

Less Government, More Employment

Usually, the most important economic data report every month is the Employment Report and usually that key report comes out the first Friday of every month. But this month is throwing one of those periodic knuckleballs and so we need to wait an extra week, until Friday October 8.

Nothing strange is really going on, and there's no reason for conspiracy-thinking. Both the payroll report and the employment survey – which give us the nonfarm payrolls and unemployment rate data, respectively – are based on the week of the month that includes the 12th.

Well, September 12 was a Sunday this year, which means that key week (September 12 – 18) fell relatively late in the month. Some months, the key week is relatively early, starting the 6th and running through the 12th. In turn, a relatively late survey week mixed with the first Friday of the month being October 1 means there is too little time to put together the report.

Right now, the consensus among economists is that nonfarm payrolls grew 513,000 in September, while the unemployment rate dropped to 5.0% from 5.2%. We will come out with our own forecast at the end of this week, and then might adjust it based on incoming data on jobless claims and the ADP jobs report. So, for all we know, the current consensus might be exactly right. After all, payrolls are up 503,000 per month in the past year and up 586,000 per month so far in 2021, so what the consensus is forecasting is more of the same.

But what the consensus seems to be overlooking is that the national system of overly generous unemployment benefits that had been in effect since COVID-19 hit the US ran out on Labor Day weekend. As a result, many unemployed people who had

previously been getting payments in excess of what they could have earned while working are no longer able to do so.

We think this should translate into a major surge in job growth in September or October, and think there is enormous upside potential for the next two jobs reports. No one should be surprised if one of those reports shows as much as two million net new jobs. Seriously.

Keep in mind that not all of these jobs have to be real job creation; much of it could be workers who were being paid “under the table” to preserve their unusually high jobless benefits moving back toward regular “on the books” employment.

Meanwhile, with more people looking for work the unemployment rate might not fall as dramatically as that kind of surge in job creation would normally predict. One of the reasons the jobless rate has dropped so quickly in the past year or so is that the number of people pursuing work (on the books) has dropped. Now, there is more reason to look for work.

Yes, we are well aware that some news outlets have published stories about the states that curtailed extra jobless benefits earlier in the summer not getting extra job creation, but this analysis was very weak. For example, it failed to control for other factors, like the extra COVID cases/hospitalizations that many of these states had this summer. Nor did they control for the smaller remaining pool of available labor in these states. In addition, the rollout of the child credit may have temporarily dampened job creation nationally.

The US economy is far from fully healed from the COVID-19 disaster. But now that the government has stepped back from extra large payments to the unemployed, we think the labor market is on the verge of a big step forward.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
9-27 / 7:30 am	Durable Goods – Aug	+0.7%	+0.7%	+1.8%	-0.1%
7:30 am	Durable Goods (Ex-Trans) – Aug	+0.5%	+0.4%	+0.2%	+0.8%
9-30 / 7:30 am	Initial Claims – Sep 26	330K	335K		351K
7:30 am	Q2 GDP Final Report	6.6%	6.8%		6.6%
7:30 am	Q2 GDP Chain Price Index	6.1%	6.1%		6.1%
8:45 am	Chicago PMI - Sep	65.0	69.1		66.8
10-1 / 7:30 am	Personal Income – Aug	+0.2%	+0.1%		+1.1%
7:30 am	Personal Spending – Aug	+0.6%	+0.7%		+0.3%
9:00 am	ISM Index – Sep	59.5	59.5		59.9
9:00 am	Construction Spending – Aug	+0.3%	+0.5%		+0.3%
9:00 am	U. Mich Consumer Sentiment- Sep	71.0	71.0		71.0
afternoon	Total Car/Truck Sales – Sep	13.2 Mil	13.5 Mil		13.1 Mil
afternoon	Domestic Car/Truck Sales – Sep	10.0 Mil	10.1 Mil		9.8Mil