**AGRON NICAJ**
*US Economist*

Economic Research Office

T: +1 (646) 357 6180
E: anicaj@us.mufg.jp

**MUFG Bank, Ltd.**
A member of MUFG, a global financial group

# Post-summer rebound

**October 4, 2024**

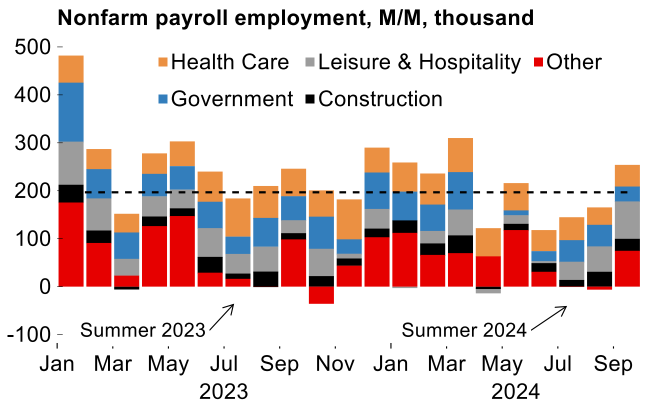
- Nonfarm payrolls rebounded in September after a summer of slower than average monthly growth, much like in 2023. Jobs growth most notably accelerated in industries other than government, health care, construction, and leisure and hospitality.
- The unemployment rate fell to 4.1% in September, with all major age and education subgroups experiencing a decline. In broad terms, the labor market appears to be normalizing and the slack that does exists is largely being felt by older and younger workers, evidenced by growth in the median number of weeks unemployed. Prime-age workers (25-54) have been faring well in the labor market.
- Despite the hiring rate having fallen well below pre-pandemic levels, the job finding rate for job losers and leavers is trending upward. This indicates that a growing percent of these workers are finding jobs within the same month.

### Rebounding jobs growth

Total nonfarm employment increased by 254,000 in September, well above consensus forecasts. Jobs growth continued to be strong in the “big four” industries (health care, government, construction, and leisure and hospitality) and it accelerated in “other” industries after consecutive months of little to no growth (Chart 1). The services sector drove growth in the “other” industries, with professional and business services adding 17,000 jobs and retail trade adding 16,000 jobs.

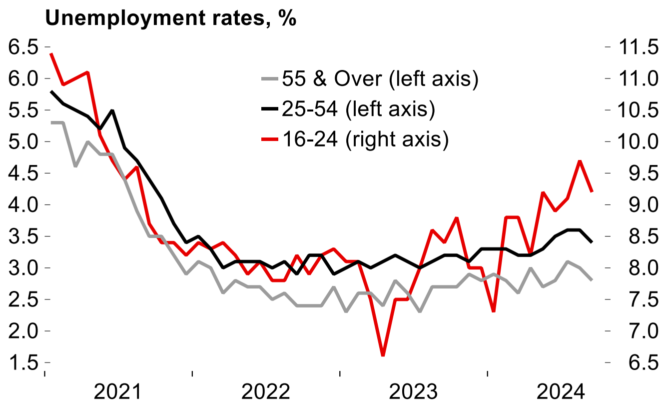
Recent history suggests that September’s growth will be revised down next month, but it will still likely end up at or above the pre-pandemic average. The upward revision to July and August further supports that the jobs market is strong and relatively stable.

**Chart 1:** Employment growth rebounded in September after weak growth during the summer months




Source: BLS, MUFG Bank Economic Research Office

**Chart 2:** The unemployment rate fell across all age groups, with the drop in prime-age workers being the most significant




Source: BLS, MUFG Bank Economic Research Office

September marks a significant turnaround in the establishment survey. Jobs growth was notably weak over the summer, a big factor that influenced the Fed's unusually large rate cut decision at the last FOMC meeting, and slower than average growth was expected to continue into Q4. As of right now, it's not entirely clear why growth rebounded so strongly, but perhaps coincidentally, it mirrors what happened around this exact time last year. In 2023, jobs growth was similarly weak during the summer and there was a subsequent recovery in September.

Seasonality may have something to do with it, as there was a larger than average increase in both men and women that were employed but not at work due to vacation or personal days in early summer 2024. Practically, this can lead to delayed hiring, but a similar outsized growth in workers on vacation did not occur during last year's summer months. As of now, there is little evidence to suggest that methodological issues were the primary cause of prior weak growth, as opposed to a genuine slowdown in hiring. Nevertheless, September's acceleration in jobs should be taken as a sign that the labor market is indeed strong.

