



August employment: Summer slump redux

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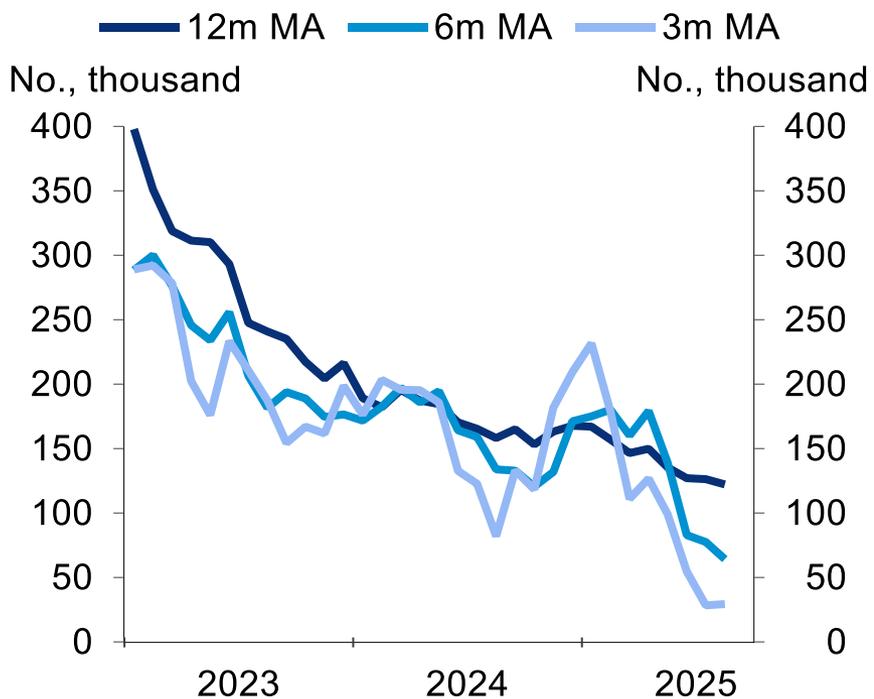


Top charts from the August jobs report



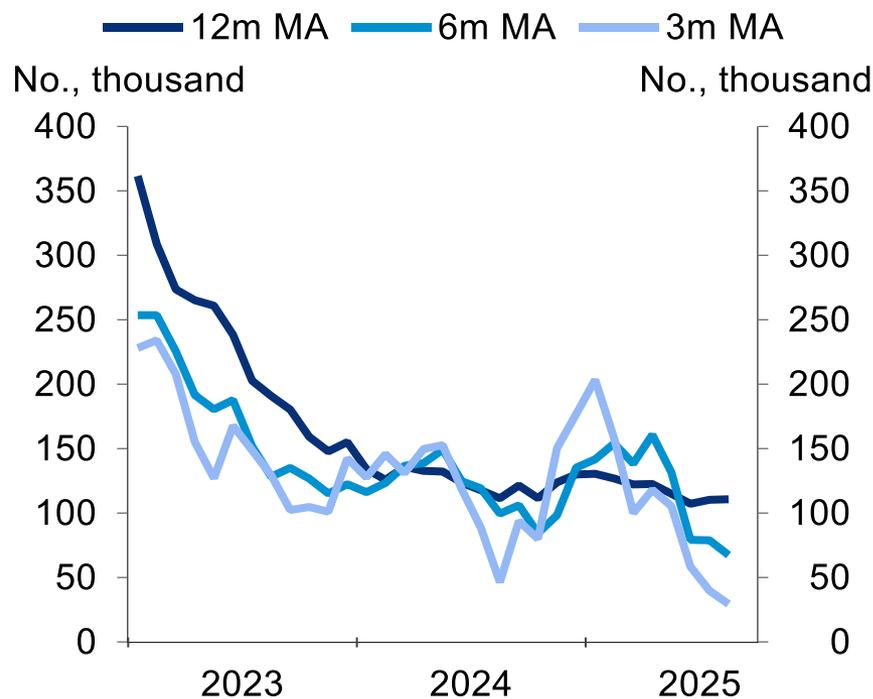
The 3-, 6- and 12-month averages paint the picture of a softening labor market

