

CANADIAN TRADE WAR MAY BE FACTOR IN APPREHENSIVE JOBS REPORT

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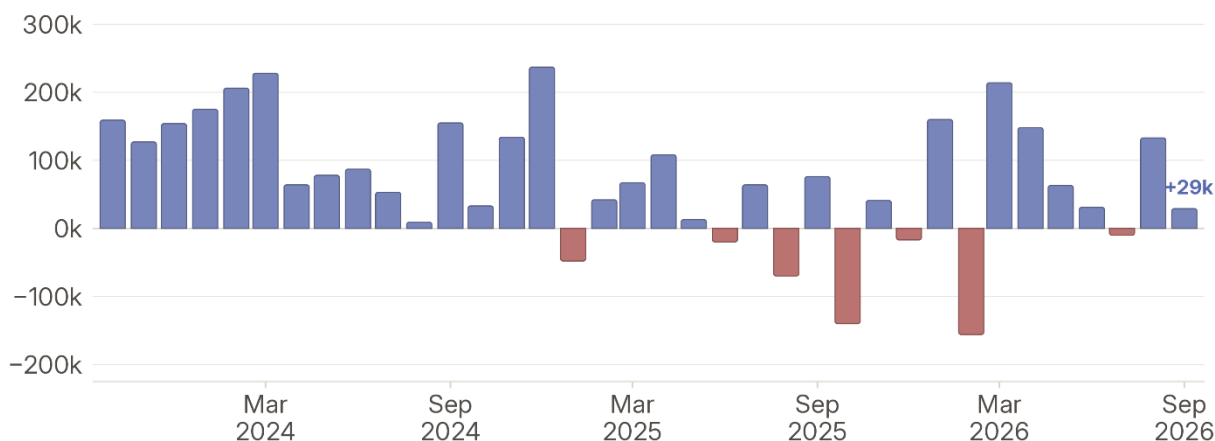
TOPLINE: Payroll employment increased by [29,000 jobs in September](#), while the unemployment rate ticked up to 4.2 percent.

BACKGROUND: After a modestly strong month of growth in August, September's jobs numbers are much more reminiscent of the tepid growth the economy experienced last year under the Liberation Day tariffs. Total non-farm job growth is estimated to be just 29,000 jobs, which is not a statistically significant gain, as Figure 1 demonstrates.¹ The previous two months of job gains for July and August were both [revised downward](#), by 31,000 and 29,000 jobs respectively, to -10,000 jobs and +133,000 gained or lost.

Figure 1

Monthly change in payroll jobs

Change in nonfarm payrolls from the prior month, seasonally adjusted, thousands of jobs



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES0000000001), accessed Oct. 2, 2026.

Total private employment grew by 46,000 this month, which is also not a statistically significant increase. No supersectors (such as information, mining and logging, or leisure and hospitality) experienced statistically significant increases or declines in employment in the past month. Over a 3-month period, only private education and

¹ Based on the Bureau of Labor Statistics' (BLS) reported 90% confidence intervals.



health services, manufacturing, construction, and utilities supersectors have seen somewhat notable growth.

Another concerning sign is that average hourly earnings grew by only 0.1 percent, which will likely not be sufficient to keep up with the higher rate of inflation anticipated in September, as shown in Figure 2.² Over the past year, hourly wages have increased 3.0 percent in nominal terms, less than the estimated 3.6 percent inflation rate in the same timeframe. Wages have decreased in inflation-adjusted terms since January 2026.

Figure 2

Real average hourly earnings, total private

Average hourly earnings of private employees, seasonally adjusted, 2026 dollars



Note: Estimated in September 2026 dollars, adjusted for inflation with the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U); September 2026 CPI is the Cleveland Fed's nowcast (+0.53%). Data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November.

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics and Consumer Price Index; Federal Reserve Bank of Cleveland, Inflation Nowcasting.

