

Register-Guard Capital

EMPLOYMENT REGISTER 9/4/26

The August 2026 Employment Situation released by the Bureau of Labor Statistics on September 4, 2026, showed nonfarm payroll growth of 162,000, an unemployment rate of 4.1%, and average hourly earnings growth of 3.1% year-over-year.¹ Our prediction, published the morning ahead of the release, called for 40,000 jobs, a 4.2% unemployment rate, and 3.0% wage growth.² The Bloomberg survey median called for 55,000 jobs, 4.1% unemployment, and wage growth of 0.3% on the month, or 3.1% year-over-year; the Dow Jones consensus sat at 53,000 and FactSet at 65,000 with the rate rising to 4.2%.³

Scorecard

Nonfarm payrolls:

RGC predicted +40,000.

Consensus predicted +55,000.

Actual was +162,000. RGC missed by 122,000; consensus missed by 107,000.

Unemployment rate:

RGC predicted 4.2%.

Consensus predicted 4.1%.

Actual was 4.1%. RGC overshot by 10-basis points; consensus exact.

AHE year-over-year:

RGC predicted 3.0%.

Consensus predicted 3.1%.

Actual was 3.1%. RGC undershot by 10-basis points; consensus exact.

By the scorecard convention we use in these pages, that is 0 of 3, and it is our worst scorecard since we began publishing: farther from the print than the consensus on payrolls, and a tenth off on the two measures where the consensus was exact. The diagnosis is uncomfortable in a specific way. The corrections we adopted on August 7 to stop us over-reading a seasonal quirk are what caused us to under-read its reversal, and the read of the month that the CEO gave at the start of the process, that activity had picked up, was right and was set aside. Both are treated below.

Key Findings

The August report is the strongest in five months and, on the figures as first published, the first upward surprise of the summer. Of the 162,000, roughly 90,000 is the reversal of two seasonal artifacts we had identified in print: local government education added 42,000, which the Bureau describes as largely offsetting July's decline, and food services and drinking places

¹ Bureau of Labor Statistics, "The Employment Situation—August 2026," news release, U.S. Department of Labor, September 4, 2026.

² *Register-Guard Capital*, Employment Guard 9/4/26 (September 4, 2026).

³ Bloomberg, Dow Jones, and FactSet consensus figures as cited in *Register-Guard Capital*, Employment Guard 9/4/26.

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added 59,000 against an average monthly gain of 12,000.⁴ The remaining 60,000 to 70,000 is trend, and it is a firmer trend than the summer had shown: private payrolls rose 127,000, the private diffusion index reached 55.6, its broadest reading of the year, and June and July were revised up by a combined 55,000, to 31,000 and 21,000, the first net upward revision this year. The three-month average has gone from 20,000 to 71,000 and the twelve-month average to 31,000.⁵ The household survey is the other half of the story and the half our framework describes: the labor force grew by 683,000 and household employment by 569,000, participation rose to 61.6%, the number working part time for economic reasons fell 414,000 to 4.4 million, and the unemployment rate held at 4.1% because the entrants found work.⁶ Wages did not accelerate: average hourly earnings rose 10 cents, or 0.3%, to \$37.75, and 3.1% over the year, the slowest since May 2021 and a real decline against headline inflation of 3.4%.

Eight months into the year, the trend has turned twice. On the current vintage, February fell 156,000, March rebounded 185,000, April and May added 148,000 and 63,000, June and July added 31,000 and 21,000, and August added 162,000. The spring was a rebound from a winter collapse, the early summer a stall, and August a month in which the stall's statistical half reversed while its real half, a private engine adding 60,000 to 70,000 a month, held. The unemployment rate has fallen from 4.3% in the spring to 4.1% in July and August, in July because the labor force shrank and in August because it grew and was absorbed; participation, which fell from 61.9% in March to 61.4% in July, recovered to 61.6%. Wage growth has decelerated every month since April, from 3.6% to 3.4%, 3.5%, 3.2%, and 3.1%, with the monthly pace steady near 0.3% and the deceleration entirely a base effect from the stronger months of 2025 rolling off.⁷ The August 28 preliminary benchmark revision, which marked March 2026 payrolls down by 79,000 with private payrolls cut by 178,000 and government raised by 99,000, will lower the whole path when it is incorporated in February; it does not change the shape. The year's labor market is a demand that has run into a supply wall, and August is what the framework says happens when the wall moves: supply arrived, employers hired it, and wages did not move.

Component Analysis

Payroll growth

Leisure and hospitality added 62,000, all of it in food services and drinking places, after losing 83,000 over June and July. Local government education added 42,000 and government as a whole 35,000. Construction added 22,000, its second consecutive gain of that size, and manufacturing 16,000, its largest of the year. Health care added 13,000, well below its twelve-month average of 32,000 and its slowest month since the spring; social assistance added roughly 15,000. Professional and business services added 10,000, transportation and warehousing 5,000,

⁴ Bureau of Labor Statistics, "Employment Situation, August 2026," Table B-1 and text.