Smoothed monthly gains in headline nonfarm payrolls



Source: BLS, Macrobond, Deutsche Bank

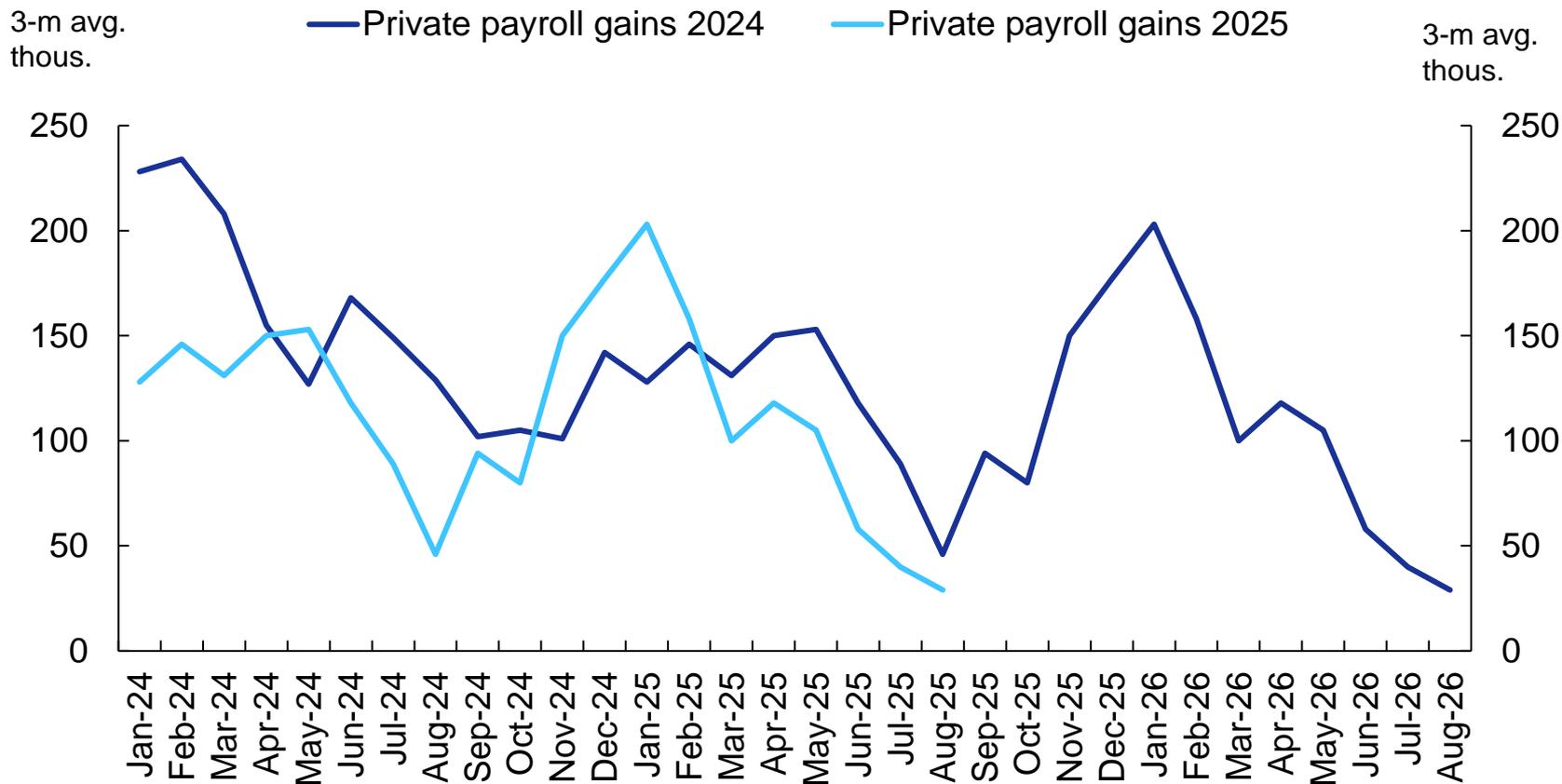
Smoothed monthly gains in private nonfarm payrolls



Source: BLS, Macrobond, Deutsche Bank



Similar to last summer, private payroll gains have downshifted dramatically from earlier in the year

