

Services Sector Stalls as Shutdown Delays Key Jobs Data

With the September BLS jobs report delayed due to the government shutdown, markets turned to private data earlier in the week for guidance. The ADP report showed a surprising loss of 32k private-sector jobs, with August revised into negative territory. While we covered this in detail previously, the continued weakness in private payrolls reinforces the narrative of a softening labor market and supports expectations for a potential Fed rate cut this month.

Matt Harris

No payrolls data meant all eyes were on the ISM Services Index today. The headline index fell to 50.0, the lowest reading since January 2010 and right at the threshold between expansion and contraction. The figure was weaker than all estimates in a Bloomberg survey of economists. Business Activity dropped to 49.9, marking the weakest level since the early pandemic days of May 2020. New Orders slipped to 50.4, barely holding in expansion territory, while the Employment Index remained in contraction at 47.2, its fourth such reading in the past six months. Prices Paid stayed elevated at 69.4, continuing a 10-month streak above 60 and signaling persistent inflationary pressures.

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