⁵ Bureau of Labor Statistics, "Employment Situation, August 2026," text on revisions and Table B-1.

⁶ Bureau of Labor Statistics, "Employment Situation, August 2026," Tables A-1 and A-8.

⁷ *Register-Guard Capital*, Employment Register 5/8/26 (May 8, 2026), Employment Register 7/2/26 (July 2, 2026), and Employment Register 8/7/26 (August 7, 2026); Bureau of Labor Statistics, "Employment Situation, August 2026," Table B-1.

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other services 3,000, and retail was flat. Information lost 23,000 and financial activities 11,000, the latter now down more than 130,000 from its May 2025 peak.⁸

Against our build, the misses sort into two kinds. The two reversals we identified and discounted account for roughly 96,000 of the 122,000 miss: we weighted local education at a 35% chance of partial reversal and carried roughly 5,000 for government, against 35,000; we carried leisure and hospitality at 5,000, a stabilization rather than a rebound, against 62,000. The rest is a plain misread of manufacturing, which we carried lower on the July motor-vehicle retooling and which added 16,000, its fourth gain since December, and a health care and social assistance figure that was close. Construction and professional services were near our numbers; information was worse than we carried. What the components say about the economy is that the summer's deterioration was concentrated in exactly the places we said it was statistical, and the places we said were real, the care sector's deceleration and the contraction in finance and information, were real: health care is adding at less than half its average pace, and the two white-collar sectors that carried 2025 are shedding. A market whose August gain comes from restaurants re-staffing and schools re-opening is not a market re-accelerating; it is a market whose trend is near 65,000 with a large seasonal noise term on top.

Revisions

June was revised up by 11,000 to 31,000 and July by 44,000 to 21,000, a combined 55,000 and the first net upward revision this year. July's negative print, which the previous Register treated as the first contraction since February, no longer exists: the artifact we diagnosed was larger than we said, and the underlying summer was weak rather than negative. The revision sequence, three consecutive net markdowns followed by a markup, is consistent with a market that stopped falling in June; the preliminary benchmark says the level from which it stopped falling was lower than the survey showed.

Unemployment rate

It held at 4.1% against our 4.2%, and every mechanism we named for a rise arrived. The teenage rate returned from its July outlier of 12.1% to 14.1%, restoring roughly 140,000 to the unemployed count as we said it would; the labor force grew by 683,000, the participation inflow we said August tends to deliver; and the number unemployed fell to 7.0 million anyway, because household employment rose 569,000. The unrounded rate was 4.141% against a rounding threshold of 4.145%, a difference of roughly 6,000 people out of 170 million.⁹ Long-term unemployment held at 1.9 million and 27.0% of the total; U-6 fell to 7.7%. The reading is the one our framework has carried since the spring: supply, not demand, sets this market's unemployment rate. The wall moved in August, more people came in, and the economy hired them at a wage that did not rise; a labor market that absorbs 683,000 entrants in a month without pressure on pay is one with more slack behind the wall than the headline rate shows.

⁸ Bureau of Labor Statistics, "Employment Situation, August 2026," Table B-1.

⁹ Bureau of Labor Statistics, "Employment Situation, August 2026," Table A-1; unrounded rate computed from the published unemployed and labor force levels.

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Wage growth

Average hourly earnings rose 10 cents, or 0.3%, to \$37.75, and 3.1% over the year; production and nonsupervisory earnings rose 11 cents, or 0.3%, to \$32.53, and the average workweek rose a tenth to 34.4 hours, so weekly earnings rose more than hourly.¹⁰ The machinery worked. Our current-vintage August 2025 base of \$36.62 was exactly right, where the archived release's \$36.53 would have produced a 3.3% projection, and our 0.3% month printed. The annual rate rounded to 3.1% rather than 3.0% because July's level was revised up by three cents to \$37.65; we wrote in the Guard that a four-cent upward revision would flip the rounding, and three did. The reading is the one the household survey gives from the other side: 3.1% with the workweek edging up is the price of retaining workers in a market where a large inflow of supply meets steady demand, and it is now a tenth below the headline inflation rate and falling; the wage channel to inflation is closed, and real earnings are shrinking.

