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TRENDMACRO LIVE!

On the Delayed September Jobs Report

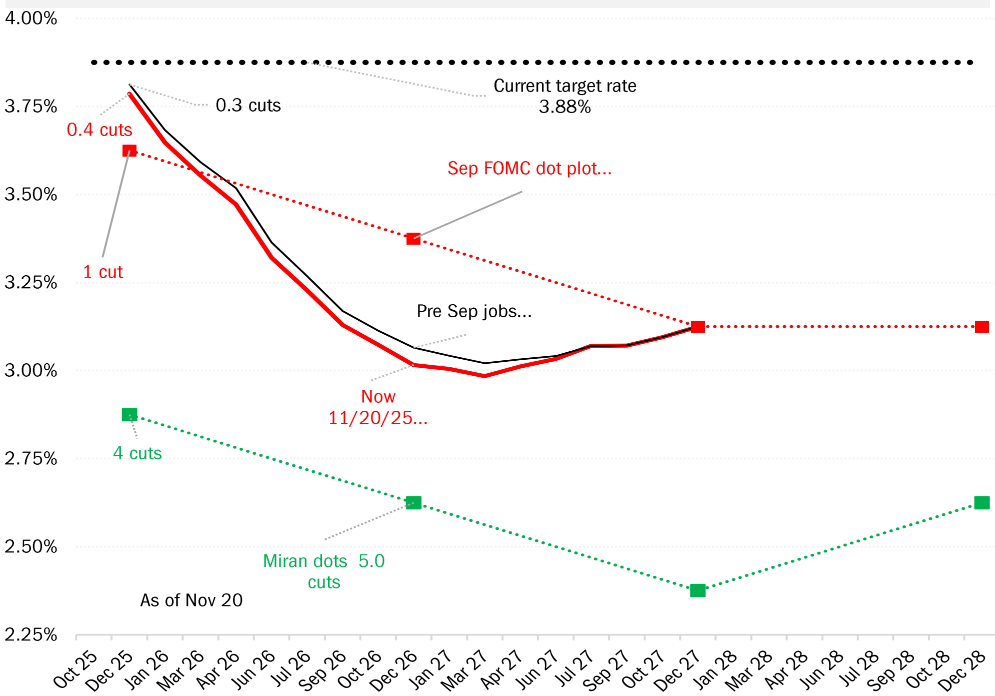
Thursday, November 20, 2025
Donald Luskin

Nice headline number, but underneath is a tricky combo supply shock and demand shock.

First, here's what we can expect for the rest of the year from Bureau of Labor Statistics jobs reports. This morning's release was with respect to the month of September. All the data was gathered before the government shutdown, so little was lost. The next and final release of 2025 will be on December 16. It will include "payroll survey" data for the months of October and November, released together. "Household survey" data such as the unemployment rate will be reported only for November. October will be skipped and will never be backfilled, because the survey itself was not taken during the shutdown. That report will come after the December FOMC meeting on December 10. So this morning's release is the last jobs report the Fed will see before they meet.

This morning's delayed September 2025 Employment Situation Report with 119,000 net payrolls beat the consensus for 51,000, and came in above the

Futures-implied fed funds target, by FOMC meeting



Source: Bloomberg, TrendMacro calculations

Update to strategic view

US MACRO, FEDERAL RESERVE: Payrolls beat the consensus, and exceeded the dialtone we expect given a hard-stop in immigration. The unemployment rate rose, but because of growth in the labor force. By the non-seasonally adjusted numbers, immigrant employment fell and native-born employment rose sharply. The immigration hard-stop is a supply shock and a demand shock at the same time. It arithmetically shrinks the economy, and the only explanation for why it isn't registering as a recession is offsetting productivity growth. We don't see a labor market at "stall speed" as Waller does. A rate cut in December is more likely after this morning's report, but still unlikely – and in our view unnecessary.

