



## Jobs Report

# The Fiscal Lab Jobs Report for September 2026

## *Mixed Signals*

Nonfarm payrolls rose by 29,000 in September, well below the 84,000 economists expected, and BLS revised July and August down by a combined 60,000.

The private sector added 46,000 jobs while government shed 17,000, extending a 216,000 decline over the past year.

Unemployment ticked up to 4.2 percent, but the change was not statistically significant, and labor force participation rose to 61.8 percent.

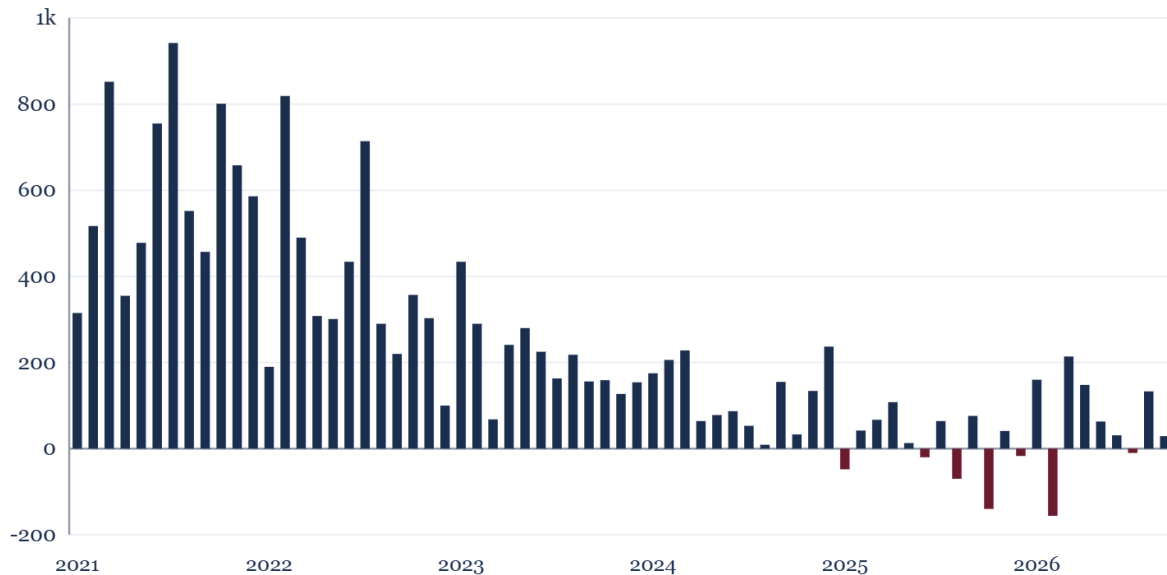
**William W. Beach, D. Phil.**, Executive Director at the Fiscal Lab  
October 2, 2026

The [Bureau of Labor Statistics](https://www.bls.gov/) (BLS) surprised jobs day watchers with its estimate of 29,000 additional nonfarm jobs in September and a small increase in the unemployment rate to 4.2 percent. Both estimates were unexpected. The strong initial jobs estimate of August (162,000) led many economists to expect a lower but still strong September number of 84,000. These same analysts did not expect a drop in unemployment, but an increase from 4.1 to 4.2 percent of the labor force was not in everyone's script.

BLS's revisions to the two previous months also unsettled expectations. The July estimate of 21,000 (already revised once) was dropped by 31,000 jobs to -10,000. That is the first negative number since February. BLS also decreased its initial August estimate by 29,000 from 162,000 to 133,000.

### Monthly Change in Total Non-Farm Payroll Employment

January 2021 through September 2026 (In Thousands)

