Payroll Data for September 2016

Monthly U.S. Employment Data	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
NonFarm Total	+144	+24	+271	+252	+167	+156
Private	+147	-1	+238	+221	+144	+167
Goods-Based	-12	-45	-5	+14	-25	+10
Manufacturing	+5	-17	+8	+2	-16	-13
Construction	-6	-18	-6	+16	-5	+23
Private-Service	+159	+44	+243	+207	+169	+157
Retail	-2	+0	+22	+13	+21	+22
Temp	+10	-15	+16	+16	-1	+23
Educ. & Health	+47	+46	+52	+42	+57	+29
Government	-3	+25	+33	+31	+23	-11
Workweek	34.4	34.4	34.4	34.4	34.3	34.4
Hrly Earn. (m/m)	0.3%	0.2%	0.1%	0.4%	0.1%	0.2%
Hrly Earn. (SA y/y)	2.5%	2.5%	2.6%	2.7%	2.4%	2.6%
Agg. Hrs Worked	0.2%	0.0%	0.2%	0.2%	-0.2%	0.4%
Agg. Emp. Income	0.4%	0.3%	0.3%	0.5%	-0.1%	0.6%
Unemploy Rate (%)	4.98	4.69	4.90	4.88	4.92	4.96
Household Emp.	-316	+26	+67	+420	+97	+354

Summary

The economy added 156,000 jobs in September continuing a healthy pace of job growth. The increase was concentrated in services with manufacturing and government showing declines. The July and August numbers were revised down by 7,000. The unemployment rate edged up to 5.0 percent from 4.90 percent. Wage gains rose 0.2 percent for the month amounting to 2.6 percent from a year ago.

Analysis

The U.S. economy, though slowing, continues to generate a healthy number of jobs. As the economy approaches full employment, employment gains will become harder to come by. To be sure there are some headwinds coming from the slowing global economy and the relative strength of the dollar hurting exports. Energy and mining continues to be laggards in the report. The drop in government employment, focused in education, will be temporary as it occurred around the start of the school year.

The distribution of jobs in the country is a concern. In August, 42 percent of all jobs were created in California indicating that the rest of the country was relatively soft. This pattern, most likely, persisted into September.

There are plenty of good news in the report. The labor force rose by a whopping 444,000 and the labor participation rate ticked up again to 62.8 percent from 62.7 percent. The word has spread that there are jobs to be had and more and more people are flocking to the job market seeking employment. More jobs and improving confidence should support consumer spending.

Wages are on an upward trajectory rising 0.2 percent or 2.6 percent from a year ago. As the economy hovers around full employment, wage gains should accelerate, especially in skilled category. At the same time, as labor force and the participation rate rise, employers have less incentives to offer higher wages especially in unskilled sectors of the economy.

Small businesses, which depend on the relatively healthy U.S. economy, are more comfortable about the economic outlook and have been hiring people. In response to lower fuel prices, better demand and easing credit conditions, SME hiring has been a source of employment strengths and layoffs have been slowing. On the other hand, large businesses, which are more exposed to the weaker global economy, faces stiffer headwinds.

The FOMC have no reason to change its mind based on the latest payroll data. A November hike is out of the question because of the election. By the December FOMC meeting, the Federal Reserve will have two more employment data and a better fix on inflation. If this pattern continues with wages rising at a faster pace, a December hike in the key interest rate is highly likely.