Canadian Trade War Uncertainty

AAF's [August jobs](#) report noted that [trade conflict escalations](#) with Canada, a [major U.S. trading partner](#), could hamper September job growth. Higher prices, more restricted supplies, and uncertainty caused by tariffs are likely weighing on employers' hiring. Previous [AAF research](#) has found that tariffs hurt employment growth.

Unemployment Rates and Employment-to-Population

- The unemployment rate increased by 0.1 percentage point to 4.2 percent in September, shown in Figure 3. This is not a statistically significant change from August.

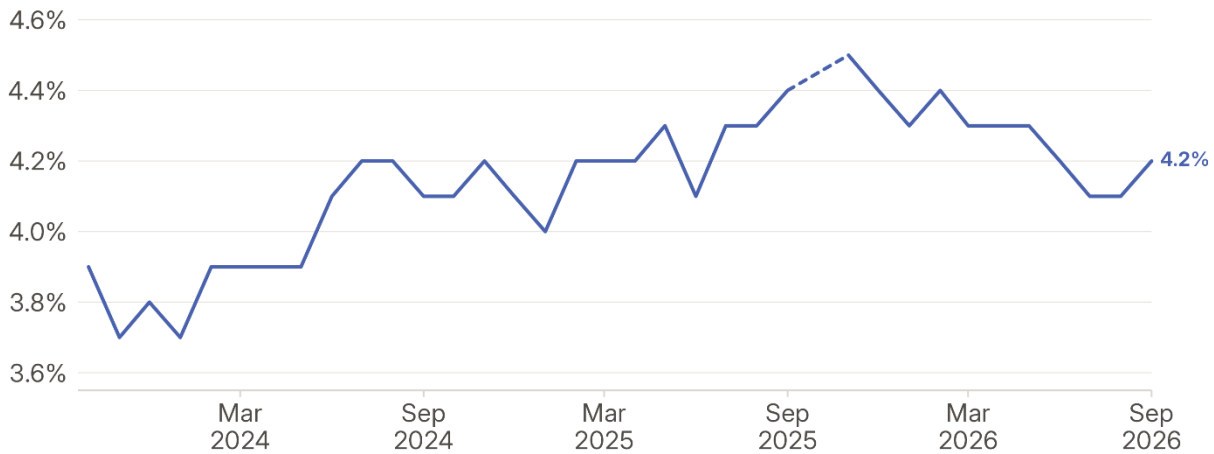
² Monthly inflation, using the BLS' Consumer Price Index (CPI), has averaged 0.325% since January 2026. The Federal Reserve Bank of Cleveland is [forecasting](#) that the CPI will go up by 0.53% in September.



Figure 3

Unemployment rate

Percent of the labor force unemployed, seasonally adjusted



Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.

- The employment-to-population ratio — or employment rate — which captures both labor force participation and unemployment, increased by 0.1 percentage point to 59.2 percent. This is the second uptick in a row, as depicted in Figure 4.

Figure 4

Employment-to-population ratio, ages 16+

Percent of the population 16 and older with a job, seasonally adjusted



Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.

While the employment-to-population ratio has increased slightly in the past two months, the overall employment rate has been in decline since mid-2023. This can primarily be explained by an aging population, shown in Figure 5, that naturally has lower employment rates.