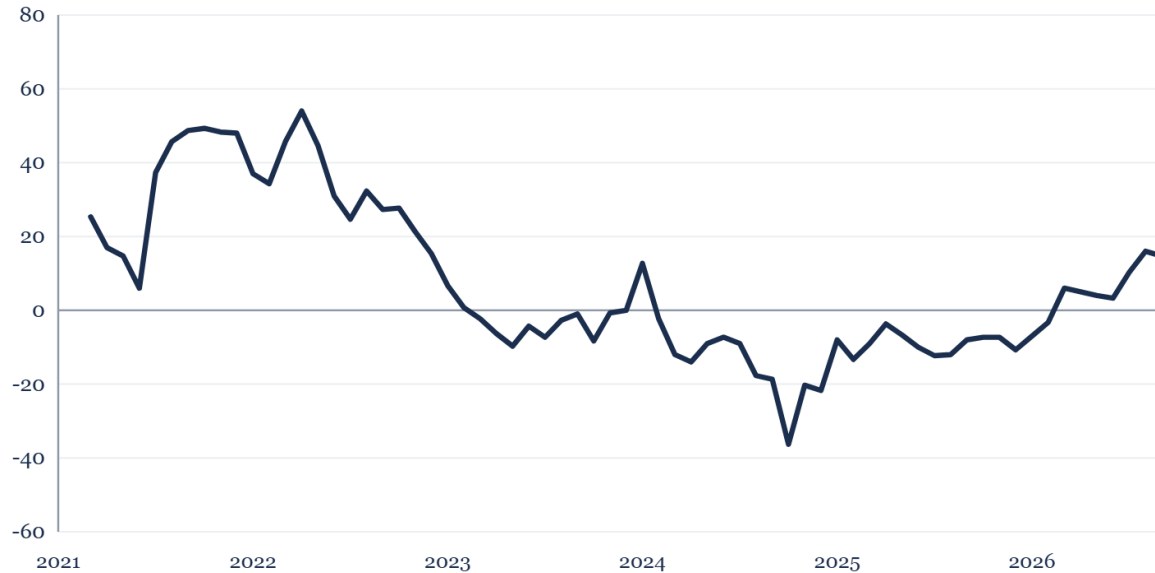


Investors will be more likely to worry about the Federal Reserve's interest rate response to these job market indicators than fret about significant economic weakening. In truth, today's job estimate does not indicate a downward trend. The private sector added 46,000 jobs in September, which compares favorably to its July growth of 28,000 and August expansion of 89,000. The drag on overall job growth remains the government sector, which declined by 17,000 in September (primarily because of a 13,000 decline in local government employment). Over the past 12 months, employment in the government sector has contracted by 216,000.

One indicator of the private sector's relative strength comes from manufacturing employment.

## Change in Total Manufacturing Employment

Three-Month Moving Average, 2021 through September 2026 (Thousands, SA)



Data Source: Bureau of Labor Statistics

The manufacturing sector has added 72,000 jobs since January of 2026. All that gain has stemmed from durable goods manufacturing, which added 101,000 jobs over the last nine months. Nondurable goods shrank by 29,000.

Construction also is up: 109,000 new jobs over September of 2025. Nonresidential building added 31,000 jobs over the year; and nonresidential specialty trade contractors (a sector heavily involved in data center construction) added a strong 84,700 jobs. Despite price pressures on households, retail trade employment is up by 26,500 over the year. Healthcare remains, however, the anchor of the jobs market, with a year-over-year increase of 371,800 jobs, or 66 percent of all 561,000 private sector jobs since September of 2025.

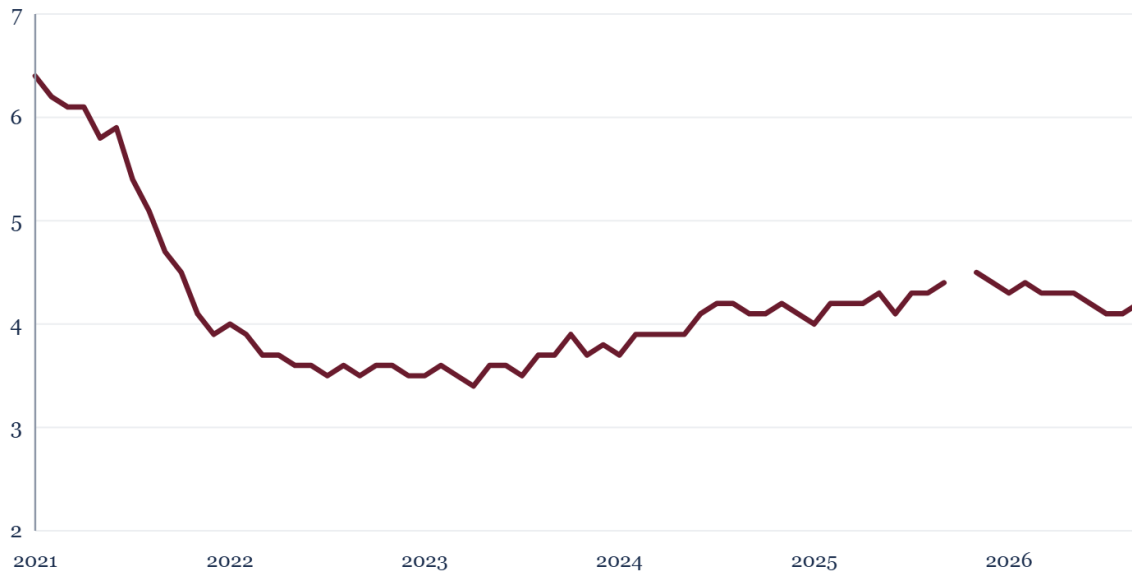
Pointing to these indicators of growth is not to suggest, however, that all is rosy in US job markets. High tech transformation is restructuring jobs in many niches of the economy, and especially in financial services, information services, and computer design and management services, all of which have experienced a rough 12 months. Altogether, these sectors have lost 259,200

jobs since September of 2025. We should expect more workplace transformation as AI continues to take over tasks formerly performed by workers.

