US Labor Update

MUFG · Agron Nicaj, George Goncalves · 2026-09-03 · English original

MUFG forecasts August 2026 nonfarm payrolls (NFP) to grow by 70k, slightly above the median of 55k from Bloomberg contributors, and above the 3-month average growth of 20k.

The unemployment rate (U/R) is expected to uptick to 4.2% in August, slightly above the 4.1% median estimate from Bloomberg contributors. A slight improvement in labor force participation of prime-age (25-54) and younger (16-24) workers supports an uptick in the U/R, while maintaining a relatively constant, and low rate of job losses (consistent with low unemployment claims).

Breakeven jobs growth across most industry groups, combined with a modest rebound in leisure & hospitality, without the negative thrust from local government jobs (i.e., teachers), supports a slightly higher than consensus figure.

Base-case risk: Consensus NFP forecasts drift around perceptions of monthly breakeven with a wide confidence band. Our forecast captures much of that same signal. To dispel the current “stable” labor market narrative (~50-80k), a significant downside NFP surprise combined with an increase in the U/R is likely needed to induce a meaningful rally. Otherwise, expected a muted reaction from current levels.

Downside risk: If there is a bias in our view it’s to a weaker NFP (making it the third in a row) along with a rise in the U/R to 4.2% (from LFPR potentially reversing). That would temper Sep hiking odds and steepen the curve via 2s, but with 4.25% serving as resistance (with CPI next).

Upside risk: Following the Jackson Hole sell-off, the jobs report likely needs to beat expectations by a significant margin or have another drop in the U/R to see a sell-off beyond the 4.4% level on 2s.

Download the PDF to view the complete forecast with market implications

Source: https://www.mufgresearch.com/macro/us-labor-update-september-3-2026/