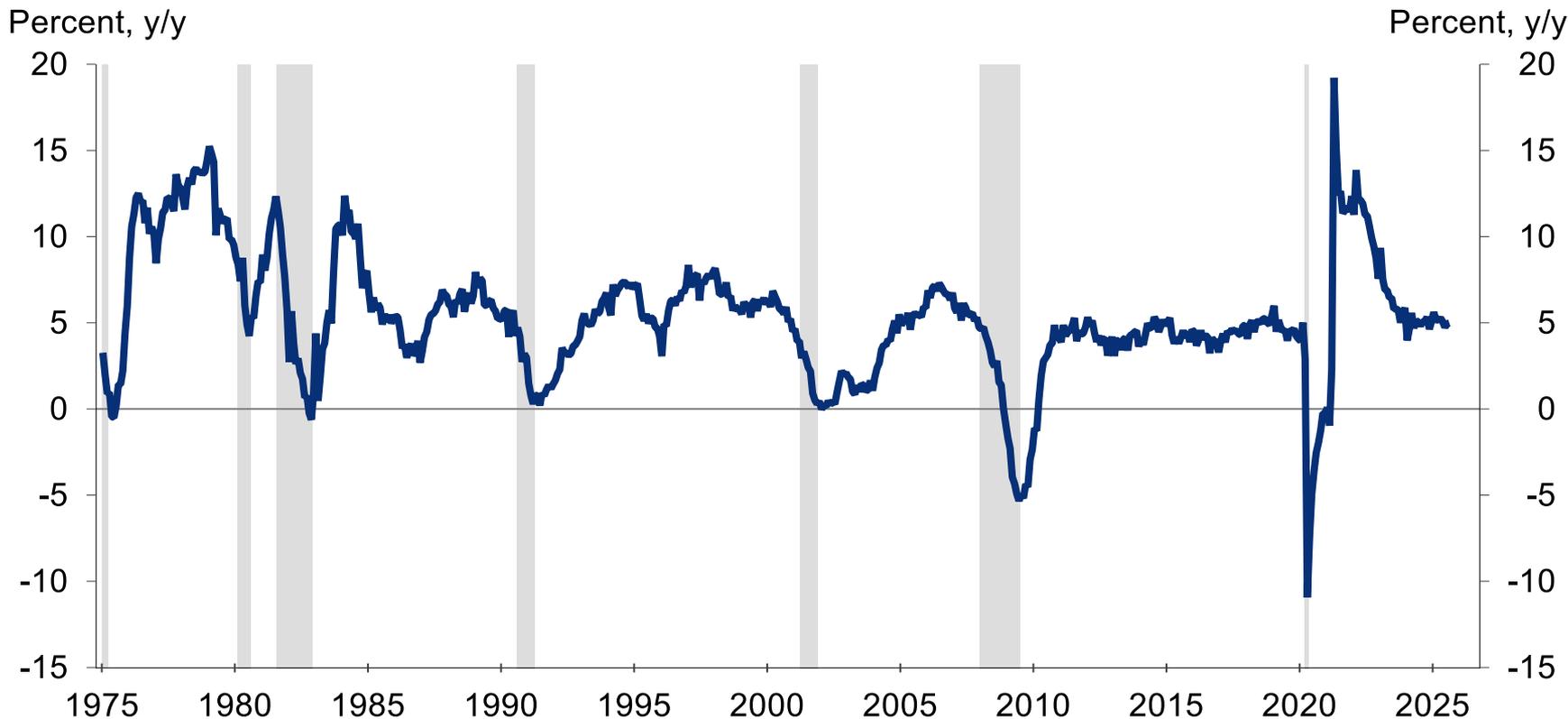


Source: BLS, Haver Analytics & Deutsche Bank



The downward revision to hours worked lowered implied income growth to 4.4% - low end of post-Covid range

