

Register-Guard Capital

EMPLOYMENT GUARD 9/4/26

We predict a rebound in the headline and none beneath it. We expect job growth below consensus, an unemployment rate one tenth above the Bloomberg median, and annual wage gains of 3.0%, the slowest since May 2021. Specifically, we project nonfarm payroll growth of 40,000, an unemployment rate of 4.2%, and average hourly earnings growth of 3.0% year-over-year, equivalent to roughly 0.3% on the month. July's negative print was manufactured by a seasonal-adjustment misfire in local government education and the headline recovers once that artifact stops repeating, even as private hiring beneath it slows further. The labor market has not picked up. It has stopped falling in the places where July's decline was statistical and it has kept softening in the places where the decline was real.

The Bureau of Labor Statistics releases its August 2026 Employment Situation Report on Friday, September 4, 2026, at 8:30 a.m. ET.¹ The Bloomberg survey median calls for payroll growth of 55,000 after July's decline of 23,000, with the unemployment rate holding at 4.1%;² the Dow Jones consensus sits at 53,000 and 4.1%,³ and FactSet at 65,000 with the rate rising to 4.2%.⁴ Desk estimates span an unusually wide range: Fifth Third at a 25,000 decline, Citi & Vanguard at 20,000, RSM at 25,000, Bank of America at 40,000, and at least one desk at 80,000, with Vanguard alone calling the unemployment rate up to 4.3%.⁵ Average hourly earnings are projected at 0.3% month-over-month, which RSM translates to 3.1% year-over-year.⁶ This is the last employment report before the September 15–16 FOMC meeting and it lands a week after Chair Warsh's Jackson Hole address, which placed the labor market at full employment and the price-stability side of the mandate as the concern; federal funds futures now price roughly two-thirds odds of a quarter-point increase at that meeting.⁷

We are below every consensus measure on payrolls and we get there having first scored our July miss, which was our worst. Our last Guard called 95,000 against an actual decline of 23,000. The Employment Register 8/7/26 traced the 118,000 gap to three errors: a government estimate that ignored our own warning on education timing, a World Cup timing call made against consensus without corroborating evidence, and an education-and-health engine priced at

¹ Bureau of Labor Statistics, "The Employment Situation—July 2026," news release, U.S. Department of Labor, August 7, 2026, https://www.bls.gov/news.release/archives/empisit_08072026.htm.

² Vince Golle and Craig Stirling, "US Jobs Report Expected to Show Steady Labor Market, Supporting Fed's Focus," *Bloomberg*, August 29, 2026, <https://www.bloomberg.com/news/articles/2026-08-29/us-jobs-report-seen-backing-warsh-view-of-labor-market>.

³ "August 2026 Jobs Report: Payrolls Projected Up 53,000," CNBC, September 3, 2026, <https://www.cnbc.com/2026/09/03/august-2026-jobs-report-payrolls.html>.

⁴ Colin Laidley, "August Jobs Report Seen Showing Modest Bounce in a Slow Hiring Market," *Morningstar*, September 2, 2026, <https://www.morningstar.com/economy/august-jobs-report-seen-showing-modest-bounce-slow-hiring-market>.

⁵ "August Jobs Report Preview: Key Expert Forecasts," *Kiplinger*, September 2, 2026, <https://www.kiplinger.com/investing/economy/jobs-report-august-2026-what-to-expect>; Joseph Brusuelas, "Market Minute: August U.S. Jobs Report Preview," RSM US, September 3, 2026, <https://realeconomy.rsmus.com/market-minute-august-u-s-jobs-report-preview/>; Laidley, "August Jobs Report Seen Showing Modest Bounce"; "August 2026 Jobs Report: Payrolls Projected Up 53,000," CNBC.

⁶ Laidley, "August Jobs Report Seen Showing Modest Bounce"; Brusuelas, "August U.S. Jobs Report Preview."

⁷ Laidley, "August Jobs Report Seen Showing Modest Bounce". Warsh's Jackson Hole remarks and CME FedWatch pricing as reported therein.

