

Nonfarm payroll employment in September United States



**Credit
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Despite some weakness in September, the labor market remains stable. We expect the Federal Reserve to pause at this month's monetary policy meeting

In September, nonfarm payrolls grew by 29,000 jobs, falling below the consensus expectation of 89,000. Moreover, the figures for July and August were revised downward by 31,000 and 29,000, respectively. Notably, with this adjustment, employment contracted by 10,000 in July. In addition, the unemployment rate reached 4.2% in September, surprising analysts who had forecast it to remain at 4.1%. HR Ratings anticipates that the Federal Reserve will maintain the reference interest rate range at 3.75%-4.00% in this month's monetary policy meeting. Nonetheless, we anticipate a 25 basis points (bp) increase in December, primarily attributed to the sustained high inflation rates expected to persist at least until the conclusion of the Middle East conflict.

Figure 1. Payroll, Employment and Hourly Wage Report

	Sep-23	Sep-24	Sep-25	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Total payrolls in the month (millions)	156.4	157.9	158.5	158.7	158.8	158.9	158.9	158.9	159.0	159.0
Net New Payrolls in month (thousands)	156.0	155.0	76.0	214.0	148.0	63.0	31.0	-10.0	133.0	29.0
Net New Payrolls 3mma (thousands)	179.0	72.3	23.3	72.7	68.7	141.7	80.7	28.0	51.3	50.7
Annualized quarterly change in total payrolls	1.56%	0.49%	0.08%	0.33%	0.35%	0.72%	0.74%	0.63%	0.40%	0.33%
Annual quarterly change in total payrolls	1.89%	1.00%	0.45%	0.15%	0.15%	0.20%	0.23%	0.23%	0.27%	0.29%
Labor force (millions)	167.7	168.7	171.3	170.1	170.0	170.1	169.4	169.1	169.8	170.3
Jobs (millions)	161.5	161.8	163.7	162.8	162.6	162.8	162.3	162.2	162.7	163.2
Unemployed (millions)	6.3	6.8	7.6	7.2	7.4	7.3	7.1	6.9	7.0	7.1
Labor force entrants (thousands)	-35.0	170.0	511.0	-396.0	-92.0	83.0	-720.0	-264.0	683	485.0
Monthly unemployment rate	3.7%	4.1%	4.4%	4.3%	4.3%	4.3%	4.2%	4.1%	4.1%	4.2%
Labor participation rate	62.70%	62.70%	62.5%	61.9%	61.8%	61.8%	61.5%	61.4%	61.6%	61.8%
Quarterly average real hourly earnings*	33.77	34.16	34.50	34.60	34.48	34.32	34.31	34.37	34.44	34.42
Annualized quarterly change*	1.07%	2.43%	0.73%	-0.27%	-1.96%	-3.74%	-3.27%	-1.24%	1.40%	1.27%
Quarterly annual change*	0.92%	1.13%	1.00%	0.87%	0.39%	-0.29%	-0.36%	-0.32%	-0.16%	-0.23%
Quarterly average weekly real wage*	1,161	1,170	1,180	1,186	1,181	1,176	1,177	1,179	1,182	1,183
Annualized quarterly change*	0.68%	2.43%	0.34%	0.12%	-1.96%	-3.75%	-2.90%	-0.86%	2.19%	2.06%
Quarterly annual change*	0.34%	0.84%	0.80%	1.17%	0.49%	-0.19%	-0.16%	-0.03%	0.23%	0.26%
Quarterly annualized inflation*	3.46%	1.34%	3.09%	3.57%	5.20%	6.95%	6.07%	3.77%	1.24%	1.29%
Quarterly annual inflation*	3.57%	2.66%	2.90%	2.70%	3.17%	3.74%	3.80%	3.64%	3.40%	3.35%

Source: HR Ratings with data from the US BLS & information retrieved from FRED, Federal Reserve Bank of St. Louis.

*Inflation based on Headline CPI. Measures the real quarterly wage compared to the same quarter of the previous year and to the immediately preceding quarter annualized. Refers to all employees in the private sector.

