



# September Employment Report — Stall Speed With Some Slack Building

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## November Jobs Data Provide Confirmation

- ▲ **Payroll growth remains stuck near stall speed.** Nonfarm payrolls rose **64,000** in November, extending the minimal pace of growth in place since April.
- ▲ **DOGE-related cutbacks** have eliminated roughly **271,000 federal jobs year-to-date**, distorting headline payrolls and tightening labor conditions in affected regions.
- ▲ **Job gains remain concentrated** in health care, social assistance, and construction. Most other sectors show little or no growth.
- ▲ **Unemployment is drifting higher—but unevenly.** The jobless rate rose to **4.6%**, the highest since **October 2021**, driven largely by labor-force reentrants and concentrated among younger workers.
- ▲ **Wage growth continues to cool.** Average hourly earnings rose just **0.1%** and **3.5% y/y**, consistent with the Fed’s inflation objective.
- ▲ **The labor market is no longer tightening, but shutdown-related data gaps complicate the Fed’s decision-making. We will get another employment report before the January 31 FOMC meeting.**

### Momentum Fades as Slack Gradually Builds

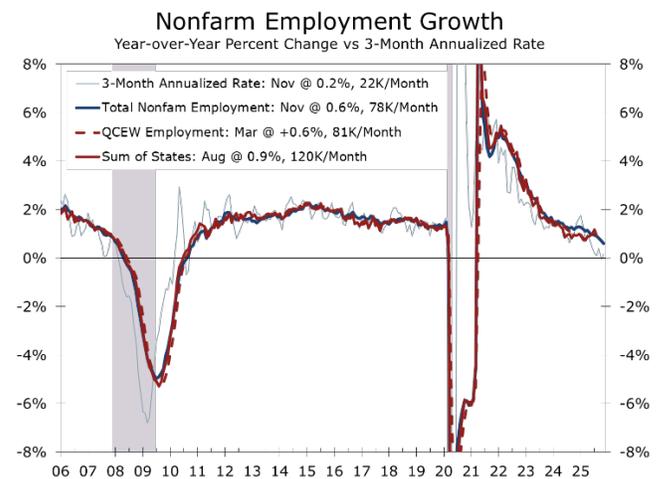
November’s employment report confirms that the U.S. labor market is no longer tightening and is instead operating near stall speed. Nonfarm payrolls rose by **64,000**, extending a pattern of muted job growth that has been in place since April. Revisions to August and September again leaned negative, subtracting a combined **33,000** jobs and reinforcing the view that

underlying momentum is softer than headline figures initially suggested.

The unemployment rate held at **4.6%**, unchanged from September but materially higher than the **4.2%** reading a year earlier. With **7.8 million** Americans unemployed, labor market conditions now look meaningfully looser than earlier in the cycle. This is not a sudden break, but a gradual accumulation of slack—an economy decelerating rather than contracting.

### *Job growth has slowed to a pace that barely offsets labor force growth.*

Two structural forces stand out in this report. First, **DOGE-related cutbacks have materially reduced federal payrolls**, transforming what had once been a marginal factor into a meaningful drag on employment. Federal government payrolls declined by another **6,000** in November following a sharp, **162,000-job** drop in October, bringing total federal job cuts this year to roughly **271,000**. These reductions are policy-driven, not cyclical, and will continue to weigh on headline payroll growth into early 2026.



Source: Bureau of Labor Statistics (BLS)

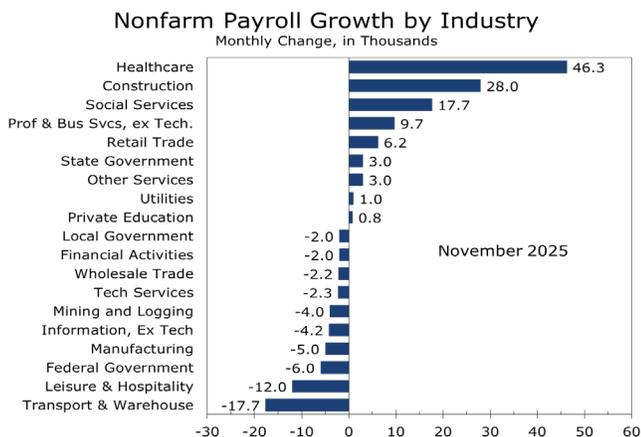


**AI adoption is suppressing employment in certain tech-related sectors**, with possible spillovers into parts of the entertainment industry. While AI investment continues to bolster capital spending and productivity, employment in information, professional services, and adjacent creative fields remains soft. **Financial services also face mounting pressure as automation, cost discipline, and productivity gains converge.**

Sectoral detail underscores the late-cycle character of the labor market. Hiring remained concentrated in a narrow set of service industries. **Healthcare added 46,000 jobs**, consistent with its longer-run trend, while **social assistance rose by 18,000**, led by individual and family services. **Construction increased by 28,000**, driven largely by nonresidential specialty trade contractors. While construction employment has been largely flat over the past year, November’s gain suggests backlogs and infrastructure-related activity are still providing support.

***Hiring is not broad-based but instead leaning on a narrow set of labor-intensive services.***

Momentum faded elsewhere. **Transportation and warehousing shed 18,000 jobs**, entirely due to losses among couriers and messengers. Employment in the sector is now down **78,000** from its February peak, reflecting cooling goods demand. Most other major industries—including manufacturing, retail, wholesale trade, professional and business services, financial activities, and leisure and hospitality—showed little or no change, highlighting the lack of breadth in hiring.



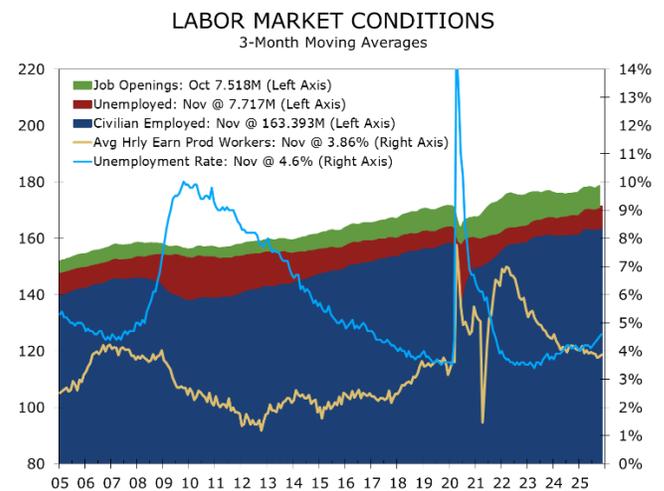
Source: Bureau of Labor Statistics (BLS)

While the unemployment rate was unchanged, the **number of people unemployed for less than five weeks increased by 316,000**, suggesting rising job separations or shorter job tenures. More striking was the surge in **part-time employment for economic reasons**, which rose by **909,000** to **5.5 million**, indicating that firms are increasingly cutting hours rather than headcount.

***Underemployment is rising even as the headline unemployment rate appears stable.***

The rise in the unemployment rate from **4.4% in September to 4.6% in November**—the highest level since **October 2021**—appears to have been driven largely by **labor force reentrants**, potentially displaced federal workers or their spouses. Unemployment is also increasing disproportionately among **younger workers aged 16–24**, while the unemployment rate for those **25 and older has risen by just 0.2 percentage point over the past year to 3.7%**. The split coincides with rising frustration among young adults.

For policymakers, the implication is nuanced. **The labor market is no longer generating inflationary pressure, and slack is accumulating at the margins.** At the same time, the absence of October data and related distortions will likely encourage caution.



Source: Bureau of Labor Statistics (BLS)

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