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trend as it decelerated. It committed this Guard to three corrections, which are applied below: scenario-weighted treatment of seasonal-quirk components, no timing call against a reasoned consensus view without high-frequency corroboration, and the demotion of cross-survey compensation signals from the point estimate.⁸ Since then, the August 28 preliminary benchmark revision marked March 2026 payrolls down by 79,000, or 0.1%, against a Bloomberg survey median that expected an increase of 183,000; private payrolls were cut by 178,000 and government raised by roughly 99,000, with the largest markdowns in retail trade, private education & health services, and financial activities.⁹ The revision does not touch Friday's print, which will be built on the old benchmark until February, but it confirms two things we already suspected: the private engine has been running roughly 15,000 a month hotter in the survey than in the tax records, and it is government, not private hiring, that the survey has been undercounting.

The August cross-checks are uniformly softer than July's, and July's were the ones we over-read. The NFIB Small Business Employment Index slipped 0.3 points to 101.8; the share of owners hiring or trying to hire fell five points to 56%; hiring plans fell three points to a net 17%; unfilled openings fell one point to 35%; and labor quality or availability as the single most important problem dropped four points to 23%, with labor costs at 7%, the lowest since March 2021.¹⁰ July JOLTS, released September 1, showed hires falling to 5.1 million from 5.3 million, a 3.2% rate, with hires in professional and business services down 188,000; openings were little changed at 7.3 million after June was revised down by 177,000, quits held at 1.9%, and layoffs at 1.0%.¹¹ The freeze has not thawed; it has tightened on the hiring side while the layoff side holds. Initial claims in the survey reference week ending August 15 were 207,000, up from 189,000 in July's reference week and off the 57-year low, though the four-week average near 205,000 and continuing claims near 1.78 million remain far below the year-ago 236,000 and 1.94 million.¹² ADP's August private reading of 38,000 was its slowest since January and narrow in the familiar way: education and health services contributed 45,000, more than the total, with construction at 12,000 and leisure and hospitality at 16,000 offset by declines in manufacturing (17,000), professional and business services (16,000), information, trade, and mining; establishments with 20 to 49 employees shed workers while those with 500 or more added 34,000.¹³ We continue to

⁸ Register-Guard Capital, *Employment Guard 8/7/26* (August 7, 2026); Register-Guard Capital, *Employment Register 8/7/26* (August 7, 2026).

⁹ Bureau of Labor Statistics, "Current Employment Statistics Preliminary Benchmark Announcement," August 28, 2026, <https://www.bls.gov/web/empstat/cesprelbnk.htm>; "US Job Growth Marked Down in Preliminary Benchmark Estimate," *Bloomberg*, August 28, 2026, <https://www.bloomberg.com/news/articles/2026-08-28/us-job-growth-marked-down-79-000-in-preliminary-estimate>.

¹⁰ National Federation of Independent Business, "NFIB Jobs Report: Main Street Employment Softens in August," news release, September 3, 2026, <https://www.nfib.com/news/press-release/nfib-jobs-report-main-street-employment-softens-in-august/>.

¹¹ Bureau of Labor Statistics, "Job Openings and Labor Turnover—July 2026," news release, U.S. Department of Labor, September 1, 2026, <https://www.bls.gov/news.release/pdf/jolts.pdf>.

¹² U.S. Department of Labor, "Unemployment Insurance Weekly Claims Report," news release, Employment and Training Administration, September 3, 2026, <https://www.dol.gov/ui/data.pdf>.

¹³ ADP Research, "ADP National Employment Report: Private Employers Added 38,000 Jobs in August," September 2, 2026, <https://adpemploymentreport.com/>.