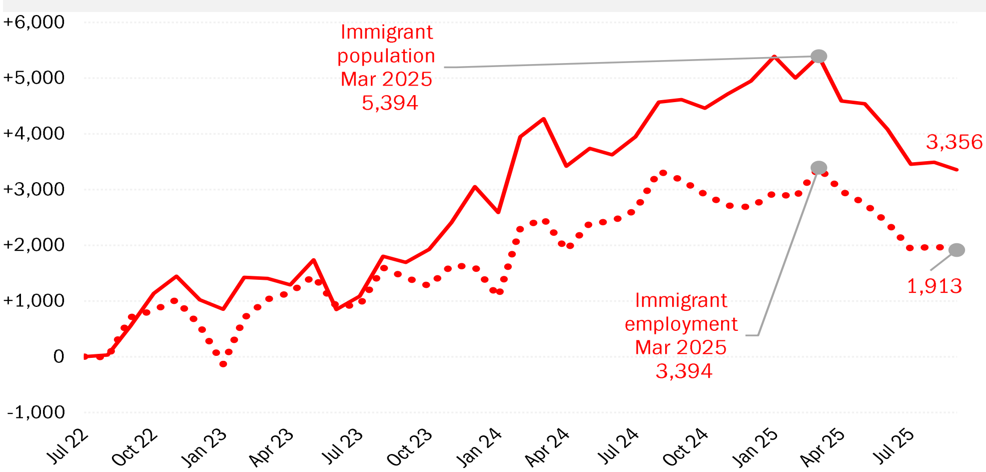
[Strategy dashboard]

estimate of our model based on contemporaneous labor market indicators, which was at-consensus at 52,000 (these and much more are in “Data Insights: Jobs” November 20, 2025).

That’s also a beat versus 75,000 – which we regard to be the baseline or dialtone for payrolls given that immigration into the US has ceased.

- The unemployment rate rose to 4.44% from 4.32%. But, again, employment in the “household survey” rose 251,000, more than unemployment at 219,000. *The rate rose because the labor force expanded* – for the first time in months – by 470,000 (of whom 46.6% of new entrants were able to be employed).
- It’s hard to get a precise view month to month of the role of the hard-stop in immigration we’ve had this year, because the “household survey” does not provide seasonally adjusted data for immigrant and native-born population, employment or labor force participation. *But just by the numbers, immigrant employment fell by 70,000 while native-born employment rose by 676,000 – yet that surely can’t be right.* Seasonal adjustments were negative for September, reducing payrolls from 317,000 (unadjusted) to 119,000 (adjusted). Similarly, “household survey” employment was reduced from 606,000 (unadjusted) to 251,000 (adjusted).
- The immigration hard-stop is both a supply shock and a demand shock to the labor market and to the economy. The failure to grow the adult population – and thus the labor force, and thus employment, and thus hours worked – reduces the growth potential of the economy by removing both supply (of labor) and demand (for *everything*, which in turn drives demand for labor).
- *Outright shrinking the immigrant population – it’s down 2.04 million from its peak in March – and immigrant employment – (down 1.50 million) outright shrinks the economy* (please see the chart below). *Literally – arithmetically – the only thing that keeps this from registering as a recession is offsetting productivity gains.*

Cumulative immigrant population and employment growth after pandemic normal (thousands, not seasonally adjusted, population-controls adjusted)



Source: BLS Current Population Survey, TrendMacro calculations

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This is a unique historical situation. What is the Fed to do? Setting aside concerns about inflation, if we have perfectly offsetting shocks – a labor supply shock, a demand shock and a productivity shock – is there any particular reason to cut rates, unless you think they are too high anyway?

- *One good way to see the situation to compare the "inflow rate" and the "outflow rate" to unemployment – that is, the probability in a given month, respectively, of losing your job if you are employed or getting a job if you are unemployed. The chance of losing your job fell in September. So did the chance of getting a job* (these and much more are in "Data Insights: Jobs" November 20, 2025).
- *This would be a good time for the Fed to be at neutral. We don't have any reason to think they aren't there already.*
- One could make the argument, as hopefuls for Powell's job such as Governor Christopher Waller do, that this unusual equilibrium is, instead, a flirtation with "stall speed," and that rate cuts now are necessary insurance. Insurance isn't free, especially when there is already some evidence of more than a little looseness in financial conditions. But he never mentions that.
- After this morning's jobs report, market-based expectations for a rate cut at the December FOMC rose from 24% to 40% (they were over 100% before the October FOMC, where Powell explicitly talked them down, telling colleagues like Waller and Governor Stephen Miran to "take a step back" (see "On the October FOMC: Powell to Miran – "Take a Step Back" October 29, 2025).
- With this being the last look at labor statistics the Fed will get before the September meeting, we think 40% is about right as a probability for a cut, maybe even generous.

Bottom line

Payrolls beat the consensus, and exceeded the dialtone we expect given a hard-stop in immigration. The unemployment rate rose, but because of growth in the labor force. By the non-seasonally adjusted numbers, immigrant employment fell and native-born employment rose sharply. The immigration hard-stop is a supply shock and a demand shock at the same time. It arithmetically shrinks the economy, and the only explanation for why it isn't registering as a recession is offsetting productivity growth. We don't see a labor market at "stall speed" as Waller does. A rate cut in December is more likely after this morning's report, but still unlikely – and in our view unnecessary.