

ECONOMIC UPDATE



REGIONS

November 20, 2025

This Economic Update may include opinions, forecasts, projections, estimates, assumptions, and speculations (the "Contents") based on currently available information, which is believed to be reliable and on past, current, and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Update. The Contents of this Economic Update reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Update or with respect to any results arising therefrom. The Contents of this Economic Update shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.

September Employment Report: Okay, Then What?

- Nonfarm employment rose by 119,000 jobs in September; prior estimates for July and August were revised down by a net 33,000 jobs
- Average hourly earnings rose by 0.2 percent, while aggregate private sector earnings rose by 0.3 percent (up 4.7 percent year-on-year)
- The unemployment rate rose to 4.4 percent in September (4.440 percent, unrounded); the broader U6 measure fell to 8.0 percent

Had it been released on October 3 as originally scheduled, the September employment report may have been celebrated, even if not with all that much enthusiasm. Instead, having been released today thanks to the government shutdown, the September employment report is being given the cold shoulder because, after all, September was a long time ago, though we suspect many of those brushing it aside would be reacting differently given a meaningfully worse headline print. Either way, total nonfarm payrolls rose by 119,000 jobs in September, with private sector payrolls up by 97,000 jobs and public sector payrolls up by 22,000 jobs. Our forecast, which we originally printed on September 29, anticipated an increase of 102,000 jobs with private sector payrolls up by 94,000 jobs and public sector payrolls rising by 8,000 jobs, while the consensus forecast anticipated the headline print showing a gain of 50,000 jobs. Prior estimates of job growth in July and August were revised down by a net 33,000 jobs for the two-month period, with the revised data now showing nonfarm payrolls declined by 4,000 jobs in August as a drop in public sector payrolls more than negated a middling increase in private sector payrolls. The unemployment rate rose to 4.4 percent in September on a jump in labor force participation which we do not find to be at all credible given that it is more than entirely accounted for by those in the 16-to-24 year-old age cohort. The broader U6 measure, which also accounts for underemployment, ticked down to 8.0 percent from 8.1 percent in August on a decline in the number of those working part-time for economic reasons. Average hourly earnings rose by 0.2 percent, matching our below-consensus forecast, leaving them up 3.8 percent year-on-year. But, the average length of the workweek held at 34.2 hours, thus dampening growth in private sector wage and salary earnings, which were up 0.3 percent in September and were up 4.7 percent year-on-year.

The initial collection rate for the September establishment survey is shown to be 80.2 percent, wildly above where it has been since the onset of the pandemic and the highest for any month since December 2019. This is noteworthy given that for over three years we have been pointing to low survey response rates as diminishing the reliability of the initial estimates of nonfarm employment, hours, and earnings in any given

month. While adding confidence to the results reported today, the higher September collection rate is a one-off, as it reflects firms reporting data to BLS electronically during the shutdown, allowing BLS to refine the data already on the books when the shutdown began. In other words, had it been released on the original date, the September employment report would likely have looked different than the report released today.

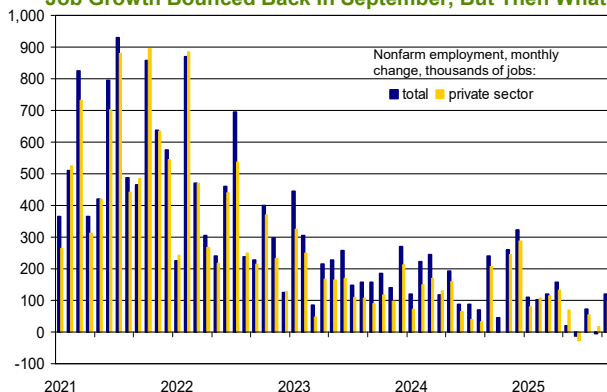
As noted above, the increase in the labor force, up by 470,000 persons, is more than accounted for by an increase amongst the 16-to-24 year-old age cohort. This reflects no more than noise around the timing of the school year, as the raw data show fewer people in this cohort leaving the labor force in September than is typical, which resulted in seasonal adjustment overcompensating. What we think to be far more relevant is the further decline in the foreign born labor force, taking that count to over 1.2 million persons since January. We've argued this drag on labor supply is the primary driver of the pronounced slowdown in job growth.

Though many are dismissing it out of hand, here's how we interpret the September employment report. The economy clearly had lost momentum during the summer, which we noted at the time. But, we also had pointed to what looked to have been reacceleration in activity over late-August into September, pushing back against what had become a rather dour outlook on growth in some corners. Indeed, we're looking for real GDP to have grown at an annual rate of around 4.0 percent in Q3, and the September employment report would be consistent with our premise. Moreover, job growth was notably more broadly based in September, with the one-month hiring diffusion index, a measure of the breadth of job growth across private sector industry groups, rising to 55.6 percent after having been below the 50 percent line in both July and August, indicating that on net a higher percentage of industry groups were shedding jobs rather than adding jobs. The bounce in September is also consistent with our premise. To be sure, we don't have a good handle on what's transpired since then, and the shutdown will have had an impact. But, jobless claims remain well behaved and are not signaling growing stress in the labor market. At the least, the "low hire-low fire" characterization of the labor market seems to still be holding.



REGIONS

Job Growth Bounced Back In September, But Then What?



REGIONS

The Bigger Drag On Job Growth?

