Why I Don ’ t Trust Nonfarm Payrolls · GLOBAL ECONOMICS

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GLOBAL ECONOMICS Visit our website at scotiabank.com/economics | Follow us on Twitter at @ScotiaEconomics | Contact us by email at scotia.economics@scotiabank.com Contributors Derek Holt VP & Head of Capital Markets Economics Scotiabank Economics 416.863.7707 derek.holt@scotiabank.com SCOTIA FLASH September 4, 2026 Why I Don ’ t Trust Nonfarm Payrolls • Nonfarm payrolls were up 161k with positive revisions that beat estimates • It was all due to a rather fishy SA factor … • ...absent which payrolls would have been +15k and missed • A new Trump - appointed BLS Commissioner should explain … • ...and the Fed ’ s taskforces should weigh in • Stalled yearly growth in payrolls remains a warning sign US nonfarm payrolls m/m 000s / UR %, SA, August: Actual: 162 / 4.1 Scotia: 30 / 4.2 Consensus: 55 / 4.1 Prior: 21 / 4.1 (revised from – 23 / 4.1) It may be a one in a million coincidence. A strong beat by nonfarm payrolls was entirely due to an abrupt shift in the seasonal adjustment factor just as the new BLS Commissioner assumed his role. Colour me sceptical. Charts 1 and 2 were instantly shared in internal chat rooms. They indicate that the seasonally unadjusted change in nonfarm payrolls was on the weak side of history for like months of August and in the ballpark of what I had estimated. That should have driven weak payrolls. What I had not expected, however, was a very abrupt shift in the seasonal adjustment factor. All of a sudden the pattern that had been in place over the full prior decade toward low and falling seasonal adjustment factors applied to August payrolls swung toward being an historically average SA factor. This matters a great deal. If, instead, we had stuck by the August SA factors from 2025 or 2024, then nonfarm payrolls would have only risen by 15k. The abrupt swing in the SA factor explained away what would have been a miss on nonfarm payrolls. The SA factor is not normally supposed to swing that abruptly given that it is calculated in a manner that applies a recency bias skewed to the experience over the most recent years. There must be a public explanation here. And it must come from BLS Commissioner Brett Matsumoto (here). Mr. Matsumoto just took the reins at the BLS after the Senate confirmed his appointment by President Trump on August 7th—the day when the prior payrolls report was released—after a period of turmoil that ensued when Trump fired the former BLS Commissioner after weak numbers. This is the first payrolls report that Matsumoto presided over. Maybe there is a good explanation but I ’ m attaching a very low trust factor to these numbers until I hear one. Recall that two of Chair Warsh ’ s five taskforces were mandated to look at data sources and to weigh in on developments surrounding productivity and jobs. These independence taskforces are supposed to be comprised of academics and experts in these areas. They should address very probing questions concerning BLS practices. Another data quality dent is historic lows in survey response rates (chart 3). Chart 2 Chart 1 Chart 3 0.9990 0.9995 1.0000 1.0005 1.0010 1.0015 1.0020 1.0025 2010 2009 2004 2011 2005 2002 2000 2006 2003 2015 2012 2013 2026 2016 2001 2014 2021 2007 2022 2023 2008 2017 2020 2019 2025 2024 2018 Comparing US Payroll SA Factor for All Months of August Sources: Scotiabank Economics, BLS. SA factor, SA levels/ NSA levels -200 -100 0 100 200 300 400 500 600 2021 2018 2013 2019 2022 2014 2012 2023 2017 2011 2016 2005 2024 2006 2015 2025 2026 2007 2002 2010 2003 2004 2000 2001 2008 2009 Comparing US Payroll NSA for All Months of August Sources: Scotiabank Economics, BLS. m/m change in 000s, NSA