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read ADP for breadth rather than level, and its breadth is the point: three sectors up, seven flat or down.¹⁴

A second August-specific factor is labor supply and it cuts against the seasonal reversal. Temporary Protected Status for Haitian nationals was terminated on July 27, ending work authorization for a population most accounts put above 300,000, concentrated in nursing & residential care, home health, hospitality, food processing, and warehousing.¹⁵ The establishment survey counts anyone on a payroll during the pay period including August 12; employers re-verifying authorization would have begun removing affected workers inside that window, and Fifth Third attributes its negative August call to precisely this channel.¹⁶ We do not carry a full effect. The timing of employer compliance is not observable in public data and our only corroboration is ADP's manufacturing and trade declines, which is thin. But we shade health care & leisure & hospitality lower for it and treat it as the principal downside risk to the print. It is also the clearest statement yet of our standing thesis, demand against a supply wall, with the wall now moving toward demand by executive action.

Building from the components, we reach 40,000. Private payrolls land near 35,000: private education and health services contribute roughly 30,000, with health care near 25,000, between July's 22,000 and its 36,000 twelve-month average, shaded for the benchmark's finding that the sector has been overstated and for the supply shock, and social assistance, which stalled in July, adding little; construction roughly 10,000 on continued nonresidential and data-center work, corroborated by ADP; leisure and hospitality roughly 5,000, a stabilization rather than a rebound, because we are making no timing call on a sector that has fallen 83,000 in two months and ADP's 16,000 is our only corroboration; retail, wholesale, utilities, and other services roughly 10,000 combined as July's warehouse-club drop partially unwinds; professional and business services flat, where JOLTS hires collapsed and ADP is negative; manufacturing and mining roughly 10,000 lower combined as July's motor-vehicle retooling gain gives back; and information and financial activities roughly 10,000 lower combined, the latter continuing a contraction that has cost it 121,000 jobs since May 2025.¹⁷

Government is where we apply the first of the Register's corrections. Local government education fell 50,000 in July, and the not-seasonally-adjusted detail shows why we call that an artifact: the June-to-July unadjusted decline was 1,038,000 this year against 1,032,000 last year, a difference of 6,000, yet the seasonally adjusted result was minus 50,000 this year against plus 7,000 last year.¹⁸ Concurrent seasonal factors had come to expect a shallower summer drop than 2026 delivered; nothing in the raw count suggests districts shed 50,000 more workers than usual.

¹⁴ Register-Guard Capital, *Economic Publication Strategy I* (March 6, 2026), §IV; Register-Guard Capital, *Employment Register* 8/7/26.

¹⁵ Bill Adams, Fifth Third Commercial Bank, as quoted in "August Jobs Report Preview: Key Expert Forecasts," *Kiplinger*.

¹⁶ Bureau of Labor Statistics, "Employment Situation, July 2026," Technical Note; Adams, as quoted in "August Jobs Report Preview: Key Expert Forecasts," *Kiplinger*.

¹⁷ Bureau of Labor Statistics, "Employment Situation, July 2026," Table B-1; Bureau of Labor Statistics, "Job Openings and Labor Turnover, July 2026"; ADP Research, "Private Employers Added 38,000 Jobs in August."

¹⁸ Bureau of Labor Statistics, "Employment Situation, July 2026," Table B-1; Bureau of Labor Statistics, "The Employment Situation—August 2025," news release, U.S. Department of Labor, September 5, 2025, Table B-1, https://www.bls.gov/news.release/archives/empst_09052025.htm.

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But an artifact in July does not guarantee a reversal in August. The August reference period precedes most school-year starts, and last August the sector's unadjusted level rose 351,000 while its adjusted level rose 9,000.¹⁹ A reversal requires the July shortfall to return through the early-starting districts of the South and Southwest rather than in September. We weight three scenarios: a partial reversal of roughly 20,000 at 35%; a flat print at 45%; and a further decline of roughly 15,000, as tight state and local budgets convert timing into separations, at 20%. The weighted contribution is roughly 5,000. With federal payrolls continuing their structural drift of about 3,000 a month, state government adding about 5,000 on education, and local government excluding education flat to slightly lower, government contributes roughly 5,000 in total. We note that the benchmark raised government by 99,000 through March; the survey has been missing public-sector jobs, which tilts the distribution around our government number modestly upward.