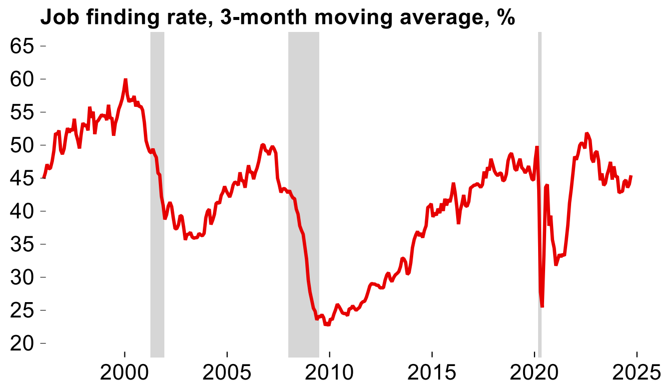
This is further supported in the household survey, where the unemployment rate fell to 4.1% in September, down from 4.2% last month. The drop in unemployment was broad based, falling for younger, prime-age, and older workers, as well as for those with a bachelor's degree and higher and for those with a high school diploma or less (Chart 2). Both permanent and temporary layoffs remain low by historical standards.

Heading into Q4 and the next FOMC meeting in November, we can expect a certain degree of volatility and even uncertainty. The destructive impact of Hurricane Helene across hundreds of miles will almost certainly be reflected in next month's jobs report. Parsing out these effects and getting an accurate gauge of labor market health will be difficult once the October numbers are released. On this alone, the Fed may avoid making any rash decisions. A 25bps rate cut in November is still likely the base scenario.

**Less slack in prime-age workforce**

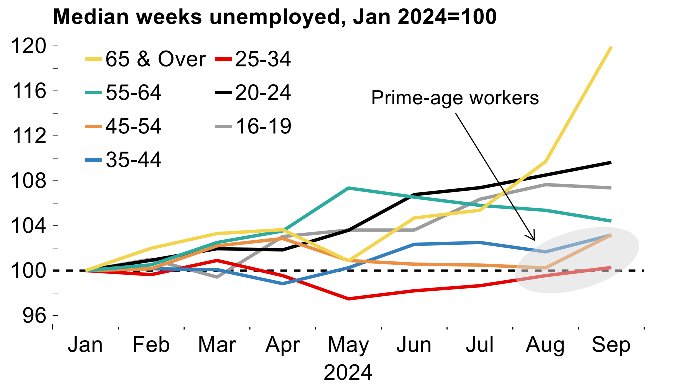
The hiring and quits rate both remain below their respective pre-pandemic levels, indicating that there does exist some slack in the labor market. The vacancy to unemployed ratio has also fallen to 2019 levels and slightly below that when excluding noncyclical government and health care. This slack is most evident in the JOLTS survey, but from the perspective of the CPS household survey, it is less apparent. Shown in Chart 3, the job finding rate of job losers and leavers is trending upward, indicating that over 40% of job losers and job leavers are able to find work within the same month.

**Chart 3:** The rate at which job losers and leavers find work again is trending upward




Note: Labor force flow into employment divded by unemployment level, job losers & leavers
Source: BLS, MUFG Bank Economic Research Office

**Chart 4:** Prime-age workers have been able to stay out of unemployment better than other age groups




Note: 12-month moving average
Source: BLS, MUFG Bank Economic Research Office

This is a slight contrast to the weakness presented in JOLTS hiring rates, but it is consistent with the low levels of permanent job losers that we see in the calculation of the unemployment rate. And upon further breakdown of labor market slack from the household survey, we see that it is largely felt by younger and older workers, while prime-age workers are faring well.

Shown in Chart 4, the median number of weeks unemployed has risen steadily since the start of 2024 for those 55 and older and for those 16-24 years old. In September, there was a sharp rise for those above retirement age (65 and older). For workers aged 25-34, there has been virtually no growth in median weeks unemployed, and only a slight increase (relative to the other age groups) for those 35-44 and 45-54. Prime-age workers, which make up the largest share of the labor force, have not been staying unemployed for very long in today's labor market, a strong indication that the labor market is more robust than what headline figures may suggest.

**Analyst Certification**

The views expressed in this report solely reflect the personal views of Agron Nicaj, the primary analyst responsible for this report, about the subject securities or issuers referred to herein, and such views may not necessarily reflect the thoughts and opinions of MUFG Bank, Ltd. and its affiliates or management team. No part of such analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein.

**Disclaimers**



**About MUFG and MUFG Americas**

Mitsubishi UFJ Financial Group, Inc. (MUFG) is one of the world's leading financial groups. Headquartered in Tokyo and with over 360 years of history, MUFG has a global network with approximately 2,000 locations in more than 40 countries. MUFG has nearly 120,000 employees and offers services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing. The Group aims to "be the world's most trusted financial group" through close collaboration among our operating companies and flexibly respond to all the financial needs of our customers, serving society, and fostering shared and sustainable growth for a better world. MUFG's shares trade on the Tokyo, Nagoya, and New York stock exchanges.

MUFG's Americas operations, including its offices in the U.S., Latin America, and Canada, are primarily organized under MUFG Bank, Ltd. and subsidiaries, and are focused on Global Corporate and Investment Banking, Japanese Corporate Banking, and Global Markets. MUFG is one of the largest foreign banking organizations in the Americas. For locations, banking capabilities and services, career opportunities, and more, visit www.mufgamericas.com.