

Register-Guard Capital

EMPLOYMENT REGISTER 10/2/26

The September 2026 Employment Situation released by the Bureau of Labor Statistics on October 2, 2026, showed nonfarm payroll growth of 29,000, an unemployment rate of 4.2%, and average hourly earnings growth of 3.0% year-over-year, with July and August revised down by a combined 60,000.¹ The Bloomberg survey median called for 90,000 jobs and a 4.1% unemployment rate, the Dow Jones consensus for 84,000 and 4.1%, and FactSet for 95,000; the print missed every estimate in the Bloomberg survey, and the Reuters poll's range ran from 35,000 to 180,000.² Register-Guard Capital published no Employment Guard ahead of this report, so there is no call of ours to score. The reason, and what the gap means for our record, are set out in the Scorecard; the rest of this Register is given to the report itself.

Scorecard

Nonfarm payrolls:

RGC published no call.

Consensus predicted +90,000.

Actual was +29,000. Consensus missed by 61,000.

Unemployment rate:

RGC published no call.

Consensus predicted 4.1%.

Actual was 4.2%. Consensus undershot by 10-basis points.

AHE year-over-year:

RGC published no call.

Consensus was not recorded; the firm logs its consensus source at publication, and there was no publication.

Actual was 3.0%.

No Employment Guard was published for the September report. The firm relocated its operations in the last week of September, and the drafting system that produces the Guards was not in service during the Guard's production window, which closes the morning of the release. Under the Forecast Scoring Methodology adopted on September 16, a call counts only if it is published before the data release, so September enters the record as a release without a call: it moves neither the headline accuracy figure nor the tally, and it is the first report since the series began in February for which we published no prediction.³ The August call stands scored as

¹ Bureau of Labor Statistics, "The Employment Situation—September 2026," news release USDL-26-1435, U.S. Department of Labor, October 2, 2026.

² Bloomberg, "US Jobs Report Seen Showing 90,000 Payrolls, 4.1% Unemployment Rate," September 26, 2026; Bloomberg, "US Job Growth Misses Estimates, Unemployment Rate Edges Higher in September," October 2, 2026; CNBC, "The September Jobs Report Will Be Released Friday. Here's What to Expect," October 1, 2026; Morningstar, "September Jobs Report Seen Showing Hiring Plateau After August Surge," October 1, 2026; Lucia Mutikani, "US Job Growth Undershoots Expectations in September, but Labor Market Remains Stable," Reuters, October 2, 2026.

³ *Register-Guard Capital*, Forecast Scoring Methodology II (September 16, 2026), §§II and V.

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published, 0 of 3 against the first print. The methodology scores first prints and never rescores on revision, though a Register may discuss one, and this one is worth discussing: on the revised August figure of 133,000, our 40,000 missed by 93,000 rather than 122,000 and the Bloomberg 55,000 by 78,000 rather than 107,000, which changes the ordering not at all and the size of the summer's surprise by a quarter.⁴ The August Register also set a test for this report: whether the trend components hold near 65,000 once the two seasonal reversals are spent, with health care at half its average pace, finance and information contracting, and August's entrants either retained or released. This Register runs that test, and the answer is that the trend is lower than we said.

Key Findings

The September report is the weakest since July's first print, and on the revised figures the summer's stall has reasserted itself. Payrolls rose 29,000 after 133,000 in August and a loss of 10,000 in July, which is now the second negative month of the year; the three-month average is 51,000 and the twelve-month average 45,000. Private payrolls rose 46,000 and government fell 17,000 as the local education reversal that carried August was spent. The private diffusion index fell to 49.0 from 57.6, its lowest in eleven months, so fewer than half of private industries added jobs.⁵ The test we set in August fails in a specific way: with the two reversals spent, the report shows the trend, 46,000 in the private sector and 29,000 in total, against the 65,000 we had carried. Health care added 17,000 against its twelve-month average of 33,000, half pace for a second month, as we said; financial activities lost 7,000 and information 10,000, as we said; and professional and business services lost 9,000, with temporary help down 11,000, which we did not say. The trend this market can produce without a seasonal gift is the twelve-month average, 45,000, which is also roughly the break-even rate of job growth that lower immigration and retirements now imply.⁶