Payroll proxy for nominal income growth

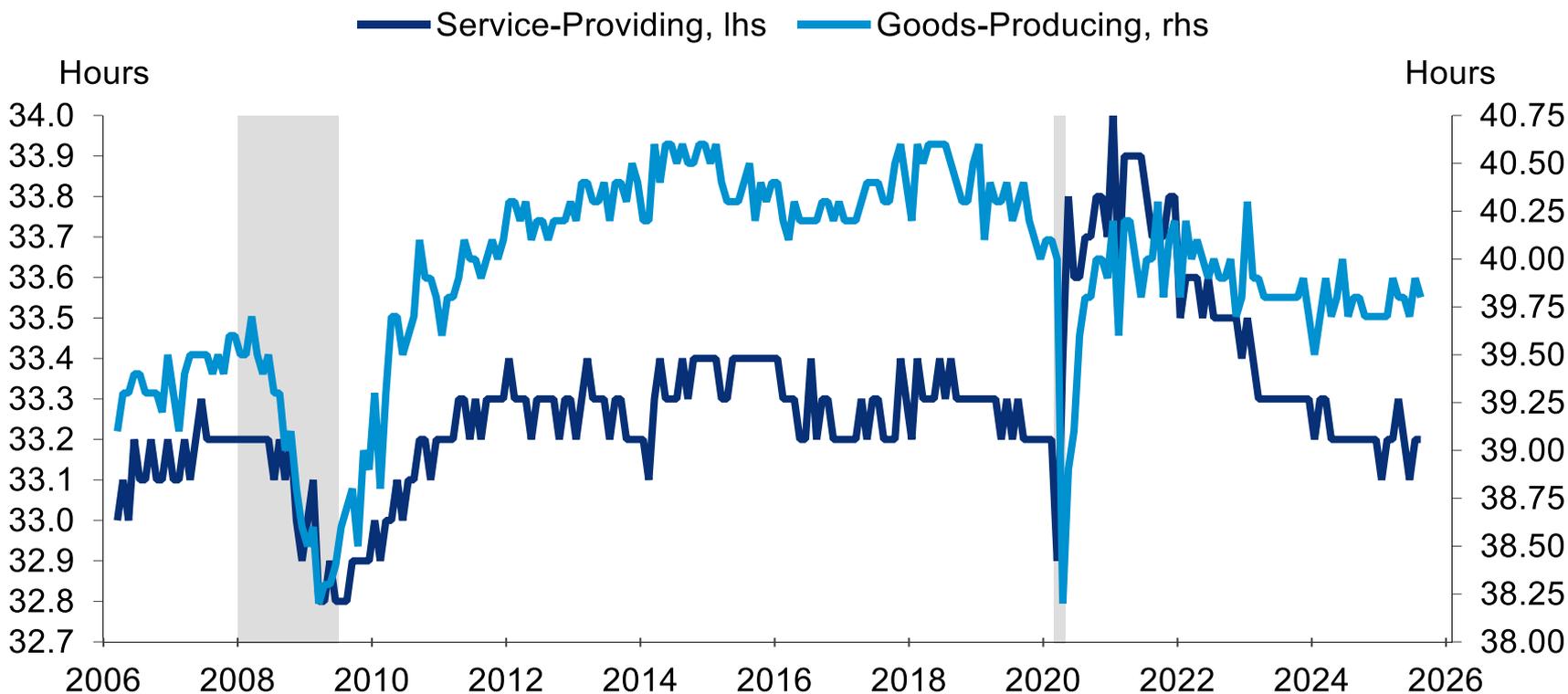


Source: BLS, Macrobond, Deutsche Bank



Hours worked in July were revised down by a tenth to 34.2 and held steady in August