2 Global Economics September 4, 2026 SCOTIA FLASH This makes the rest of the coverage kind of moot, but here we go anyway. In addition to +161k payrolls, there were also upward revisions that carried July from – 23 k to +21k and also added 11k to June for a net two - month upward revision of 55k. Most of the gain was in private payrolls (+127k) as government added 35k entirely at the state and local level (+40k). Federal workers fell by 5k. Chart 4 shows the sector breakdown and moderate breadth. I can ’ t explain the gain in leisure and hospitality when several readings we track suggest waning momentum in services, such as plunging number of airplane passengers. Chart 5 might be an attempt at explaining it because the BLS suddenly went to an unusually high SA factor for that sector. Education workers at local governments were up by 42k, almost fully reversing the prior month ’ s drop which is difficult to square with expiring funding and guidance from nationwide school boards especially just prior to the start of a new school year when contracts kick in. The unemployment rate held at 4.1% (chart 6) and is derived from the companion household survey that registered a 569k gain in employment (the biggest by far since January 2025) and a 683k rise in the labour force (also the biggest by far since January 2025). That arrested the declining trend in the participation rate at least for now (chart 7). Hours worked are tracking a 1.4% q/q SAAR gain which is quickening but not quick (chart 8). Wage growth picked up to 3% m/m SAAR (chart 9). See the next page for other charts, particularly the first one that shows 0.4% q/q nonfarm payrolls is a warning sign on the health of the economy. Chart 6 Chart 9 Chart 5 Chart 4 Chart 8 Chart 7 0 1 2 3 4 5 6 7 Jan-2025 Feb-2025 Mar-2025 Apr-2025 May-2025 Jun-2025 Jul-2025 Aug-2025 Sep-2025 Oct-2025 Nov-2025 Dec-2025 Jan-2026 Feb-2026 Mar-2026 Apr-2026 May-2026 Jun-2026 Jul-2026 Aug-2026 US Hourly Wages Sources: Scotiabank Economics, BLS. m/m % change, SAAR -50 0 50 100 Information Financial Activities Retail Trade Utilities Mining & Logging Other Services Trans. & Warehousing Wholesale Trade Business Services Manufacturing Construction Educ. & Health Serv Government Leisure & Hospitality Sources: Scotiabank Economics, US BLS. m/m change, 000s August Changes in US Non-Farm Payroll Employment 3.2 3.4 3.6 3.8 4.0 4.2 4.4 4.6 4.8 5.0 22 23 24 25 26 Sources: Scotiabank Economics, BLS. % US Unemployment Rate 60.0 60.5 61.0 61.5 62.0 62.5 63.0 63.5 64.0 18 19 20 21 22 23 24 25 26 US Participation Rate %, SA Sources: Scotiabank Economics, BLS. 0.9 1.0 0.7 0.0 0.3 0.7 -0.7 1.2 -0.2 0.7 0.9 1.2 1.4 -1.0 -0.5 0.0 0.5 1.0 1.5 Sources: Scotiabank Economics, BLS. US Total Hours Worked q/q % change, SAAR Q3 Tracking

3 Global Economics September 4, 2026 SCOTIA FLASH Chart 12 Chart 13 Chart 11 Chart 16 Chart 15 Chart 14 Chart 10 -70 -60 -50 -40 -30 -20 -10 0 10 20 Jan-24 Feb-24 Mar-24 Apr-24 May-24 Jun-24 Jul-24 Aug-24 Sep-24 Oct-24 Nov-24 Dec-24 Jan-25 Feb-25 Mar-25 Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25 Dec-25 Jan-26 Feb-26 Mar-26 Apr-26 May-26 Jun-26 Jul-26 Aug-26 Sources: Scotiabank Economics, BLS. US Manufacturing Jobs m/m change in 000s -60 -40 -20 0 20 40 60 80 Jan-25 Feb-25 Mar-25 Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25 Dec-25 Jan-26 Feb-26 Mar-26 Apr-26 May-26 Jun-26 Jul-26 Aug-26 Sources: Scotiabank Economics, BLS. US Jobs in Leisure & Hospitality m/m change in 000s -60 -40 -20 0 20 40 60 80 Jan-25 Feb-25 Mar-25 Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25 Dec-25 Jan-26 Feb-26 Mar-26 Apr-26 May-26 Jun-26 Jul-26 Aug-26 Sources: Scotiabank Economics, BLS. US Profession & Business Serv Jobs m/m change in 000s -200 -150 -100 -50 0 50 100 150 200 250 2023 2024 2025 2026 Total Private Nonfarm ex Health Care & Social Asst. US Private Sector Jobs ex Health Care Sources: Scotiabank Economics, BLS. m/m change in 000s, SA -80 -60 -40 -20 0 20 40 60 80 100 Jan-24 Mar-24 May-24 Jul-24 Sep-24 Nov-24 Jan-25 Mar-25 May-25 Jul-25 Sep-25 Nov-25 Jan-26 Mar-26 May-26 Jul-26 Local State Sources: Scotiabank Economics, BLS. US Hiring At State & Local Government Level m/m change in 000s, SA -50 -30 -10 10 30 50 70 90 110 130 150 Jun-26 Jul-26 Aug-26 Latest Prior Sources: Scotiabank Economics, BLS. US Non-Farm Payroll Revisions m/m change in 000s

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