Analyzing the cumulative payroll data for the month, the healthcare sector persists as a robust engine of U.S. employment, creating 17,000 positions, though at a slower pace relative to the average monthly growth of the last 12 months (+33,000). Manufacturing contributed 9,000 jobs and is now up by 72,000 since its recent low in December 2025. In contrast, financial activities saw a



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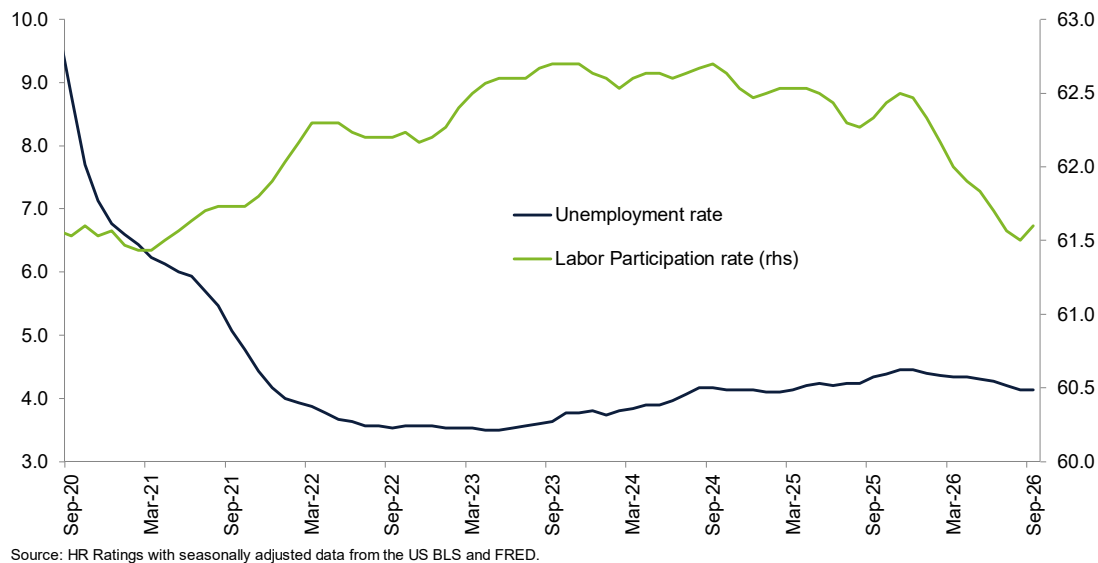
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notable contraction, losing 7,000 jobs. The Bureau of Labor Statistics indicated that employment in this sector is down by 129,000 since its peak in May 2025, driven mainly by losses in insurance carriers and related activities (-90,000).

On the other hand, in quarterly terms, average real hourly earnings fell by 0.23%, marking five consecutive months of decline. However, the annualized quarterly change (1.27%) reveals positive growth for the second straight month, likely driven by the drop in quarter-on-quarter annualized inflation; this rate has hovered around 1.25% over the last two months, reflecting reduced energy price pressures compared to 2Q26.

Total payrolls for the quarter ending in September rose by 0.29% on an annual basis, reflecting an upward trend since February of this year and revealing continued stability in the U.S. labor market. While still modest, this increase is the largest since November 2025. Nevertheless, the U.S. economy continues to show solid expansion, pointing to a productivity recovery toward levels similar to those of 2024. According to the Atlanta Fed's *GDPNow* model, growth of 3.7% could be recorded for the third quarter of the year, driven by resilient consumer spending and investment related to artificial intelligence. Meanwhile, although the unemployment rate rose from 4.1% to 4.2%, this was accompanied by a surge in labor force participation to 61.8% for the second consecutive month, following a five-year low in July.

Figure 2. Unemployment and Labor Participation Rate (3MMA)



The overall outlook remains resilient, despite the fact that this report indicates a few signals of labor market weakness. This could possibly lead the Federal Reserve to implement additional federal funds rate increases this year and next. Nevertheless, at HR Ratings, we believe that any further hikes will take place at the December meeting, rather than as early as this month. Market sentiment has also shifted; according to the Chicago Mercantile Exchange, the probability of a rate increase at the October meeting has dropped to around 20%, down from 70% just a week ago. A slightly less hawkish stance from the Fed is supported by this employment report, a lower-than-expected personal consumption expenditure (PCE) deflator (albeit largely due to methodological adjustments), and comments from central bank officials suggesting there is time to analyze upcoming data.

However, pressures on the U.S. nominal yield curve persist, a trend likely to continue until signs of a potential resolution to the Middle East conflict emerge. Despite a slight recent decline in recent days, the 10-year U.S. bond reached its highest yield since 2002.



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