Average hours worked

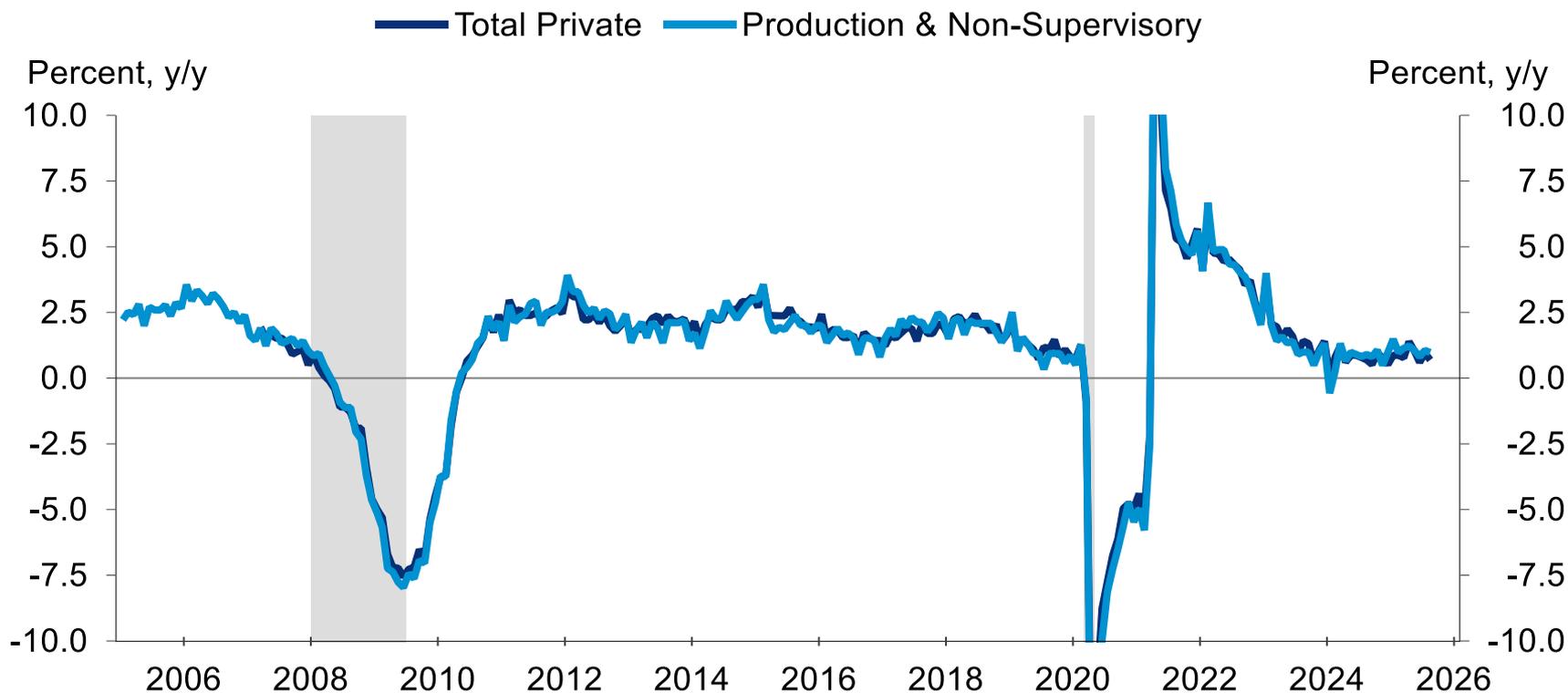


Source: BLS, Macrobond, Deutsche Bank



Aggregate hours worked still tracking close to 2019 growth rates

Aggregate weekly hours index

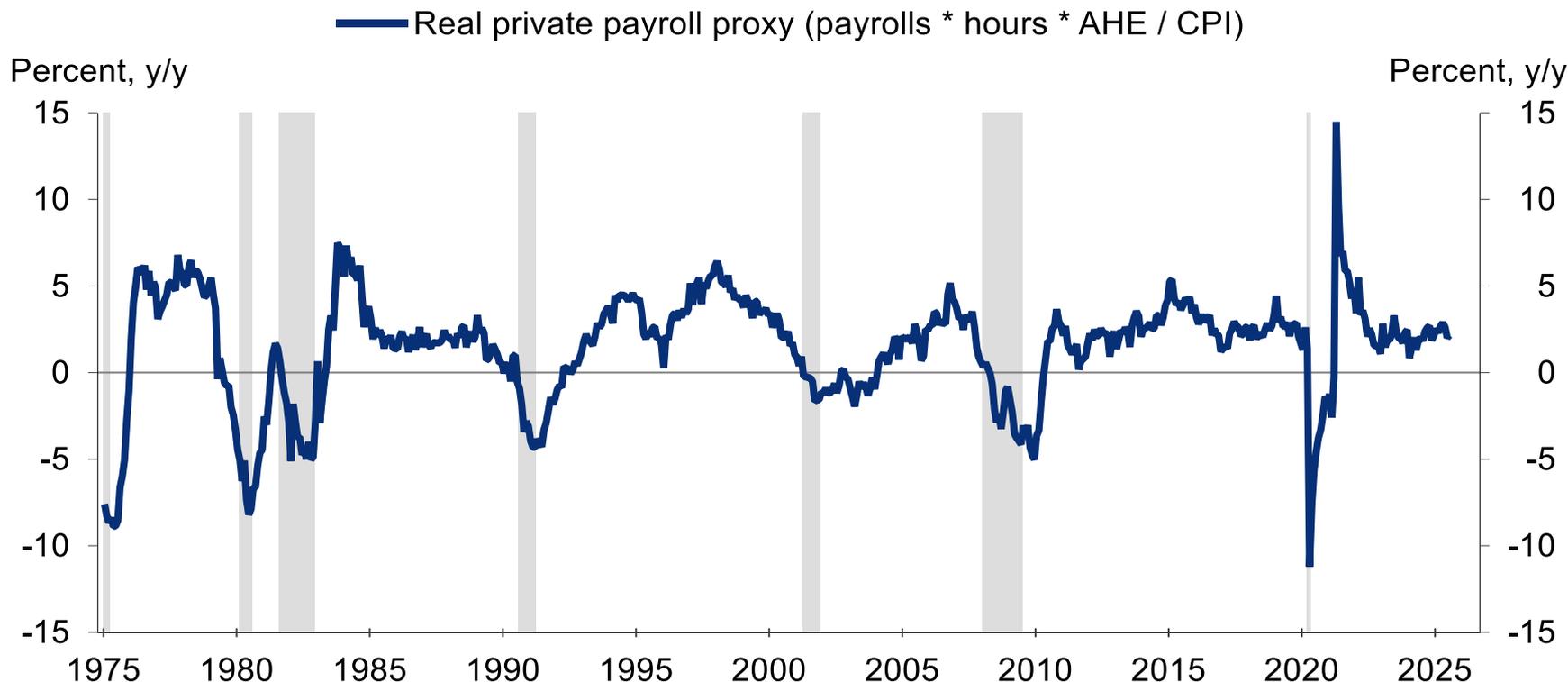


Source: BLS, Macrobond, Deutsche Bank



