



The Daily Dish

September Jobs

GORDON GRAY | OCTOBER 6, 2017

In August firms added 156,000 jobs, somewhat below the consensus forecast of about 180,000. Downward revisions to the June and July surveys of 21,000 and 20,000, respectively, temper the summer's jobs record. Construction and manufacturing industries were bright spots, picking up 28,000 and 36,000 workers, respectively. The unemployment rate ticked back up to 4.4 from 4.3 as seen in May and July, but was still close to a 16-year low. The labor force participation rate held at 62.9 percent, as 77,000 individuals entered the labor force.

Here is a brief summary of the major economic indicators since the last jobs number:

- The Producer Price Index for final demand increased 0.2 percent in August;
- The Consumer Price Index increased 0.4 percent in August;
- Real average hourly earnings decreased 3 cents from July to August;
- Orders for durable goods increased 1.7 percent in August;
- New home sales decreased 3.4 percent in August;
- The Price Index of U.S. imports increased 0.6 percent in August;
- ISM nonmanufacturing index increased to 59.8 percent in September;
- ISM manufacturing increased to 60.8 percent in September;
- Consumer Confidence index decreased from 120.4 to 119.8 in September;
- ADP reported private sector employment increased by 135,000 jobs in September.

Eakinomics: September Jobs

I predict that the economy will have added 65,000 jobs in September, the unemployment rate will tick up to 4.5 percent, and hourly earnings will increase by 4 cents.

In August, U.S. firms added 156,000 workers to their payrolls. Conspicuously absent from this data was the effects of Hurricanes Harvey and Irma, which will be reflected in today's jobs report for September. Today's report reflects data collected from two major surveys, the Current Population Survey (CPS or "household survey") and the Current Employment Statistics survey (CES or "establishment survey"). These surveys collect data over a reference period for a given month. For the household survey, the Bureau of Labor Statistics collects the relevant data over the week that contains the 12th day of the month, while the establishment survey reflects data for the *pay period* including the 12th. As both Hurricanes Harvey and Irma had not struck the United States by the conclusion of these reference periods in August, the August jobs report was essentially unblemished by the effects of these disasters. Instead, both will weigh heavily on the September jobs data.

The consensus forecast predicts that U.S. firms added 80,000 jobs in September, which would reflect a halving of the 6-month average pace of job growth, and is down by nearly 100,000 from the average rate of monthly job growth of 176,000 for the year. Setting aside the hurricanes for a moment, there's every indication that the underlying labor market remains sound, reflecting an economy operating at capacity. Accordingly, the September jobs report will reflect two conflicting forces – the ephemeral storm-related disruption and

underlying strength in the labor market. The net effect should be positive payroll growth and upward movement on wages, with the headline payroll number taking a considerable dive.

Past experience with other storms can only be so instructive for the same reasons – at the time of the storms there were other labor market forces operating as well. Hurricane Ike, for example, is [the 4th costliest hurricane](#) in recent history, but occurred while the U.S. economy was otherwise melting down in late 2008. Hurricane Sandy, which appeared in the November 2012 jobs report, appeared to have little disruption, with payroll falling off the 6-month average by only about 10 percent. In the wake of Hurricanes Katrina and Andrew, the 1st and 3rd costliest hurricanes in recent history, respectively, payrolls fell off of the 6-month trend by about 2/3rds, before continuing to grow strongly thereafter, uniquely so after Hurricane Andrew in 1992. Given the current and recent pace of job growth, these are likely more useful guideposts for forecasters. At 8:30 today, we'll know for sure.