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Reliable surveys point to September payrolls rising at a similarly slow pace as the past couple months.

Seasonal problems signal a jump in hospitality jobs, but federal policies likely weighed on education jobs.

The unemployment rate likely crept up, while a calendar quirk probably dampened average earnings.

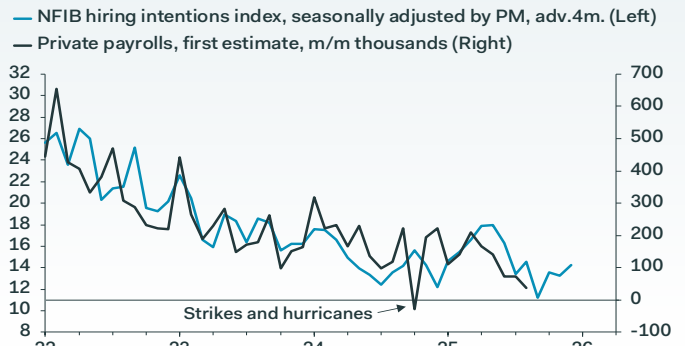
September payrolls likely rose only modestly, despite favorable seasonals

September's employment report—due Friday, provided a federal government shutdown is averted—likely will bolster the case for the FOMC to ease policy. **We look for a mere 50K increase in payrolls, in line with the consensus, ending the run in recent weeks of upside data surprises.**

Four business surveys generate forecasts for payrolls which beat simply projecting forward the average of the previous six months. All of them have remained weak, consistent with a first estimate of payrolls close to the 48K average of July and August.

The hiring intentions index of the NFIB survey remains the best standalone indicator of payrolls, when advanced by four months. Our second chart shows it weakened in the spring and has remained depressed since then. The employment intentions index of the regional Fed services surveys also have failed to improve after weakening after the "Liberation Day" tariffs were announced in April. Meanwhile, Indeed's measure of job openings has continued to trend down. The net balance

SMALL BUSINESSES REMAIN VERY CAUTIOUS ABOUT HIRING



of consumers telling the Conference Board that jobs are plentiful, less those reporting they are hard to get, is another useful bellwether; the September survey is released today.

It's unlikely payrolls deviated significantly in September from their trend, other than sampling error. The weather was relatively tranquil and BLS data show the number of workers on strike during the reference period was stable, at a low level. Meanwhile, the 75K or so federal employees who signed up to a deferred resignation scheme early this year were still on the payroll in September, but nearly all will drop off in October.

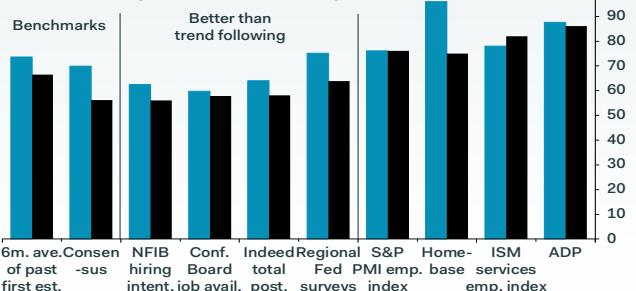
Our forecast allows for a surge in leisure and hospitality payrolls. Unadjusted hospitality payrolls always fall sharply in September, but the seasonals last year were too generous. The extraordinarily similar path this year of hospitality payrolls to 2024 implies the adjustment process is awry and a repeat of last September's big gain is likely.