Forty thousand is below the Bloomberg and Dow Jones medians and well below FactSet, and it sits with the cluster of desks, Bank of America, RSM, and Citi among them, that read the summer's residual seasonality as unfinished. Bank of America notes that August reports tend to surprise on the downside, and the initial August estimate has been revised lower in each of the past four years.²⁰ We treat the risks around 40,000 as tilted modestly downward, with the supply shock as the reason. A print at the FactSet consensus would require the local-education reversal and a full leisure and hospitality bounce to arrive in the same month, and we have corroboration for neither. Forty thousand would leave the three-month average near 41,000 and the year's monthly average near 58,000: a market at breakeven for a shrinking labor force, which is the steadiness Bloomberg's preview describes.

We are at 4.2% on the unemployment rate, one tenth above the Bloomberg and Dow Jones medians and in line with FactSet, and our reasoning is arithmetic before it is economic. July's rate was 4.09% unrounded, and the decline from 4.19% in June came entirely from one cohort: the number of unemployed fell 178,000, of which teenagers accounted for 167,000, as the teenage rate dropped from 14.6% to 12.1%, below the 13.7% to 14.7% range of the prior four months and below the 13.9% of August 2025. Adult men held at 3.9% and adult women at 3.7%.²¹ The teenage series is the noisiest in the household survey and its summer readings the noisiest of the year; a return to the middle of its recent range restores 100,000 to 140,000 to the unemployed count and lifts the aggregate to 4.15%–4.17%, which rounds to 4.2%. Put differently, the de-noised July rate was 4.2%, and the 4.1% was a teenage sampling event. Two further factors push the same way. The labor force has contracted by 984,000 in two months, an outsized move even against this year's structural shrinkage and in three of the last five Augusts the household survey has recorded a participation inflow that raised the rate, most recently from 4.2% to 4.3% last year on a 436,000 labor force gain.²² And the TPS terminations move workers from employed to unemployed before they move them out of the labor force. Against these,

¹⁹ Bureau of Labor Statistics, "Employment Situation, August 2025," Table B-1.

²⁰ Bank of America Securities, as quoted in Laidley, "August Jobs Report Seen Showing Modest Bounce"; "August 2026 Jobs Report: Payrolls Projected Up 53,000," CNBC.

²¹ Bureau of Labor Statistics, "Employment Situation, July 2026," Summary Table A and Table A-1.

²² Bureau of Labor Statistics, "Employment Situation, August 2025," Summary Table A; Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, series LNS14000000 and LNS11000000, accessed September 3, 2026, <https://data.bls.gov/timeseries/LNS14000000>.

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continued withdrawal, with the labor force down 1.3 million over the year, and the recall of some of July's 153,000 jump in temporary layoffs would hold the rate at 4.1%, and we assign that outcome real weight.²³ This is the lowest-conviction of our three calls, because the unrounded rate sits within six basis points of the rounding boundary in either direction; the tenth we choose is the one the evidence tilts toward.

We are at 3.0% on wages, roughly 0.3% on the month, and the base arithmetic our April Register committed us to is the whole story. The August 2025 Employment Situation, as released, put average hourly earnings at \$36.53, a 10-cent gain.²⁴ That figure no longer exists. The gain was revised to 0.4% a month later, and the March 2025 benchmark and updated seasonal factors lifted the level again; in the current vintage, August 2025 stands at \$36.62, nine cents above the archived release.²⁵ July 2026 average hourly earnings are \$37.62. At a 0.3% monthly gain, August reaches roughly \$37.73, which is 3.0% above \$36.62 and would be 3.3% above the archived base. A forecaster working from the release in the file would print 3.3% and miss by three tenths, which is the error our July Guard made in the opposite direction and the reason we now project only from current-vintage levels.²⁶ The sensitivity runs as follows: a 0.2% month yields 2.9%, a 0.4% month 3.1%, and a 0.3% month yields 3.0% unless July's \$37.62 is revised up by four cents or more, in which case it rounds to 3.1%. RSM's 3.1% translation of the same 0.3% month presumably carries such a revision or an unrounded gain above 0.3%; the center of the distribution is 3.0%.

