



Press Release

Freddy's Forecast: August Jobs

PAULINA ENCK | SEPTEMBER 5, 2024

Each month, Director of Competition Policy Fred Ashton predicts the results of the monthly employment survey. This month, Ashton writes:

Expect the topline payroll number to remain muted at 155,000 while the unemployment rate ticks down to 4.2 percent. Growth in hourly earnings dips to 7 cents, or 0.2 percent.

See below for his full analysis.

DATA REVISIONS CONFIRM A LUKEWARM LABOR MARKET

On August 21, the Bureau of Labor Statistics (BLS) [released](#) its preliminary benchmark revisions to the establishment employment survey and showed that 818,000 fewer nonfarm payroll jobs (0.5 percent of total nonfarm payrolls) were created between April 2023 and March 2024 than originally estimated. The revisions translated to an economy that added roughly 174,000 jobs per month during the period compared to the 242,000 previously reported, a difference of 68,000 per month. It was the largest revision since 2009 and likely reflected difficulties measuring the recent surge in immigration.

The preliminary revisions showed that the biggest downward revisions came in professional and business services (-358,000), leisure and hospitality (-150,000), and manufacturing (-115,000). Some sectors, including private education and health services (+87,000), transportation and warehousing (+56,400), and other services (+21,000), were upwardly revised. Government jobs were little changed, up just 1,000.

Each year, the BLS corrects the nonfarm payroll data using information collected from a more comprehensive survey, the Quarterly Census of Employment and Wages. This survey covers more than 95 percent of jobs available using state unemployment insurance data.

It is clear that the hot labor market, which had recently shown signs of cooling, slowed at a faster clip than originally thought. The revised estimate of a 174,000 jobs per-month pace is more in line with the average prior to the pandemic in 2018–2019 of 178,000. The downward revisions, however, offered some good news – they implied that productivity growth may be stronger than has been reported as fewer workers were needed to create the current estimated level of output (assuming that the measure of output is accurate). As explained by [Eakinomics](#), productivity growth “is the route to higher real wages and an increase in the standard of living.” That is good news.

Days following the revisions, Federal Reserve Chairman Jerome Powell [delivered a speech](#) at the annual Jackson Hole Economic Symposium where he acknowledged that the “labor market has cooled considerably from its formerly overheated state,” and added that “we do not seek or welcome further cooling in labor market conditions.” It appeared that the Fed now sees the downside risk to the economy coming from the labor market even though inflation is still above the 2 percent target. As the September meeting approaches, it no longer

seems like a question of whether the Fed will cut, but rather by how much. Market [expectations](#) are split roughly 50/50 between a 25 basis-point and a 50 basis-point cut.

FREDDY'S FORECAST: AUGUST JOBS

The July jobs report showed employers added 114,000 new hires to the payrolls while the unemployment rate jumped to 4.3 percent, the highest level since October 2021. Wage gains downshifted to 3.6 percent, the slowest pace since May 2021.

Since the last report, evidence of a cooling labor market has continued to mount. Most notable were the revised estimates of nonfarm payroll data that showed 818,000 fewer jobs were created between April 2023 and March 2024 than previously reported.

ADP reported that just 99,000 workers were added to private-sector payrolls in August, the weakest since January 2021. While the pace of hiring was muted, only a handful of sectors reported job losses, including manufacturing (-8,000), information services (-4,000), and professional and business services (-16,000). Hiring in the education and health services sector remained resilient, adding 29,000 workers.

The Institute for Supply Management showed that hiring in the manufacturing sector continued to contract in August, albeit at a slower rate than in the prior month. Meanwhile, the pace of services-sector hiring slowed in August compared to the prior month.

Initial unemployment claims and JOLTS data confirmed that the ongoing labor market cooldown is coming in the form of a slowdown in the pace of hiring rather than layoffs. In the week ending August 31, initial claims decreased by 5,000 to 227,000 while layoffs in the JOLTS report remained muted. JOLTS data also showed that the number of job openings slumped to its lowest level since January 2021 at 7.67 million and the ratio of job openings per available worker fell to just under 1.1, nearly half of where it was at the peak in early 2022.

Expect the topline payroll number to remain muted at 155,000 while the unemployment rate ticks down to 4.2 percent. Growth in hourly earnings dips to 7 cents, or 0.2 percent.