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Outlook.

Sep. 05, 2022



By Reade Pickert, Bloomberg News (via TNS).

U.S. employers added a healthy number of jobs in August and a steady stream of people entering the workforce lifted the unemployment rate, suggesting some easing in the tight labor market and offering mixed implications for the Federal Reserve.

Nonfarm payrolls increased 315,000 last month following a revised 526,000 advance in July, a Labor Department report showed Friday. The unemployment rate unexpectedly rose to a six-month high of 3.7%, the first increase since January, as the participation rate climbed.

Economists projected an almost 300,000 gain in payrolls and a 3.5% jobless rate,

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welcome news for the Fed as it debates its next rate decision, and led traders to pare bets for a third-straight 75-basis-point hike after the report. It also puts more focus on consumer price data due ahead of the September policy meeting.

“This is really what the Fed is hoping for,” former Fed governor and University of Chicago professor Randall Kroszner said on Bloomberg TV. “More people are coming back into the labor market. That helps to reduce the tightness of that market.”

Short-term Treasury yields fell, while the S&P 500 posted gains and the dollar extended losses on the day.

The labor force participation rate — the share of the population that is working or looking for work — advanced to 62.4%, matching the highest since March 2020. The rate for workers ages 25-54 rose by the most since June 2020 to 82.8%. Teen participation also surged.

“Most of the new labor force entrants found work, particularly part-time, while the remainder of these new entrants are still searching,” Mizuho Financial Group Inc. economists Alex Pelle and Steven Ricchiuto said in a note. The number of people working part-time for economic reasons jumped for a second month.

The job gains were led by professional and business services, health care and retail trade. Leisure and hospitality posted the smallest payrolls gain since a decline in December 2020.

While a persistent mismatch between labor supply and demand has driven businesses to bid up wages, the report shows some encouraging signs that the two are coming more in line. Average hourly earnings rose 0.3% from the prior month and were up 5.2% from a year earlier.

Fed Chair Jerome Powell emphasized the “out of balance” nature of the labor market

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slightly to 34.5 hours.

The number of people not in the labor force who currently want a job fell by 361,000 in August — the biggest decline in a year — suggesting solid wage growth and high inflation are driving people to look for work.

Other recent labor market data also paint a strong picture. Job openings edged up to 11.2 million in July, while applications for unemployment insurance last week dropped for a third consecutive week to a two-month low.

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