Why 0.3% and not less. The twelve-month pace through July is 3.2%, but the six-month annualized pace is 2.6% and the three-month pace 2.3%; July's 2-cent gain was the weakest month of the year, some payback is normal, and the August reference period contains no calendar quirk we can identify. The compensation surveys, now demoted to directional use per the Register, are flat rather than firm: a net 31% of small-business owners raised compensation in August, unchanged, a net 18% plan to, down one, and ADP's pay measures held at 3.0% for job-stayers and cooled to 4.7% for job-changers.²⁷ Nothing there argues for a 0.4% month, and nothing argues for a repeat of July's 0.05%. We land on 0.3%, and we note the composition: July's payroll decline was concentrated in low-wage leisure and hospitality, which flattered the average, and a stabilization in that sector removes the flattery. The number to hold onto is 3.0%. Against July CPI inflation of 3.4% and PCE inflation of 3.7%, nominal wage growth at 3%

²³ Bureau of Labor Statistics, "Employment Situation, July 2026"; Adams, as quoted in "August Jobs Report Preview: Key Expert Forecasts," *Kiplinger*.

²⁴ Bureau of Labor Statistics, "Employment Situation, August 2025," Table B-3.

²⁵ Bureau of Labor Statistics, "The Employment Situation—September 2025," news release, U.S. Department of Labor, November 20, 2025; Federal Reserve Bank of St. Louis, FRED, "Average Hourly Earnings of All Employees, Total Private," series CES0500000003, current vintage updated August 7, 2026, accessed September 3, 2026, <https://fred.stlouisfed.org/series/CES0500000003>.

²⁶ Register-Guard Capital, *Employment Register* 5/8/26 (May 8, 2026); Register-Guard Capital, *Employment Register* 8/7/26.

²⁷ NFIB, "Main Street Employment Softens in August"; ADP Research, "Private Employers Added 38,000 Jobs in August"; "Private Payrolls Rose by 38,000 in August, Less Than Expected, ADP Reports," CNBC, September 2, 2026, <https://www.cnbc.com/2026/09/02/private-payrolls-rose-by-38000-in-august-fewer-than-expected-adp-reports.html>.

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means real hourly earnings are contracting, which they have not done on a sustained basis since 2023, in a labor market the Chair calls fully employed.²⁸

This is the last labor-market input before the September 15–16 FOMC meeting and it will not decide the meeting. Chair Warsh's Jackson Hole address placed the labor market at full employment & the burden on inflation, Governors Barr and Waller have since described the market as stable & in satisfactory shape, and the July PCE reading of 3.7% has moved futures pricing to roughly two-thirds odds of a hike.²⁹ Our projected report, 40,000 alongside 4.2% and 3.0% wages, is a market at breakeven for a shrinking labor force and it supplies nothing the hike case needs: the wage line, decelerating toward 3%, is the one labor-side argument for patience and it is the one the Committee has said it will read through. The decision turns on the August Consumer Price Index, due the week before the meeting. Our base case remains the hold at 3.50%–3.75% through year-end that we set out on June 17, with the risk to that call now plainly one-sided toward a hike; we take up the September decision in the Federal Reserve Register Guard 9/16/26.³⁰ For the labor market itself, the question after Friday is not whether August rebounded but whether September's local-education return and the full effect of the July supply shock print in the same report, and which of the two is larger.

Note: AI tools were used in the development of the analysis in this publication.

²⁸ Register-Guard Capital, *Inflation Register* 8/12/26 (August 12, 2026); Laidley, "August Jobs Report Seen Showing Modest Bounce".

²⁹ Laidley, "August Jobs Report Seen Showing Modest Bounce"; "August 2026 Jobs Report: Payrolls Projected Up 53,000," CNBC.

³⁰ Register-Guard Capital, *Federal Reserve Register Guard* 6/17/26 (June 17, 2026); Register-Guard Capital, *Employment Register* 8/7/26.