The household survey is the other half of the story and, for a second month, the half our framework describes. The labor force grew by 485,000 and household employment by 406,000, so participation rose to 61.8% from 61.6% and the employment-population ratio to 59.2%, and the unemployment rate rose to 4.2% because the entrants outran the hiring: the unrounded rate was 4.175%, against 4.141% in August and a rounding threshold of 4.145%. The number working part time for economic reasons rose 111,000 to 4.5 million after falling 414,000 in August, the broader U-6 measure fell to 7.6%, long-term unemployment held at 1.9 million and 27.1% of the total, and the marginally attached fell by 236,000.⁷ August's entrants were retained, and September brought more. Wages did not move with any of it: average hourly earnings rose 5 cents, or 0.1%, to \$37.81, and 3.0% over the year, the slowest since May 2021, and against headline inflation of 3.4% in August they fell in real terms for a sixth month.⁸

⁴ *Register-Guard Capital*, Employment Guard 9/4/26 and Employment Register 9/4/26 (September 4, 2026).

⁵ Bureau of Labor Statistics, "Employment Situation—September 2026," Summary Table B and Table B-1.

⁶ Mutikani, "US Job Growth Undershoots Expectations." Economists polled by Reuters put break-even job growth near 50,000 a month.

⁷ Bureau of Labor Statistics, "Employment Situation—September 2026," Table A-1 and Table A-15. The unrounded unemployment rate is 7,109 divided by 170,262.

⁸ Bureau of Labor Statistics, "Consumer Price Index—August 2026," news release USDL-26-1496, September 11, 2026.

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Nine months into the year, the trend has turned three times and settled once. On the current vintage, February fell 156,000, March rebounded 185,000, April and May added 148,000 and 63,000, June added 31,000, July lost 10,000, August added 133,000, and September added 29,000. The spring was a rebound from a winter collapse, the early summer a stall, August a seasonal echo in which restaurants re-staffed and schools re-opened, and September the stall again: the average since June is 46,000, and every month in that stretch lies within one seasonal swing of it. The unemployment rate has run from 4.3% in the spring to 4.1% in July and August and 4.2% now, a range the Bureau itself describes as narrow, with the moves driven by participation rather than by layoffs: participation fell from 61.9% in March to 61.4% in July and has recovered to 61.8%. Wage growth has decelerated in every month but one since April, from 3.6% to 3.4%, 3.5%, 3.2%, 3.1%, and 3.0%, with the monthly pace slowing from 0.3% to 0.1% in September. The August 28 preliminary benchmark, which marked March payrolls down by 79,000, will lower the whole path when it is incorporated in February and does not change its shape.⁹ The year's labor market remains a demand that has run into a supply wall; what September adds is that when the wall moves, the economy hires about 45,000 of the arrivals a month and not 65,000, and the rest raise the unemployment rate a tenth at a time.

Component Analysis

Payroll growth

Health care added 17,000, with ambulatory care up 13,000 and hospitals up 12,000 against a 9,000 decline in nursing and residential care; its twelve-month average is 33,000, and it has now added fewer than 25,000 in two consecutive months. Social assistance added 6,000. Construction added 11,000, in line with its 12-month average of 10,000, on nonresidential specialty trades; manufacturing added 9,000, and is now 72,000 above its December low, in plastics and machinery, with motor vehicles and parts up 2,000 after August's retooling decline. Leisure and hospitality added 10,000, food services and drinking places 11,000 after 34,000 in August and 59,000 at that month's first print. Retail added 6,000, wholesale 5,000, transportation and warehousing 8,000, and other services 6,000. Information lost 10,000 after 18,000, financial activities 7,000, now 129,000 below the May 2025 peak with insurance carriers accounting for 90,000 of the decline, and professional and business services 9,000, of which temporary help services lost 11,000. Government fell 17,000, with local government down 13,000 and local education down 2,000 after rising 49,000 in August, and state and federal payrolls each lower.¹⁰

What the components say about the economy is that the summer's shape was right and its level was not. We wrote in August that a market whose gain came from restaurants re-staffing and schools re-opening was a trend near 65,000 with a large seasonal noise term on top. September removes the noise term and finds the trend at 45,000. The composition is the one we have carried since the spring, only more so: the care sector that carried 2024 and 2025 is adding at half pace, the two white-collar sectors that led the last cycle are shedding, and temporary help, which tends to turn before the total, fell 11,000. Construction and manufacturing are the only

⁹ *Register-Guard Capital*, Employment Register 9/4/26 (September 4, 2026).

