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No Sign of a Recession in Jobs

So much for a softening labor market. Employment fired up in September, with the Bureau of Labor Statistics showing a gain of 245,000 jobs and the jobless rate falling to 4.1%. That should put fears of immediate recession to bed, though it will give the Federal Reserve governors some pause about the pace of interest-rate cuts.

The robust jobs report marked a rebound from three months of slower growth, and it looks even better with revisions for July and August that raised employment by a combined 72,000. The average workweek fell by 0.1 hour so the number of hours worked declined. But wages rose a healthy 0.4% for the month, or 4% on a 12-month basis. Wage increases appear to be accelerating, and the 62% increase over six years won this week by the dockworkers will compound the trend.

One note of caution is that the most job growth is coming in areas boosted by government spending—healthcare, social services and government. Manufacturing shed jobs, as did the automotive industry and nondurable goods.

Financial markets loved the jobs news, with stocks and bond yields rising. It's hard to see any sign of economic gloom in this data. If the Fed is thinking of accelerating its new path of interest- rate cuts, fear of recession shouldn't be part of the rationale.

The pop in bond yields is especially notable. The 10-year Treasury rose a dozen basis points to 3.97% and is up from 3.7% on Tuesday. Markets would seem to be anticipating stronger growth, or perhaps that the Fed will only cut its target rate by 25 basis points in November, rather than another 50 that it cut at its September meeting.

A growing economy and a strong job market aren't reasons by themselves to keep rates higher if inflation continues to fall. But the September jobs report and buoyant financial markets appear to confirm what we've been saying, which is that monetary policy hasn't been all that restrictive. We'll see if that is compatible with continuing disinflation.

