# Job growth jumps in August with positive revisions, September hike odds rebound

## Headlines

- **The economy added 162,000 jobs in August, nearly triple consensus expectations**. Additionally, July's reported 23,000 decline was revised away entirely. The three-month moving average of payroll growth has risen to 71,000, above our estimate of the pace needed to keep the unemployment rate from falling further in the months to come.

- More than two-thirds of job growth in August came from just two sectors: leisure/hospitality and local government. Both sectors posted unexpected declines in recent months, and **August's gains should largely be viewed as reversing those losses.** Still, private sector job growth now appears notably healthier than it did earlier this summer.

- **The unemployment rate held at 4.1% in August**, unchanged from July. The unemployment rate has declined from a 2026 high of 4.4% as the rebound in job growth has outpaced growth in labor supply. Labor force participation also rebounded modestly to 61.6%, and the average work week also ticked up.

- **Despite the pickup in job growth, wage pressures remained subdued.** Average hourly earnings increased at just a 2.6% annualized pace over the past six months, slightly below the pre-pandemic average of 2.7%. Wage growth typically lags broader labor market trends, however, and continued strength in hiring could put upward pressure on wages in the months ahead.

- **What does this mean for the Fed?** Odds of a September rate hike rose above 60% following this morning's report. Job growth has rebounded in 2026, and despite slower wage growth, overall labor income growth remains solid. The labor market is not currently a significant source of inflationary pressure, but it could become one if hiring continues at its recent pace. **Absent a weak core CPI print next week, it's likely the Fed will hike rates in September.**

Brian LeBlanc*
brian.leblanc@pnc.com

Rayhan Momin
rayhan.momin@pnc.com

PNC Economics
economics@pnc.com

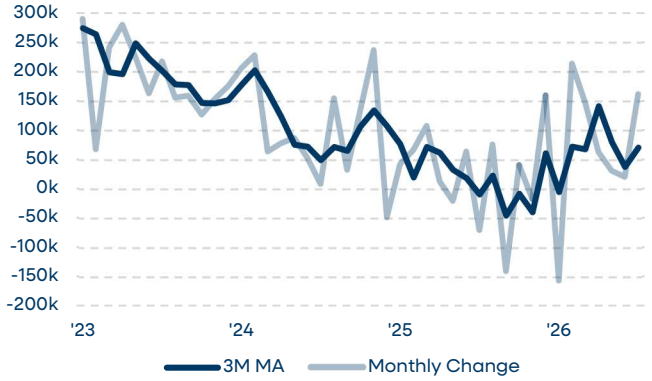
**Primary author*

# Economy added 162k jobs versus 55k consensus

The August jobs report blew past expectations, with payrolls rising by 162k versus 55k expected. The previous two months were also revised up by 55k, erasing July's reported loss entirely. **The three-month moving average of payroll growth rose to 71k in August from 38k in June.**

The report was particularly surprising because alternative data heading into the release suggested that July's modest hiring trend would largely continue, with some downside risk. There were concerns about seasonality, too. Historically, the initial August payroll estimate tends to print on the weak side, averaging 40k below the preceding three-month trend. Given these quirks we typically see in the August jobs data, it's possible that job growth in August was even stronger than the headline showed.

**Figure 1:** Nonfarm payroll job growth

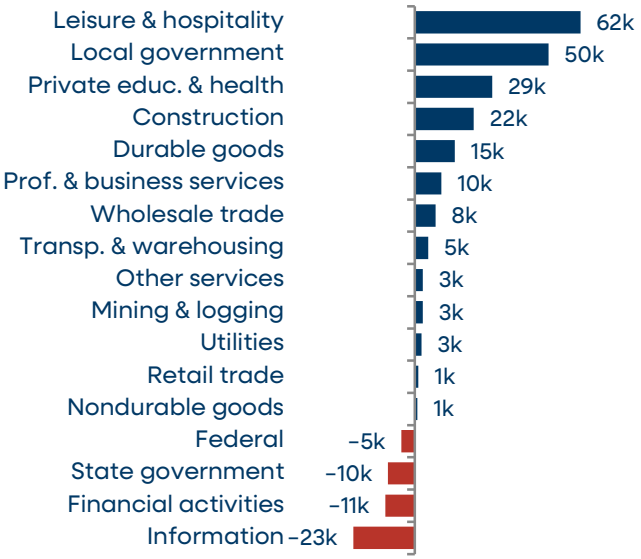



Sources: BLS, PNC

What drove the beat? More than two-thirds of the job gains came from leisure/hospitality (+62k) and local government (+50k), two sectors that reported unexpectedly large losses earlier in the summer. In July alone, local government employment declined by 57k, while leisure/hospitality fell by 40k. Both sectors are prone to large summer swings that complicate seasonal adjustment. **August's rebound therefore looks more like payback for earlier weakness than a sudden acceleration in underlying labor demand.**

Still, the details were still largely constructive. Private payrolls increased by 127k, with private education and health adding 29k jobs and construction adding another 22k, partly reflecting the AI-related infrastructure buildout. The payroll diffusion index rose to 55.6, indicating that hiring has broadened compared with last year. **The three-month average of payroll growth excluding education and healthcare increased to 41k in August from 10k in July.** That remains weak by pre-pandemic standards but marks a significant improvement from the negative 33k average in 2025, when job growth was largely dependent on a single sector.

