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Economic Research

Economic Briefing

US jobs growth accelerates again

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After the disappointing data of late, the situation on the US labor market improved markedly again in September. 254,000 new jobs were created, far more than expected. In addition, the rise in jobs in July and August was revised upwards by a combined 72,000. At the same time, the unemployment rate fell to 4.1%. Of course, individual monthly figures should not be overstated. But this report should ease concerns that the US economy is on the verge of a recession. We therefore continue to feel comfortable with our forecast that the US Federal Reserve's 50 basis point interest rate cut in September was an exception and that a move of "only" 25 basis points will follow in November.

The data ...

In September, US job growth amounted to a surprisingly strong 254,000. In addition, the figures for July and August were revised upwards to 144,000 and 159,000, respectively (previously reported: 89,000 and 142,000). The unemployment rate continued to fall from 4.2% to 4.1% (4.051% rounded to three places) after reaching an interim high of 4.3% in July. Average hourly earnings rose by a surprisingly strong 0.4% compared with August and 4.0% compared with September 2023.

... and the story

After several disappointing employment reports, the data for September were surprisingly favorable. The number of jobs rose sharply, and revisions to the data showed that the situation in previous months was better than feared. All sectors expanded, except for manufacturing and transportation. At the same time, the unemployment rate fell, with even the broadest measure of underemployment, which includes, among others, involuntary part-time workers, falling from 7.9% to 7.7%. In addition, wages rose more sharply again, with the increase in August also being revised upwards. The only weak point is that employees worked shorter hours on average.

The employment figures are based on a sample of selected companies rather than a full survey of all companies. They can therefore fluctuate sharply from month to month. Accordingly, individual monthly values should not be over-interpreted. Just as the last reports probably presented the situation as too bad, today's figures could be "too good". The six-month average is likely to be more meaningful. It continues to show a slight weakening (Chart 1). However, there is no sign of an imminent slump. Rather, significant

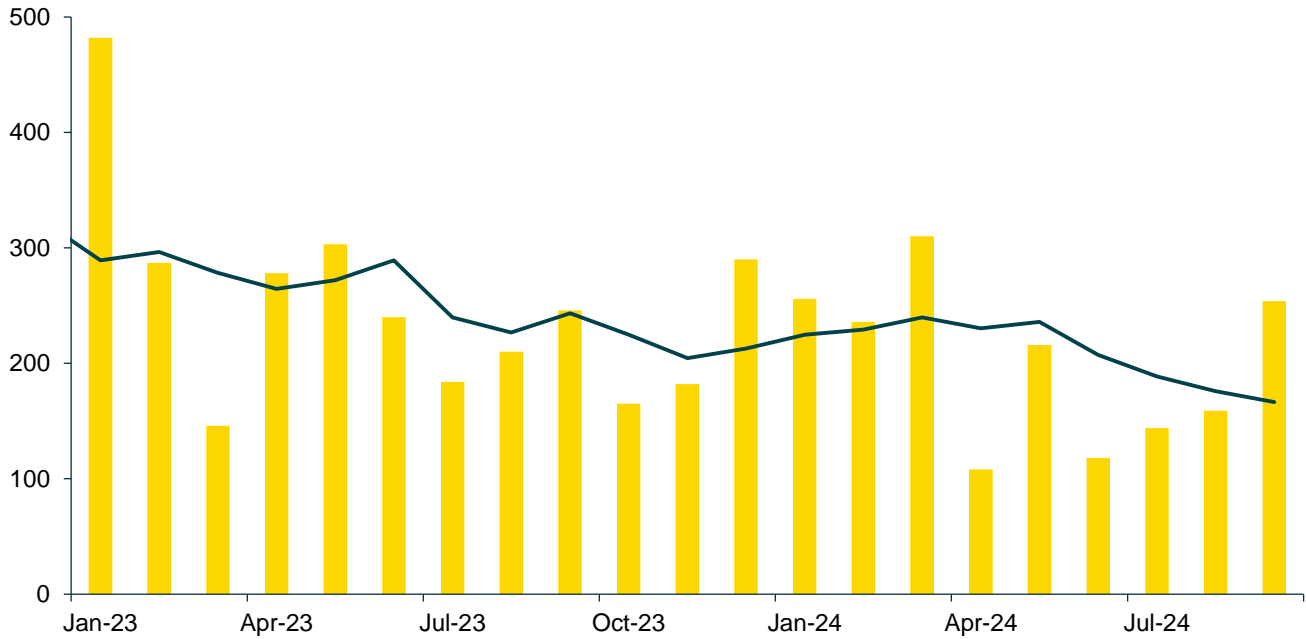
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employment gains and rising wages suggest that private consumption will continue to support GDP growth. We continue to expect the US economy to avoid a recession.

Chart 1 - Employment growth slowing somewhat but still solid

nonfarm payrolls, month-on-month change in thousands. Line: six-month moving average



Source: BLS, S&P Global, Commerzbank Research

Fed: 25 or 50 bps cut in November?

After the 50 basis point rate cut in September, the question now is whether the US Federal Reserve will maintain this pace in November or whether there will be “only” a 25 basis point move. The labor market will presumably play the decisive role here, as the Fed does not want to see any further weakening here. However, there is little sign of such a weakening in today’s figures. Today’s report rather supports our forecast of a “small” step. However, another employment report will be published before the next meeting, along with consumer prices and quarterly employment costs.

Table 1 - US employment report

	Sep-24	Consensus	Aug-24	Jul-24	Jun-24	six month average
Nonfarm payrolls	254	140	159	144	118	167
Unemployment rate	4.1	4.2	4.2	4.3	4.1	4.1

Source: BLS, Bloomberg, S&P Global, Commerzbank Research



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