

## Resilient US jobs market backs the case for another 75bp hike

The US added 263,000 jobs in September while the unemployment rate dropped back to just 3.5%. A lack of suitable workers continues to constrain the economy with job vacancies exceeding the number of unemployed Americans by more than 4mn and with core inflation set to rise further next week a 75 basis point Fed hike on 2 November is virtually assured



**263,000** Jobs created in September

### Strong job creation continues

The US added 263k jobs in September with 11k of upward revisions to the past 2 months – close to the consensus 255k. The payrolls data shows solid gains in most areas with manufacturing rising 22k despite the ISM employment index moving into contraction territory. Construction rose 19k

while private service providing firms increased payrolls by 244k. Within services it was a little more mixed with retail (-1k), financial (-8k) and trade/transport (+3k) well down on recent months job gains while leisure and hospitality (+83k) and education/health (+90k) look strong. Government is a drag once again, losing 25k jobs. This leaves total payrolls at 153.0mn, a new record high and half a million above the February 2020 pre-pandemic high.

## US non-farm payrolls level (mn)

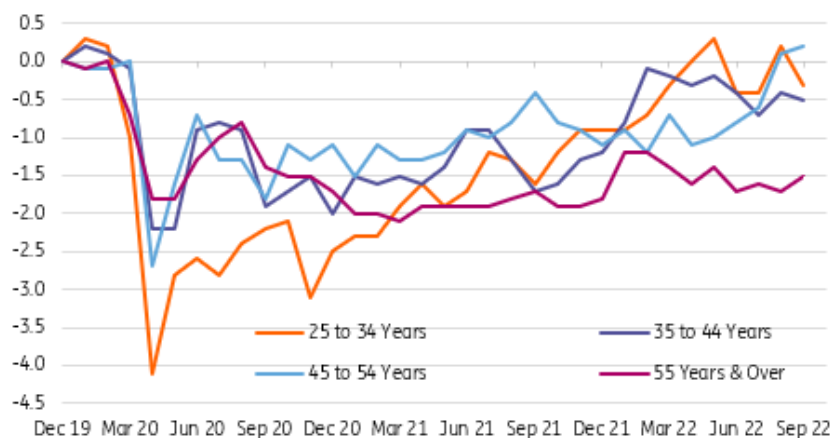


Source: Macrobond, ING

## But it could have been even stronger with demand still exceeding supply

Meanwhile, the household survey shows the unemployment rate dropped back to 3.5% from 3.7% thanks to the combination of rising employment (+204k) on this survey's calculations and people leaving the workforce (-57k). We had suspected the unemployment rate would fall given the big rise in the participation rate last month of 0.3pp to 62.4% is rarely ever held onto in the subsequent month. The 3.5% unemployment rate matches the low seen in July. The chart shows the weakness in participation is primarily due to older (55+) workers not having returned to the workforce, which suggests early retirements or possible health worries remain a major factor behind the lack of workers to fill vacant job positions.

## Change in participation rate by age (percentage points since Dec 2019)



Source: Macrobond, ING

Rounding out the report, wages were in line with consensus at 5% year-on-year, down from 5.2% in August and the average work week remained at 34.5 hours.

## Inflation pressures remain strong so another 75bp is on its way

The report is on the stronger side of expectations overall, with payrolls growth more constrained by a lack of suitable workers to fill positions rather than any meaningful downturn in hiring intentions – there are still 4mn more vacancies than there are unemployed Americans to fill the positions. This indicates that the Fed has more work to do to slow the economy in order to get inflation under control. In this regard note next week's core CPI inflation rate (published 13 October) is expected to RISE to 6.5% from 6.3% next week. We were down at "only" 5.9% in June and July and this unfavourable shift when the labour market remains so tight means that a 75bp hike at the 2 November Federal Open Market Committee meeting remains the obvious call.

### Author

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose

possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).