BEA 東亞銀行

**Economic Indicators Analysis** **7 September 2026**

# Strong August Payrolls Lower the Bar for a Fed Rate Hike


## Summary:

- US nonfarm payrolls staged an unexpected rebound in August, rising strongly by 162k.
- The unemployment rate held steady at 4.1%, while wage growth continued to soften.
- One 25 basis-point rate hike in 2026 remains likely, with the exact timing contingent on incoming CPI prints and energy prices.


**US nonfarm payrolls staged an unexpected rebound in August, a marked improvement from the mid-summer soft patch.** Nonfarm payrolls rose by 162k during the month, outperforming market forecasts of around 55k. The strength was further reinforced by upward revisions to the prior two months. Total job gains for June and July were revised upward by a combined 55k, with July's previously reported 23k contraction revised into a modest 21k gain. The upward revisions reduced concerns about a softening labour market. Job gains in August were concentrated in leisure and hospitality (+62k), local government education (+42k), construction (+22k) and manufacturing (+16k). Conversely, the information sector and financial sector recorded job losses of 23k and 11k, respectively.

**The headline unemployment rate held steady at 4.1% in August.** The household survey also painted a reassuring picture of underlying workforce dynamics. Total employed workers rebounded sharply by 569k, while the number of unemployed workers increased by around 115k. The labour force participation rate ticked up to 61.6% in August, recovering 0.2 percentage points from July's low. Additionally, the number of people working part time for economic reasons fell 414k to 4.4 million. This suggests improved job quality and reduced underemployment pressures. Overall, the survey shows a healthier balance between labour supply and demand, with healthy job creation absorbing much of an expanding labour force (+683k) in August.

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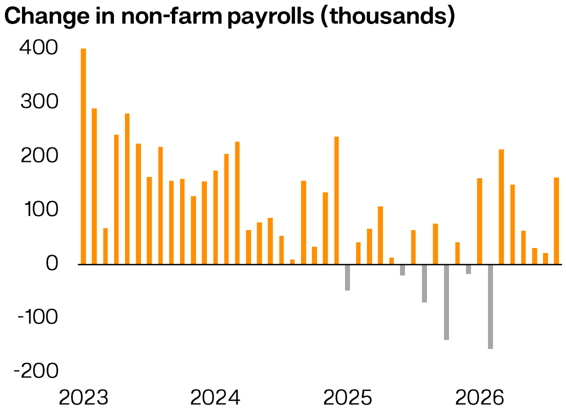


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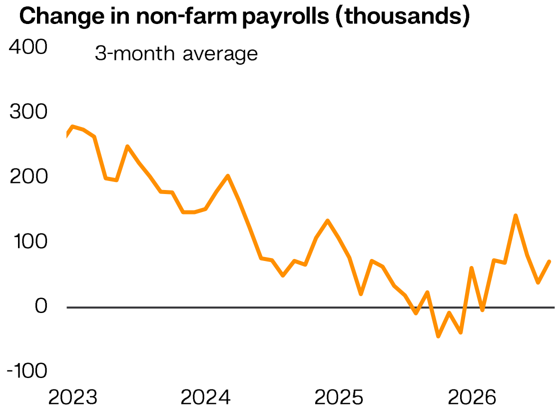
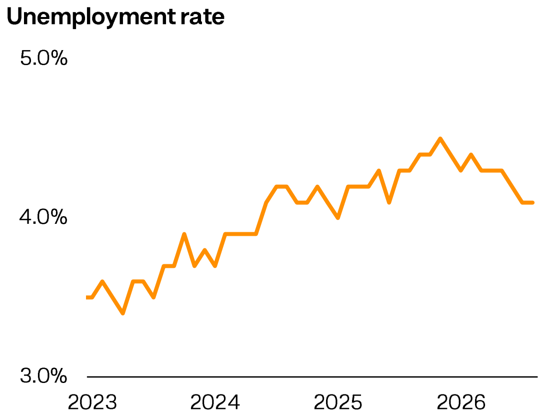



Source: CEIC

**Wage growth continued to moderate.** Average hourly earnings (AHEs) came in at USD 37.75 in August, posting a modest 0.3% MoM uptick after increasing 0.2% in July. On a year-on-year (YoY) basis, growth in AHEs slowed to 3.1% from 3.2%, the slowest pace since May 2021. This sustained moderation in wage growth offers evidence that labour costs are no longer actively fuelling inflation. That said, uncertainty surrounding the inflation trajectory remains elevated amid the recent surge in energy prices.

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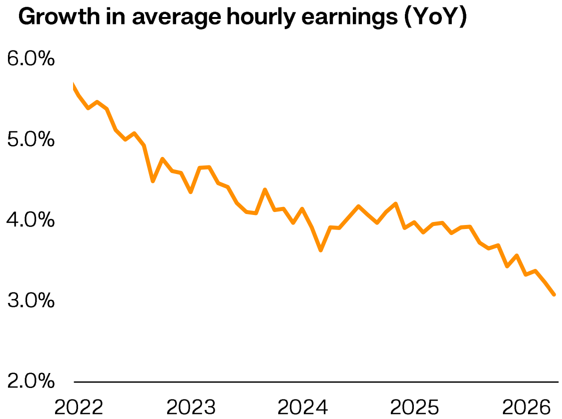


Source: CEIC

**The August employment surge shifts inflation into sharp focus.** While July's unexpected weakness briefly elevated labour market downside risks, August's firm payroll print and labour supply growth indicate that the underlying economy remains resilient. Such an upside surprise sharply increases the chance of a near-term rate hike by the Fed, especially after Fed Chair Kevin Warsh's comments during the annual Jackson Hole Symposium reaffirming a hardline stance on inflation. However, on 3 Sep, Fed Governor Christopher Waller said that he is leaning toward holding rates steady at the September meeting if the next batch of inflation data shows that price pressures are continuing to moderate. While several other Fed officials have voiced support for rate hikes, Waller's comments reflect divergent views within the FOMC. A single 25 basis-point rate hike in 2026 remains likely, with the exact timing contingent on incoming CPI prints and energy prices.

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