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Economics | Closed Sep 1, 2023

Fed-Friendly Jobs Scenario Boosts Odds US Will Avert Recession

- US payrolls grew by 187,000 in August, topping estimates
- Workforce participation ticks higher, jobless rate rises
- Trucking payrolls contract by 37,000 on business closure
- Stock futures push higher after payroll data

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- This was a more complicated report than recent months' with lots of cross-currents. Overall, it supports the soft-landing thesis for the economy, as the labor market is easing without major layoffs and wage dips. While there was less demand in many sectors (including a continued drop in the level of temporary workers), more people joined the labor market in August -- including the highest number of new entrants since 2019. The **participation rate** for prime-age workers also rebounded.

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1 day ago 08:16

Candice Tse, global head of strategic advisory solutions for Goldman Sachs Asset Management, said this report proves that the labor-market rebalance continues.

"Above-consensus job creation and slightly higher unemployment shows that the labor-market rebalance continues. Broadly, the job market continues to show signs of moderation as the broader economy moves towards a soft landing, reinforcing market expectations that the Fed will keep interest rates steady at the September meeting."

Isabelle Lee
Cross Asset Reporter

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1 day ago 08:14

From Bloomberg Economics' Stuart Paul:

"Belying the upside surprise in August's payrolls print are weaknesses that suggest the Fed should pause its rate-hike cycle. Hourly wage growth slowed notably, labor-force participation increased – most notably for older workers and prime working-age women – and past prints were once again revised downward.

"The unemployment rate remains low, but its monthly increase is a reminder that risks for the Fed to achieve its dual mandate are becoming more evenly balanced. The labor-market softening, though slow, is yet another reason we think the Fed will choose to hold policy rates steady at the Sept. 19-20 FOMC meeting, and thereafter."

Michael Arnold
Bloomberg Economics Editor

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1 day ago 08:12

George Goncalves, head of US macro strategy at MUFG says:

The jobs report, "with such a mixed read but higher unemployment rate and big revisions," could be looked "as the beginning of the end of the robust job market and the countdown for how long can the Fed stay on hold."

Michael Mackenzie
Rates Reporter, New York

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1 day ago 08:08

Capital Economics reckon the jobs data **support the idea** that the **Fed will be cutting rates next year**:

"The muted 0.2% month-on-month rise in average hourly earnings, which pushed annual wage growth back down to 4.3%, is a sign of things to come. We continue to expect weaker labor-market conditions to contribute to a rapid decline in core inflation, convincing the Fed to cut rates more aggressively next year than markets are pricing in."

Enda Curran
Global Economy Reporter

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1 day ago 08:08

Here’s some reaction from Rubeela Farooqi, chief US economist at High Frequency Economics:

“We think these data support the case for no rate hike at the September FOMC meeting. As for the rate path past September, our base case remains that the Fed is at the end of the rate-hiking cycle. However, with the economy reaccelerating, posing a potential upside risk to inflation, another increase in rates later this year cannot be taken off the table.”

Enda Curran
Global Economy Reporter

Updated 1 day ago