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Employment: For Real?

September payroll employment rises in line with general expectations, increasing by 114,000 (Consensus: +115,000; Decision Economics: +136,000). There were big upward revisions to August (+142,000 vs +96,000) and July (+181,000 vs +141,000), but in both months those were entirely in government employment, particularly at the local level.

The more revealing private-sector increases were just 104,000 in September, 97,000 in August (revised down from +103,000), and 163,000 (revised from 162,000) in July.

Still, the overall September performance was healthy, with the average workweek lengthening by 0.1 hour (Consensus and Decision Economics: unched), to 34.5 hours, and average hourly earnings up 0.3% (Consensus: +0.2%; Decision Economics: +0.1%).

The workweek lengthening combined with the employment gain to put the index of aggregate hours up 0.4% in September--the biggest rise since a similar gain in June--and that increase combines with the earnings increase to produce a big rise in wage and salary income, perhaps 0.6%+.

Meanwile, the unemployment rate fell 0.3%, to 7.8%, on a surge of 873,000 in household employment and a growth of 418,000 in the labor force. Notably, however, some 581,000 of the employment increase reflected part-time workers.

The big issue with the whole set of numbers is whether the strength reflects a new pickup in the overall economy, or some sort of statistical catch-up for the poor results of the last several months.

On that score, the very mediocre September private-sector employment rise suggests that there is no great new confidence among employers--but optimists will regard the lengthening of the workweek as a prelude to stronger employment gains down the road.

FOMC players will certainly not regard these results as showing QE3 to have been unnecessary--and will wait for confirmation before they begin to believe that a real improvement is underway.

Technically, the big September hours increase comes too late to be revealing much unperceived strength in Q3, so GDP forecasts will not be firmed up very greatly. However, the rise in labor income, even if it should be smoothed with the less robust results earlier in the quarter makes recent not-bad consumer spending numbers look better supported--a positive for the outlook.

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