Strong growth in hospitality payrolls, however, likely will be countered by a drop in education jobs, both within

ONLY A FEW SURVEYS ARE USEFUL FOR FORECASTING PAYROLLS

Average absolute error resulting from forecasts of the first estimate of private payrolls derived from select indicators, K

■ Jan. 2022 to Aug. 2025 ■ Jan. 2024 to Aug. 2025



HIRING INTENTIONS HAVE FAILED TO IMPROVE SINCE APRIL

— Regional Fed services surveys, ave. of emp. intentions indexes*, adv. 2m. (Left)

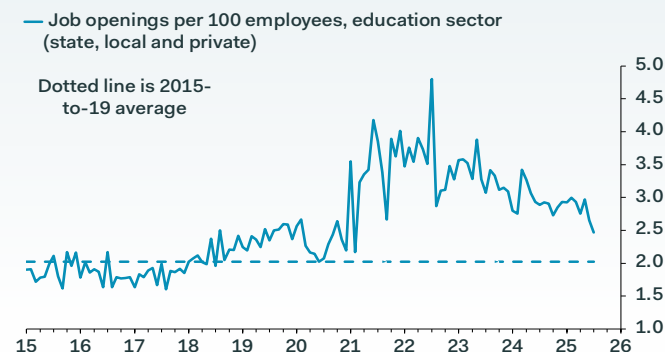
— Private services payrolls, exc. education and healthcare, m/m%, 3m. ave. (Right)



SUSPECT SEASONALS POINTS TO A JUMP IN HOSPITALITY JOBS...



EDUCATION POSTINGS DOWN SHARPLY IN JULY; AGAIN IN AUGUST?



the private and state and local government spheres. The scope for a downside surprise is large, given that unadjusted education payrolls surge every September at the start of the new academic year. Hiring, however, likely has been relatively muted this year, due to federal government policies.

Admittedly, state and local governments account for 90% of K-12 funding, with federal government making up the remainder. But spending by the Department of Education this year has fallen by 17%, suggesting some positions will have been terminated. In addition, a decline in grant funding and higher taxes on endowment income have forced many universities to cut back on teaching staff, which will drag on private payrolls. To give just one example, Harvard has reduced undergraduate teaching staff on its flagship “CS 50” computer science course to 25 this fall, from 37 last year.

As things stand, then, we look for a 75K increase in private payrolls, 25K above the consensus, but a 25K drop in government jobs, driven by a modest decline in the education sector. But we might need to revise down that forecast if August’s JOLTS report, released today, reveals that the decline in education sector openings has accelerated.

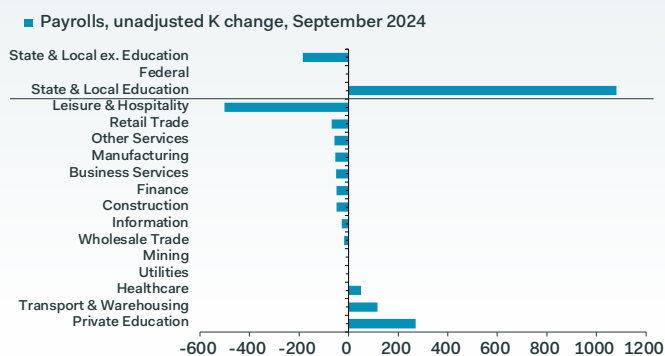
For now, we look for a further small rise in the unemployment rate to 4.4% in September, from 4.3%.

We think the break-even pace of payrolls at the first estimate

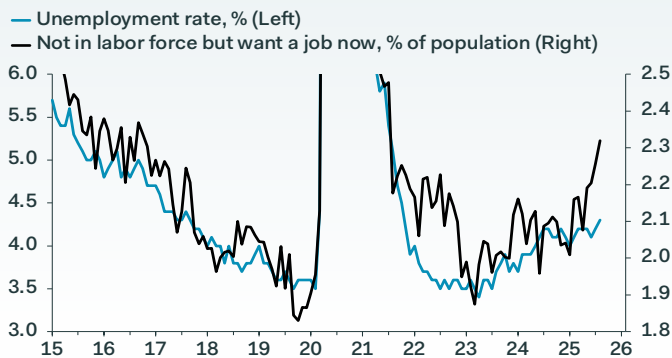
is about 100K—likely around 50K after revisions due to late returns and benchmarking—and we see a strong chance unemployment also will be boosted by people entering the labor force. Our final chart shows the number of people who are inactive but would like a job has surged recently. We will update our forecast, however, after the Conference Board’s confidence survey and the NFIB’s small business survey are released today and Thursday, respectively. Revisions to continuing claims—released Thursday, if the federal government stays open—might also impact our forecast.

