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US Non-farm payrolls (Sep): Job growth stalls with negative revisions

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Employment change (thousands, unless otherwise noted)	**Sep 2026**	Aug 2026	Jul 2026	Jun 2026	May 2026
Unemployment rate (%)	4.2	4.1	4.1	4.2	4.3
Avg. hrly earn all (Monthly % Chg)	0.1%	0.3%	0.1%	0.3%	0.2%
Avg. wkly hour all (Monthly % Chg)	0.1%	0.6%	0.1%	0.3%	0.2%
Nonfarm employment	29.0	133.0	-10.0	31.0	63.0
Total private	46.0	89.0	28.0	26.0	61.0
Goods-producing	18.0	34.0	35.0	14.0	3.0
Construction	11.0	16.0	18.0	3.0	2.0
Manufacturing	9.0	15.0	20.0	13.0	-2.0
Priv. Serv providing	28.0	55.0	-7.0	12.0	58.0
Wholesale trade	5.0	8.0	6.3	4.6	2.5
Retail trade	5.8	-5.1	5.6	9.6	5.0
Transp. & Warehousing	7.6	3.3	10.3	-10.3	0.8
Information	-10.0	-18.0	4.0	-19.0	-5.0
Financial	-7.0	-9.0	-10.0	2.0	-20.0
Business services	-9.0	-5.0	-6.0	36.0	6.0
Temporary help	-10.9	0.2	-10.0	16.9	0.2
Education, health	20.0	38.0	14.0	50.0	24.0
Leisure, hospitality	10.0	37.0	-38.0	-54.0	42.0
Government	-17.0	44.0	-38.0	5.0	2.0
Federal Government	-1.0	-3.0	1.0	0.0	4.0

Source: Haver Analytics

- US job report came in softer than expected. September added 29K jobs in the US labour market, below the consensus expectation of 90K. Downward revisions brought employment in July and August combined 60K lower than previously expected. The downward revisions and the soft September print brings the unemployment rate to 4.2% from 4.1%. Average hourly earnings rose just 0.1% m/m, below the 0.3% consensus expectation, which pulled the annual wage growth to just 3.0%, down from 3.1%. The participation rate ticked up slightly from 61.6% to 61.8%. This release suggests that while job gains are softer than previously thought, unemployment rate still remain low. This means the September CPI report will be a crucial data point mid-month for the upcoming FOMC meeting.
- Health care and social assistance led the job gains with 23K, and construction added 11K jobs. Government saw job losses of 17K led by local government as it paid back some of the gains in August. Manufacturing was essentially flat.

Information services saw 10K decline reflective of some announcements of job cuts in this sector for the past few months.

- Although the unemployment rate ticked up to 4.2% in September, the increase was very small from 4.14% in August to 4.17% in September. The reason why the unemployment rate rose despite the drop in payrolls relative to last month is because the Household Survey showed a strong 406K increase in employment, following the 569K August gains, these solid monthly gains in the Household Survey were the strongest since January 2025, which pushed the total of employed workers to 163 million, the highest since January. These strong monthly gains in the Household Survey contrasts the weaker job gains in the Payroll Survey. These strong employment gains in the Household Survey is why the participation rate has increased in the last two months.
- The participation rate increased from 61.6% in August to 61.8% in September, the recovery is driven by prime-age workers as their participation rate picked up from 83.4% to 83.7% in September as well as increase in youth participation rate. The prime-age participation rate fell sharply from 83.9% in May to 83.3% June and has been recovering gradually since then. With the participation rate recovering, the number of discouraged workers has declined. The U-6 rate, which is the broadest measure of labour market slack because it includes discouraged workers, other marginally attached workers and people working part-time for economic reasons, declined to 7.6% in September, the lowest since December 2024.
- Wage inflation continues to decelerate on a year-over-year basis. Average hourly earnings came in at a 0.1% monthly pace, goods producing sector average hourly earnings were essentially flat on the month while services grew 0.1%. That nudged the 12-month rate down a tick to 3.0%. That means total PCE inflation continues to rise faster than wages, which should constrain consumption growth.

Implications & actions

Re: Economic forecast — Although today's payroll job gains were lower than expected, the labour market in the US still remains stable with low unemployment rate. That is still roughly consistent with the characterization of the labour market in the FOMC meeting in September. That means the decisive data point for the upcoming FOMC meeting will come from the September CPI report on Oct 14. If that report comes in with no pick up in core CPI, that could persuade some members to hold in the next meeting.

Re: Markets — Treasury yields declined after the release and stocks rose as the expectations of October rate hike by the Fed declined slightly.

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