Real income growth from the payroll proxy middle of the pre-pandemic range

Real aggregate income growth from the payroll proxy

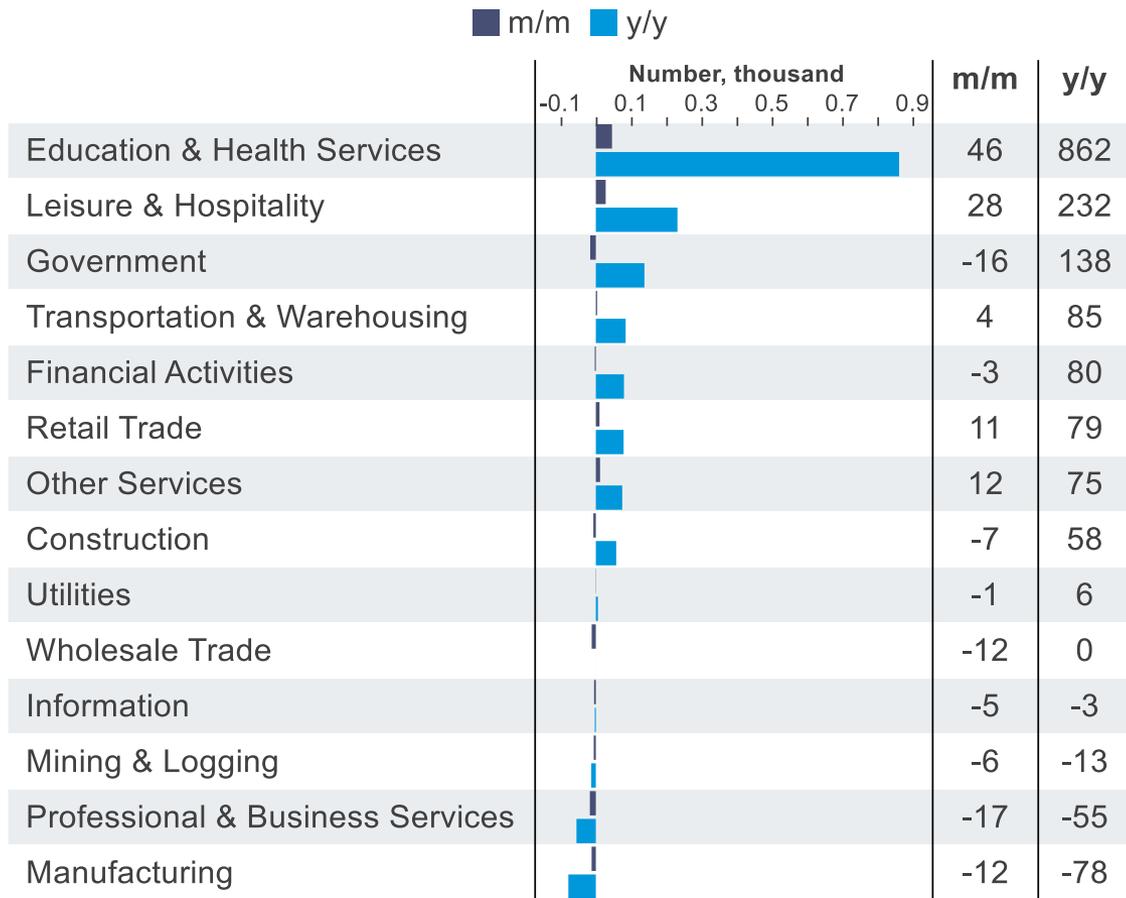


Source: BLS, Macrobond, Deutsche Bank



Services sector continuing to drive job gains – particularly education/health & leisure/hospitality