Finally, we think growth in average hourly earnings was depressed by a calendar effect in September. Employers are supposed to report wages accrued in the pay period including the 12th, regardless of when those wages are paid. But in months when the 15th falls just after the end of the week including the 12th—that is, the following Monday or Tuesday—growth in AHE usually undershoots its prior trend. This suggests some employers fail to report wages accrued by employees paid semi-monthly, if payday on the 15th falls after the survey week. September was one of these months, suggesting a 0.2% rise in AHE is more likely than 0.3%.

...BUT FALLING FEDERAL FUNDING LIKELY HIT EDUCATION JOBS



LOW CONFIDENCE SUGGESTS A LOWER SAVING RATE IS UNLIKELY



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THIS WEEK IN BRIEF

Note: "D" prefix denotes Datanotes for these releases.

Monday, September 29

• D: Pending Home Sales (8)/10:00 EDT

Pending home sales jumped by **4.0%**, taking them to their highest level since March, likely reflecting a boost from the recent drop in mortgage rates.

Tuesday, September 30

• Case Shiller Home Prices (7)/09:00 EDT

We suspect that Case Shiller home prices continued the run of declines seen over the previous four months, dropping by **0.3%** in July. **Consensus: -0.1%**.

• Chicago PMI (9)/09:45 EDT

The Chicago PMI is volatile, hard to forecast, and a poor guide to the major national business services. Our best guess is that the headline index recovered to about **44** in September, partly unwinding its plunge in August. **Consensus: N/A**.

• D: JOLTS Job Openings (8)/10:00 EDT

Indeed's data indicate that job openings are continuing to trend down, but the JOLTS numbers have surprised to the upside in the last two Augusts. On balance, then, we look for total openings of about **7,200K** in August, little changed from 7,181K in July. **Consensus: 7,100K**.

• D: Consumer Confidence (9)/10:00 EDT

Marked drops in both the Michigan and RCM/TIPP indexes of consumers' confidence in September point to a decline in the Conference Board's measure this month too. We look for a decline to around **95**, from 97.4. **Consensus: 95.8**.

Wednesday, October 1

• Mortgage Applications (9/26)/07:00 EDT

Mortgage purchase applications edged up by a further **0.3%** in the week ending September 19, leaving September on track to be the strongest month since January 2023. Meanwhile, the average 30-year mortgage rate dipped a bit further, to **6.34%**—the lowest in a year—from 6.39% in the previous week..

• D: ADP Employment (9)/08:15 EDT

A small **25K** rise in ADP private payrolls would be roughly consistent with our forecast for a first estimate of a 75K increase in official private payrolls, given the average gap between the two over the past six months. **Consensus: 50K**.

• D: ISM Manufacturing Survey (9)/10:00 EDT

The S&P Global manufacturing PMI slipped in September and regional Fed surveys released so far have generally deteriorated too. We think that points to a dip in the ISM manufacturing index to around **48**, from 48.7. **Consensus: 49.2**.

• Construction Spending (8)/10:00 EDT

We think total construction spending fell back by a further **0.2%**, weighed down by another decline in new residential construction spending. **Consensus: -0.1%**.

• Light Vehicle Sales (9)/Late Afternoon EDT

Industry body forecasts suggest auto sales ticked up to **16.2M** in September, from 16.1M in August, lifted in part by strong EV sales ahead of the expiry of a federal tax credit scheme. **Consensus: 16.2M**.

Thursday, October 2

• D: Initial Jobless Claims (9/27)/08:30 EDT

Initial and continuing claims usually soften in September, most likely due to seasonal adjustment problems. We look for a below-trend **225K** print for initial claims, up from 218K in the previous week, but below the 228K year-to-date average. Continuing claims likely increased marginally to about **1,930K**, from 1,926K. **Consensus: N/A**.