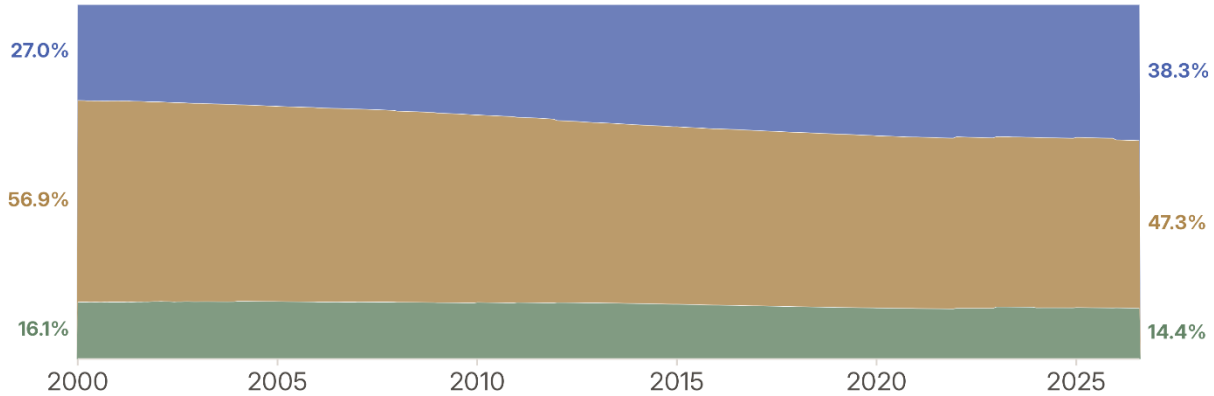


Figure 5

The share of Americans 55 and older has grown

Percent of the civilian population 16 and older, not seasonally adjusted

Ages 16–24 Ages 25–54 (prime age) Ages 55 and older



Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the data is interpolated.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.

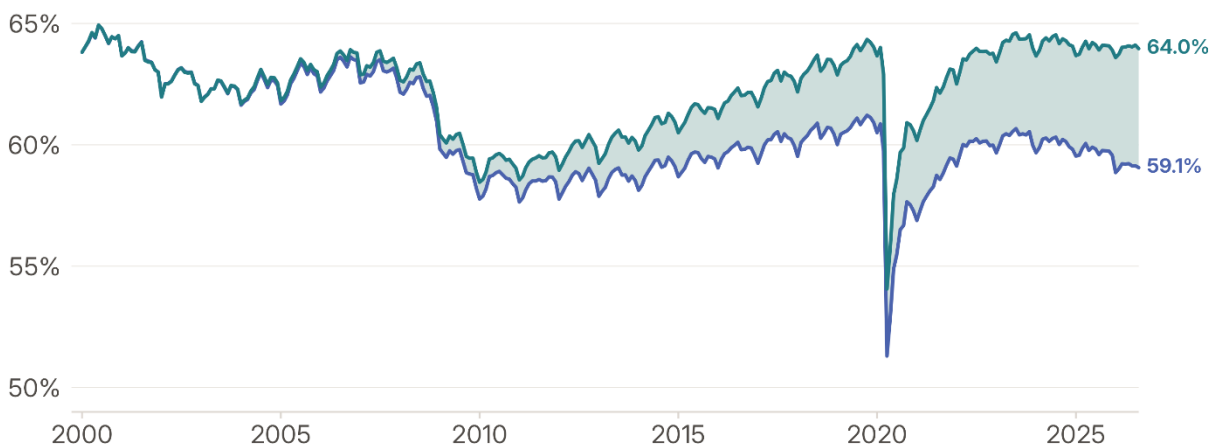
We can measure the impact the aging population has had on employment since 2000 by showing what the employment-to-population ratio would have looked like if the age composition of the country didn't change. As Figure 6 shows, in that scenario, employment rates now would be much closer to what they were back in 2000. We estimate that aging accounts for 4.9 percentage points out of the total 5.2 percentage point drop in employment since 2000.

Figure 6

Aging and the employment-to-population ratio

Percent of the population 16 and older with a job, not seasonally adjusted

Actual Age composition held at January 2000 levels



Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the data is interpolated.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.



We can expect the total employment-to-population ratio, or employment rate, to continue to decline as the Baby Boomer population continues to age and as fertility rates have continued to decline.

BOTTOMLINE: This month's jobs report gives some cause for concern, as job growth is very low across all sectors. Wage growth in the past year has also been slower than inflation, and we expect that average wages will have declined this September in real, inflation-adjusted terms.