**Figure 2:** August job growth ranked by sector



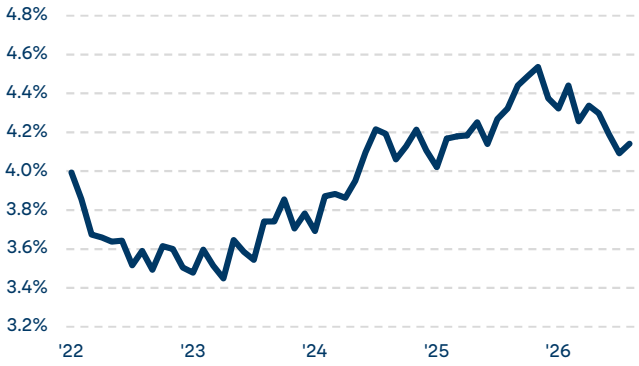

Sources: BLS, PNC

Another positive: **the average workweek increased to 34.4 hours**, its highest level since early 2024, suggesting that underlying labor demand could be picking up beyond hiring.

## Unemployment rate remains at 4.1%, down from peak of 4.5%

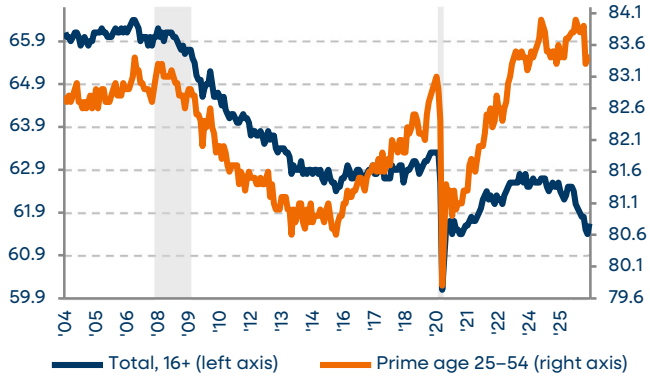
Despite the pickup in job growth in August, the unemployment rate remained roughly unchanged at 4.1%. Given significantly slower labor supply growth, the US economy does not need to add very many jobs to put downward pressure on the unemployment rate. By our estimate, that "breakeven" level is close to 20k jobs per month. If job growth continues at it's three-month pace of around 70k per month, it's likely we will see further downward pressure on the unemployment rate in the months to come.

**Figure 3:** Unemployment rate




Sources: BLS, PNC

**Figure 4:** Labor force participation rate (%)

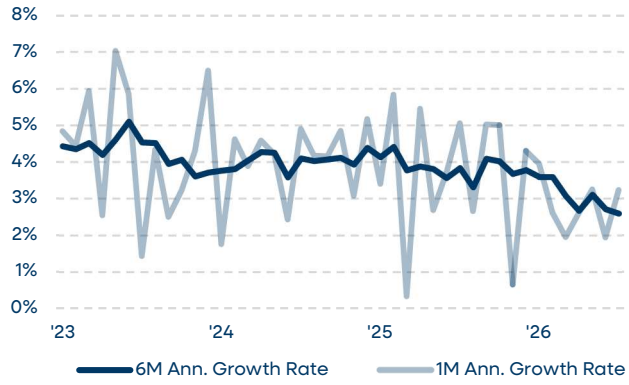



Sources: BLS, PNC

## Wage pressures still subdued, but for how much longer?

Wage growth ticked up in August, but the overall trend remains subdued. The labor market is not *yet* a source of inflationary pressures, however it's important to note that wage pressures tend to lag job growth rebounds. Still, the 6M moving average of average hourly earnings has now fallen below its pre-pandemic average.

**Figure 5:** Average hourly earnings growth




Sources: BLS, PNC

## September rate hike odds rebound to >60%

Odds of a September rate hike rose above 60% following this morning's report. Job growth has rebounded in 2026, and despite slower wage growth, overall labor income growth remains solid. The labor market is not currently a significant source of inflationary pressure, but it could become one if hiring continues at its recent pace. **Absent a weak core CPI print next week, it's likely the Fed will hike rates in September.**

f

## Disclosures

*The material presented and the views expressed herein are of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation of any particular securities, financial instruments, strategies or banking services. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs.*

*Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.*

*"PNC" is a registered mark of The PNC Financial Services Group, Inc.*

*© 2026 The PNC Financial Services Group, Inc. All rights reserved.*