• Factory Orders (8)/10:00 EDT

Our read of the advance durable goods orders report points to an increase in total factory orders of around **1.5%** in August. **Consensus: 0.1%**.

Friday, October 3

• D: Employment Report (9)/08:30 EDT

We look for a subdued **50K** increase in payrolls, with private jobs up 75K and a small fall in education employment driving a 25K drop in federal jobs. Bear in mind that payrolls usually are overstated in the initial estimate; we think employment in reality is flat. Meanwhile, we are pencilling-in an increase in the unemployment rate to **4.4%** in September, from 4.3% in August, but will review this forecast after this week's continuing claims and Conference Board data. Average hourly earnings likely rose by just **0.2%**, due to a calendar quirk. Employers are meant to report wages accrued during the reference period, but firms which pay semi-monthly tend to under-report wages when the 15th is the Monday after the survey week. **Consensus: Payrolls 50K, unemployment 4.3%, AHE 0.3%**.

• D: ISM Services Survey (9)/10:00 EDT

Falls in the S&P Global services PMI and the relevant components of the regional Fed services surveys released so far for September suggest that the headline ISM services dropped back too. We look for a drop to **51**, from 52.0. **Consensus: 52.0**.

EXPECTATIONS FOR THE FEDERAL FUNDS RATE

	Pantheon forecast (revised May 23)	Mid-point of target range, %			
		Market (FFFs) Latest*	1w. Δ [^]	Bloomberg Consensus	Fed SEP Median
Latest	4.125	-	-	-	-
Oct. 29 2025	3.875	3.87	+1.4	-	-
Dec. 10 2025	3.625	3.68	+2.6	3.875	3.625
Jan. 28 2026	3.625	3.58	+3.9	-	-
Mar. 18 2026	3.375	3.48	+5.6	3.625	-
Apr. 29 2026	3.375	3.43	+7.0	-	-
Jun. 17 2026	3.125	3.29	+7.5	3.625	-

* Sep. 29, 11:20 EDT. [^]Change from seven days previously shown in bp

PANTHEON'S FINANCIAL FORECASTS

	4:00pm Mon.	End-month:				
		Dec	Mar	Jun	Sep	
Fed funds mid-point	4.375	3.625	3.375	3.125	3.125	
2-year note	*	3.30	3.10	3.00	3.00	
10-year note	*	3.80	3.60	3.40	3.30	
30-year bond	*	4.40	4.10	3.90	3.80	
Curve 10-2	*	50	50	40	30	
Curve 30-2	*	110	100	90	80	
S&P 500	*	6,400	6,500	6,600	6,700	
Euro/Dollar	*	1.15	1.15	1.15	1.15	
Sterling/Dollar	*	1.35	1.35	1.35	1.35	
Yen/Dollar	*	143	143	143	143	

PANTHEON'S ECONOMIC FORECASTS

	Period average:						
	Q1 25	Q2 25	Q3 25	Q4 25	2024	2025	2026
GDP, q/q% ann.	-0.6	3.8	3.0	1.0	-	-	-
GDP, y/y%	2.0	2.1	2.0	1.6	2.8	1.9	1.5
Change in NFP*, K	174	154	50	50	216	105	100
Unemp. rate, %	4.1	4.2	4.3	4.5	4.0	4.3	4.6
ECI Priv. wages, y/y%	3.6	3.5	3.3	3.1	4.1	3.4	2.6
CPI, y/y%	2.7	2.5	2.9	3.2	3.0	2.8	2.9
Core CPI, y/y%	3.1	2.8	3.1	3.3	3.4	3.1	3.2
Core PCE Def., y/y%	2.8	2.7	2.9	3.2	2.8	2.9	3.0
Bud. Bal., % GDP, FY	-	-	-	-	-6.4	-5.5	-6.0

*Based on the initial published estimates for each month