¹⁰ Bureau of Labor Statistics, "Employment Situation—September 2026," Table B-1. Industry changes are seasonally adjusted and rounded.

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cyclical sectors adding steadily, and together they account for 20,000 of the 46,000 private gain. A diffusion index below 50 with positive total payrolls is the signature of a market held up by a few sectors; in September they were health care, construction, manufacturing, and the back half of August's restaurant rebound.

Revisions

July was revised down by 31,000 to a loss of 10,000 and August by 29,000 to 133,000, a combined 60,000 and the first net downward revision since the August 7 report. July has now been published three times, at a loss of 23,000, a gain of 21,000, and a loss of 10,000, and the sign has changed twice; its middle reading, the one that let the August Register retire the summer's contraction, has not survived. The sequence of three markdowns, a markup, and a markdown is consistent with a market whose true monthly change has been near zero to 50,000 since June, with each first print landing on one side or the other. The August Register said the summer was weak rather than negative. The revised figures say both: one negative month, two weak ones, one strong one that was a third smaller than it first appeared.¹¹

Unemployment rate

The rate rose to 4.2% from 4.1%, and the arithmetic is the opposite of August's. In August the labor force grew by 683,000 and employment by 569,000, and the rate held because the entrants found work; in September the labor force grew by 485,000 and employment by 406,000, and the rate rose because a slightly smaller share of them did. The unemployed rose by 78,000 to 7.1 million, and the rate at 4.175% cleared the rounding threshold of 4.145% by three basis points, roughly 50,000 people out of 170 million. Participation at 61.8% has recovered four-tenths of its five-tenth spring decline in two months. The teenage rate rose to 14.5%, the Black unemployment rate to 7.0% from 6.0%, the only group change the Bureau calls an increase, and the Asian rate fell to 2.9%. Long-term unemployment held at 1.9 million and 27.1% of the total; the median duration of unemployment rose to 11.5 weeks, near its highest in four and a half years; U-6 fell to 7.6%.¹² The reading is the one Governor Barr gave four days before the release: a rate near 4.1% is "close to many estimates of maximum sustainable employment," and lower net immigration has reduced the job growth needed to hold it there.¹³ In such a market the unemployment rate is a supply statistic. It rose in September because 485,000 people came in and 406,000 were hired, and that is a healthier way for the rate to rise than the alternative.

Wage growth

Average hourly earnings rose 5 cents, or 0.1%, to \$37.81, and 3.0% over the year; production and nonsupervisory earnings rose 7 cents, or 0.2%, to \$32.60; the average workweek

¹¹ Bureau of Labor Statistics, "Employment Situation—September 2026," revisions paragraph; "The Employment Situation—August 2026," news release, U.S. Department of Labor, September 4, 2026.

¹² Bureau of Labor Statistics, "Employment Situation—September 2026," Tables A-1, A-2, A-12 and A-15; Mutikani, "US Job Growth Undershoots Expectations," for the median duration.

¹³ Michael S. Barr, "Economic Conditions and Monetary Policy," speech at the Detroit Economic Club, Detroit, September 29, 2026.

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held at 34.4 hours, so weekly earnings rose only with the hourly figure, to \$1,300.66. August's level was revised up a cent to \$37.76. The annual rate is the slowest since May 2021, and the current-vintage base of \$36.70 for September 2025 puts the unrounded figure at 3.02%, so the rounding was not close.¹⁴ Against August's headline inflation of 3.4%, and with September's energy prices still to be measured, real earnings fell for a sixth month and will fall further when the September index is published. The reading is the one the household survey gives from the other side: a market that absorbs nearly 1.2 million labor force entrants in two months at a decelerating wage is a market with slack behind the wall, and the wage channel from the labor market to inflation is closed. Whatever inflation the Committee is fighting, it is not being paid for in paychecks.