On the Miss

We predicted 40,000, 4.2%, and 3.0%; actual was 162,000, 4.1%, and 3.1%. The two near-misses are coin flips we flagged as coin flips: the unemployment rate sat six basis points from the boundary and the wage rounding turned on a three-cent revision, and both are documented above. The payroll miss is four errors. First, local government education: our own not-seasonally-adjusted analysis concluded that July's 50,000 decline was an artifact, and we then weighted its reversal at 35%, a diagnosis followed by a refusal to act on it; taken at face value, the reversal alone would have put our headline near 85,000. Second, leisure and hospitality: the August 7 rule that a timing call against a reasoned consensus view requires high-frequency corroboration was written to stop us fighting a trend, and we used it to fight a mean reversion instead; we had the corroboration the rule asked for, in ADP's sector figure and in the JOLTS hires and separations, and set it aside. Third, manufacturing: 58,000 jobs added since December is a trend, and we have treated it as noise for three reports. Fourth, the Temporary Protected Status shading: a supply shock with an unobservable timing was carried into the point estimate on the strength of one desk's call, and it is not visible anywhere in the release.

A fourth error sits beneath the other three. Our initial read of August, formed before the cross-checks were assembled, was that activity had picked up. We set that read aside on the strength of the NFIB, ADP, and JOLTS releases, which is to say on the strength of precisely the survey and third-party indicators our Economic Publication Strategy de-emphasizes as leading indicators. The cross-checks described the trend accurately and said nothing about the reversals, and we allowed them to overrule a fundamental judgment that was correct. Where survey evidence and fundamental conviction diverge, the Strategy already specifies which governs. We inverted it.¹¹

¹⁰ Bureau of Labor Statistics, "Employment Situation, August 2026," Tables B-2 and B-3.

¹¹ *Register-Guard Capital*, Economic Publications Strategy I (March 6, 2026), §IV, "Data source discipline" and "Fundamental conviction."

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Methodology

Four corrections, each tied to a line in this report, all calibration rather than framework. First, artifact reversals carry the modal weight. When our own not-seasonally-adjusted analysis identifies a prior month's move as a seasonal-adjustment artifact, the following month carries its reversal as the central case, not as one scenario among three; the August 7 rule that seasonal-quirk months receive scenario weights stands for months in which the quirk is prospective, not for months in which it is the unwinding of one we have already diagnosed. Second, the corroboration rule governs calls against trend, not reversions toward it. A timing call that fights a trend needs high-frequency evidence; a sector returning to its average after an outsized two-month decline is the base case and needs a reason not to be carried. Third, policy shocks with unobservable timing stay out of the point estimate. They are named as risks, with the channel and the population, and they enter the number only when they appear in a release. Fourth, the Strategy's hierarchy is applied as written: the CEO's fundamental read of the month is the prior, and survey and third-party cross-checks may sharpen a component but may not overrule the read. A presentational refinement follows from the wage call: the unrounded projection is published beside the rounded one, so that a reader can see that 3.03% is a coin flip against 3.05% rather than a call. Applied together to August, the first two corrections give a payroll build near 85,000 to 100,000, still short of 162,000 but on the right side of the consensus, and a Guard whose headline read matched the CEO's; the unemployment and wage machinery were already right and are unchanged.

Macro Implications

The report removes the labor market from the case for a hold. Our June 17 base case of a hold at 3.50% to 3.75% through year-end rested on two legs, inflation that was easing and a labor market that had stalled; August takes the second away. A print of 162,000 with participation rising, the unemployment rate at 4.1%, and the broadest diffusion of the year is full employment by the Chair's own Jackson Hole description, and it lands eleven days before the September 15 to 16 meeting with federal funds futures pricing roughly two-thirds odds of a quarter-point increase.¹² What the report does not supply is a wage argument for tightening: 3.1% and decelerating is the opposite of the labor-cost pressure a hike case usually wants, and the household survey says the market is absorbing supply without bidding for it. The hold is now an inflation call with no labor cover, and it will be made or retired on the inflation data: the August Producer Price Index on September 10 and the Consumer Price Index on September 11, four days before the decision. We make the September call in the Federal Reserve Register Guard 9/16/26. For markets, the report should firm front-end hike pricing, do little for the long end while the inflation data are pending, and support the dollar; for our own record, it should end the summer's run of overshoots, since the artifact that produced them has reversed.

¹² *Register-Guard Capital*, Federal Reserve Register Guard 6/17/26 (June 17, 2026); Kevin Warsh, "In Our Time," keynote remarks at the Federal Reserve Bank of Kansas City Economic Policy Symposium, Jackson Hole, Wyoming, August 28, 2026; CME Group, FedWatch Tool, accessed September 4, 2026.

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Forward Look

Three things to watch in the next two weeks. First, the August PPI on September 10 and the August CPI on September 11, the two reports that now carry the whole of the September decision; the Strait of Hormuz closure of July 13 reaches the CPI's monthly average for the first time in August, and our Inflation Guard will make that call. Second, the FOMC on September 15 to 16, where the vote and the statement's language on the labor market will show whether the Committee reads August as the end of the stall or as a seasonal echo. Third, the September Employment Situation on October 2, where the test of this report is whether the trend components hold near 65,000 once the two reversals are spent: health care at half its average pace, finance and information contracting, and the entrants of August either retained or released.

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