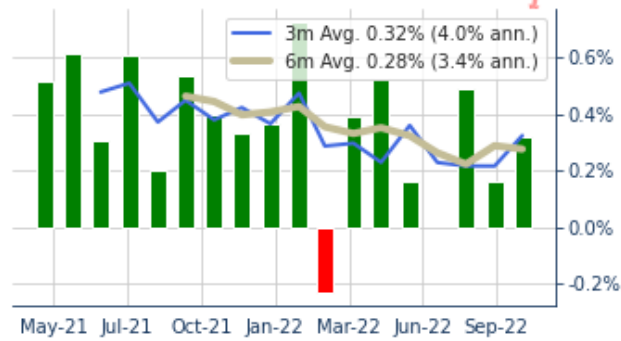
Contingent Macro Advisors 2022 source: US BLS via FRED

## Average Hourly Earnings by sector





## Avg Hrly Earnings - Manufacturing



Contingent Macro Advisors 2022 source: US BLS via FRED

## Avg Hrly Earnings - Leisure and hospitality



Contingent Macro Advisors 2022 source: US BLS via FRED

	Annualized Averages for										
	Sep-22	Aug-22	Jul-22	Jun-22	Three Months	Six Months	Twelve Months	2020	2019	Five Years	Ten Years
<b>Average Hourly Earnings</b>											
<i>Prior Estimate</i>	0.31%	0.3%	0.5%	0.4%	4.4%	4.5%	5.0%	2.9%	3.4%	3.5%	2.6%
0.3%			0.5%	0.4%							
<b>Average Weekly Earnings</b>	0.31%	0.3%	0.5%	0.1%	4.4%	3.9%	4.1%	2.3%	3.4%	3.7%	2.7%
<b>Average Weekly Hours</b>											
Total Private	34.5	34.5	34.5	34.5	34.5	34.5	34.6	34.2	33.5	33.7	33.7
<i>Prior Estimate</i>		34.6	34.6	34.7							
Goods Producing	39.9	39.9	39.9	39.9	39.9	39.9	40.0	39.9	40.1	40.2	40.3
Manufacturing	40.3	40.3	40.4	40.3	40.3	40.4	40.4	40.1	40.4	40.6	40.7
Overtime	0.0	3.3	3.3	3.2	2.2	2.7	3.0	3.2	3.2	3.3	3.4
Service Producing	33.5	33.4	33.5	33.5	33.5	33.5	33.6	33.7	33.2	33.3	33.3
<b>Index of Aggregate Weekly Hours</b>											
Total Private	0.2%	0.3%	0.3%	0.0%	2.9%	2.5%	3.5%	0.7%	1.8%	0.1%	0.9%
<i>Prior Estimate</i>		-0.1%	0.6%	0.0%							
Goods Producing	0.2%	0.1%	0.3%	0.0%	2.5%	1.9%	3.2%	-0.6%	3.3%	0.1%	0.9%
Manufacturing	0.2%	-0.1%	0.5%	0.0%	2.6%	1.1%	3.5%	-1.2%	2.3%	-0.5%	0.2%
Service Producing	0.5%	-0.1%	0.3%	0.3%	3.1%	2.6%	3.9%	1.3%	1.4%	0.1%	1.0%

Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.