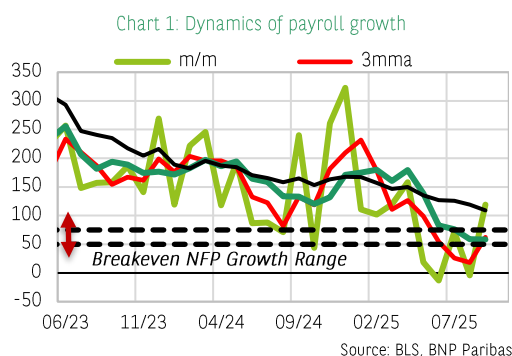


EcoFlash

Nonfarm Payrolls: A Good September Reading Does Not Reduce Uncertainty Surrounding the FOMC's Upcoming Decision

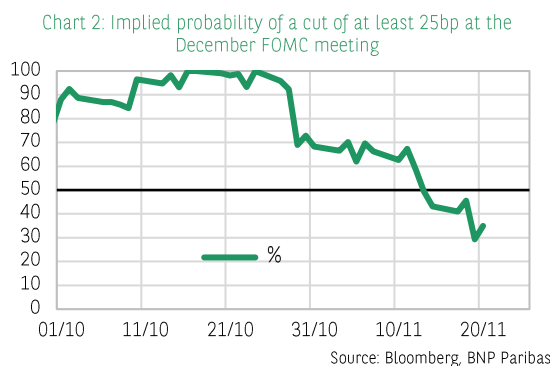
September's US employment figures reported the highest payroll growth since April (+119k). However, this fairly positive reading could prove short-lived due to the impact of the government shutdown. For the Fed, these developments add to the uncertainty surrounding its December meeting. We are still expecting a 25bp rate cut, which is now a close call.



Rebound and upward surprise. Nonfarm payrolls (NFP) hit +119k in September (consensus: +55k). It is their best result since April, interrupting a five-month trend of slowing 3- and 6-month averages (Chart 1). This result came at the end of a bleak period for labor demand, coinciding with the announcement of Liberation Day tariffs, and amplified by the downward revision of -33k cumulated for July/August. **However, the release includes a rise in the unemployment rate to 4.4%** (+0.1pp, to the highest since September 2021), above the full-employment estimate. This development, though driven by an increase in the labor force (denominator effect) and not by a decline in the number of people employed, significantly tempers the positive NFP, particularly from a monetary policy perspective (see below).

Questions remain. The latest figures are more consistent than the earlier ones with the strength of US growth, which we estimate at +3.1% AR in Q3 (data unavailable due to the shutdown; +4.2% according to the Atlanta Fed's GDP Now). However, concerns about "jobless growth" remain, as **one figure does not make a trend**. The cyclical "leisure and hospitality" sector posted a high in 2025 (+47k), but more than half of private payroll growth (+97k) was attributable to the non-cyclical education and health services sector (+59k). Next, **categories related to artificial intelligence (AI)¹ remain sluggish** (-5k). The temporary slump in employment due to the shutdown, tied to its direct impact on federal jobs and indirect impact on demand in general, is still difficult to measure, but should be reflected in the next nonfarm payrolls, for which data for October and November will be released on December 16, after the FOMC meeting.

Fed, still on track for a cut? The publication does not alter our Fed scenario (see our latest EcoFlash FOMC) of a 25bp cut at the December 9-10 meeting, although it will be a close call. The fourth consecutive monthly rise in the unemployment rate is unlikely to temper the view, shared by Chair J. Powell, of increased risks to employment, justifying a policy rate closer to neutrality. At the same time, this positive NFP release is unlikely to ease divisions within the central bank, which have contributed to a fall in the implied probability of a December cut in the markets (Chart 2). In fact, **several Fed members were not in favor of a cut in October**, as confirmed by the meeting minutes, and/or would like the next rate decision to take greater account of the upward momentum in inflation.



Anis Bensaidani
 Economist – United States, Japan
anis.bensaidani@bnpparibas.com

¹ Computer & Electronic Products Manufacturing, Data Processing, Hosting & Related Services, Computer Systems Design & Related Services.