Methodology

No call was published, so there is no miss to correct, and the four rules adopted on September 4 are untested this month and carry forward to the November 6 Guard: artifact reversals carry the modal weight, the corroboration rule governs calls against trend and not reversions toward it, policy shocks with unobservable timing stay out of the point estimate, and the CEO's read of the month is the prior that cross-checks may sharpen but not overrule.¹⁵ Two things follow from this report. First, the trend baseline is reset. The August Register carried the underlying private trend at 60,000 to 70,000; the September report, with the reversals spent, puts the total trend near 45,000 to 50,000, which is the twelve-month average, the average since June, and the break-even rate that the supply side now implies. The next Guard builds from that figure and treats anything above it as a sector call that must be named. Second, the gap itself is recorded. A release for which no Guard was published is entered in the record as such, with the reason, and is never filled with a retrospective number; the scoring methodology already requires a call to precede the release, and this Register is the first application of that rule to a release we did not call. From the next Guard on, every scored metric also carries the 80% range the methodology requires, which the Employment series has not yet published.¹⁶

Macro Implications

The report takes the labor market out of the case for a second increase in October and leaves it where our September call put it. The Committee raised the target range to 3.75% to 4.00% on September 16 by a vote of 12 to 0, with a statement that "job gains have kept pace with the workforce, and the unemployment rate has changed little"; in the Federal Reserve Register Guard we called it the only increase of 2026, with a hold at the October 27 to 28 meeting as our strong base case and December resting on a test of three-month core PCE inflation.¹⁷ A print of 29,000 with the rate at 4.2% and wages at 3.0% supports the statement's description and not an acceleration of the tightening: job gains have kept pace with a workforce that is growing slowly, and the Committee has said as much. Governor Barr's base case is that "further policy adjustments are likely to be needed," and Vice Chair Jefferson said on October 1 that labor

¹⁴ Bureau of Labor Statistics, "Employment Situation—September 2026," Summary Table B and Table B-3.

¹⁵ *Register-Guard Capital*, Employment Register 9/4/26.

¹⁶ *Register-Guard Capital*, Forecast Scoring Methodology II, §III.

¹⁷ Federal Open Market Committee, statement, September 16, 2026; *Register-Guard Capital*, Federal Reserve Register Guard 9/16/26 (September 16, 2026).

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conditions “have stabilized” and that future moves should be “determined by carefully examining trends in the data”; neither needs this report to hike in October, and neither will find in it a reason to.¹⁸ Futures agreed: the probability of an October increase fell from roughly 36% a week before the report to 17% after it, with December still priced at better than four chances in five.¹⁹ The hawkish reading of the report is the supply reading, and it is a fair one: in a market whose break-even is near 50,000, a print of 29,000 is roughly flat employment rather than weakness, the unemployment rate is inside the range it has held since March, and the inflation the Committee is fighting is in energy and administered prices that payrolls do not set. The dovish reading is in the composition: diffusion below 50, temporary help down 11,000, a care sector at half pace, wage growth at 3.0% and falling, and real earnings negative, which is a tightening households are already paying for. Both readings agree that the labor market is not the argument for October. The argument is the September CPI on October 14, and we make the October call in the Federal Reserve Register Guard 10/28/26. For markets, the report should hold the front end to a December hike rather than an October one, leave the long end to the inflation data and to crude, and take some of the war bid out of the dollar.

Forward Look

Three things to watch. First, the September Consumer Price Index on October 14 and the Producer Price Index on October 15, the two reports that now carry the October decision; September is the first month whose pump prices were set entirely after the September 7 and 8 strikes, and our Inflation Guard will make that call. Second, the FOMC on October 27 to 28, where the test of this report is whether the statement’s sentence on job gains survives it and whether any participant reads 29,000 as weakness rather than as a supply ceiling; the Federal Reserve Register Guard will carry our view. Third, the October Employment Situation on November 6, the first report for which an Employment Guard will carry the 80% ranges the scoring methodology requires, where the question is whether the trend components hold near 45,000: health care at half pace, temporary help after September’s 11,000 decline, the private diffusion index back above 50 or not, and the 1.2 million entrants of August and September retained or released. The August Job Openings and Labor Turnover Survey, released September 29 with openings at 7.1 million, hires at 5.2 million, and quits and layoffs unchanged, describes the same market from the flow side, and the September survey arrives in early November.²⁰

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¹⁸ Barr, “Economic Conditions and Monetary Policy”; Philip N. Jefferson, “The U.S. Economy and Monetary Policy,” speech at the Darden School of Business, Charlottesville, Virginia, October 1, 2026.

¹⁹ CNBC, “Traders Now See Little Chance of a Fed Rate Hike in October After Weak Jobs Report,” October 2, 2026.

²⁰ Bureau of Labor Statistics, “Job Openings and Labor Turnover—August 2026,” news release, September 29, 2026.

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