

From: **HFE Notes** <notes@hifrequecon.com>
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Payrolls were +134K, below the +185K consensus; we had +160K. The September data have shown a tendency in recent years to be underreported initially and revised up later. Storm Florence likely caused some temporary weakness as well. *We caution against extrapolating, especially since there is no corroboration in other related indicators, including claims.*

Revisions added 87K to the previous two months. August was revised to +270K from +201K and July to +165K from +147K.

Hourly earnings were +0.3% m/m, matching the consensus (and our forecast), following +0.3% m/m (revised from +0.4%). The 12-month change slipped to 2.8% from 2.9%, as the m/m change was 0.5% in Aug 2017. The pace is still up from 2.5% y/y, on average, last year. *There should be noticeable acceleration again in October, as the October 2017 reading was -0.2% m/m.*

Unemployment fell 0.2 points to 3.7%, below the 3.8% consensus (and our forecast) and the lowest since the 1960s; it is down from 4.2% a year earlier.

While there is no direct measure of weather effects in payrolls, the unadjusted household survey series on the number of nonfarm workers with a job who did not work because of bad weather rose by 276K, 269K more than the 7K median rise in the past 10 September reports. *That calculation generally exaggerates the impact on payrolls, but directionally it is usually telling.*

In short, payrolls were a bit weaker than generally expected, but there has been a clear tendency for the September data to be underreported initially and revised up later. Florence appears to have caused some weakness as well. *There is no sign of weakening in other labor market indicators, so the trend in employment growth likely remains more than strong enough to keep the already low unemployment rate trending down.* Meanwhile, wage gains appear to be accelerating, even with the slight slowing on a y/y basis in September, which was due to base effects that will be reversed next month. *The data remain more than strong enough for the Fed to keep tightening.*

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HFE Snapshot On The U.S. Economy



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