The other headline number from today's jobs report was the unemployment rate. BLS reported an increase in the rate from August's 4.1 to 4.2 percent in September. That said, the actual increase was only 0.03 percentage points, or just enough to lift the rate above 4.15 and allow BLS to round up to 4.2. It also was not a [statistically significant change](#).

### National Unemployment Rate

January 2021 through September 2026 (Seasonally Adjusted)



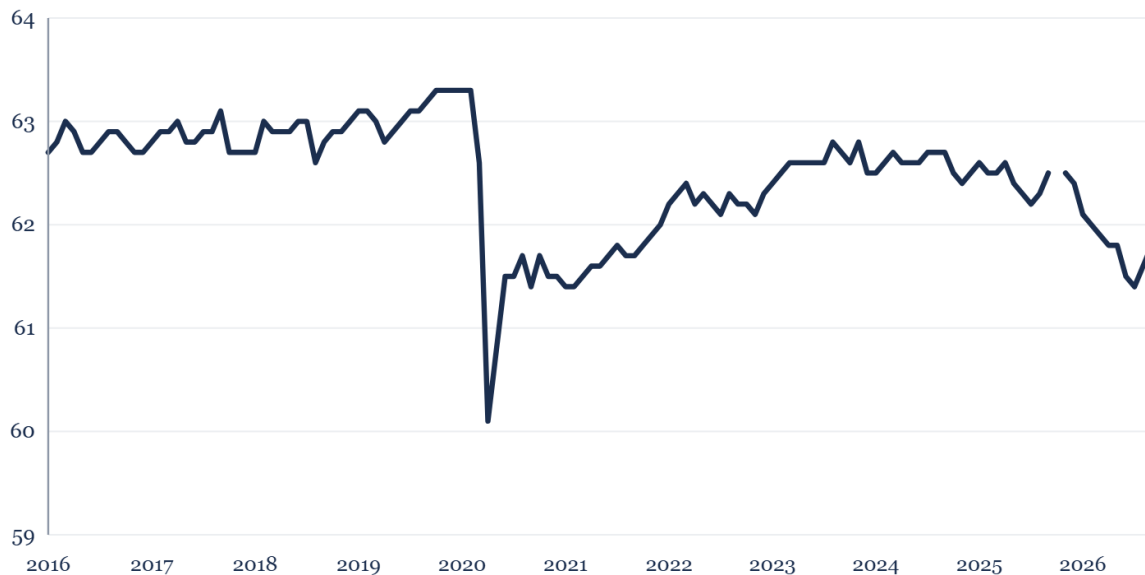
BLS reported that all the unemployment rates by race and ethnicity remained basically unchanged from the month before, except the unemployment rate for Black or African American people in the labor force. This rate rose from 6.0 in August to 7.0 in September (an actual increase of 0.95 percentage points). The overall rates for adult men and women barely moved (-0.07 and 0.09 respectively).

These results come from the Household Survey or, more formally, the Current Population Survey. This survey reported almost no change in the total

number of unemployed (a small increase of 78,000 relative to a total of 7,109,000), an increase in employment of 406,000 (the Household Survey includes those jobs surveyed in the Establishment Survey but also self-employment and other forms of work not surveyed in the other survey), and a decrease in those leaving the labor force of 346,000. These three factors, coupled with an increase in the civilian, noninstitutionalized population (aged 16 and above), led to an increase in the labor force participation rate from 61.6 percent of the civilian population to 61.8 percent.

### Labor Force Participation Rate

January 2016 through September 2026 (Percent of the Civilian Population)



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ON CAPITOL HILL

Data Source: Bureau of Labor Statistics

The graphic above is likely a good image of the mixed signals in today's jobs report. The economy is in a moderate growth path: Output and investment are expanding, household consumption remains steady to modestly strong, and the job market shows growth. That said, every moderately growing economy will have months of strength and months of apparent weakness. That's why it is crucial for policymakers and investors to have a longer time horizon.

The economy has been facing some strong headwinds over the past year, but those burdens have not been enough to inhibit growth. Whether mounting

federal debt and continued resource disruptions (like those we see today in oil and gas) will move the US economy from expansion to contraction remains to be seen, but that turning point most likely did not happen in September.

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*William W. Beach is the Executive Director of the Fiscal Lab on Capitol Hill and the former Commissioner of the Bureau of Labor Statistics.*