Change in payrolls by industry, August 2025

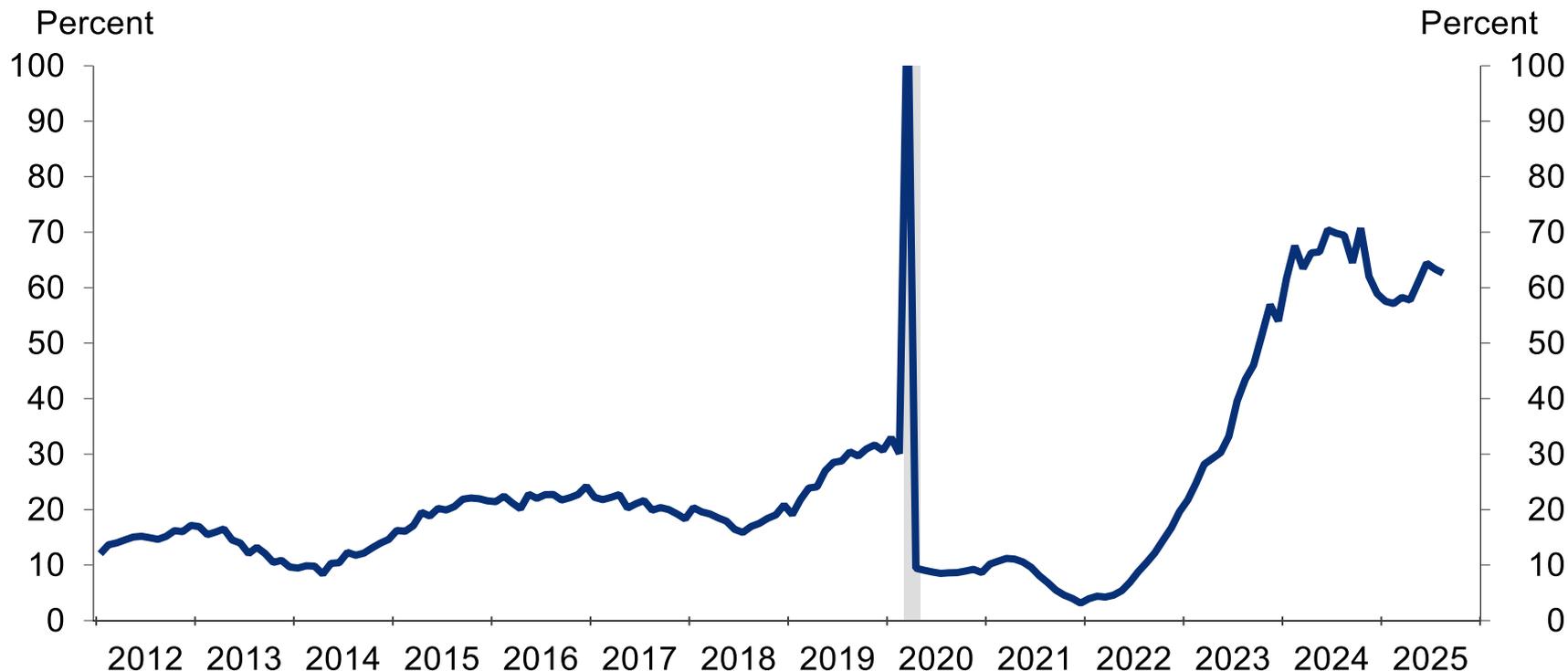


Source: BLS, Macrobond, Deutsche Bank



Health care and social assistance jobs have accounted for ~60% of private payroll gains over the last 12 months

Share of private payroll gains over the past year from health care and social assistance

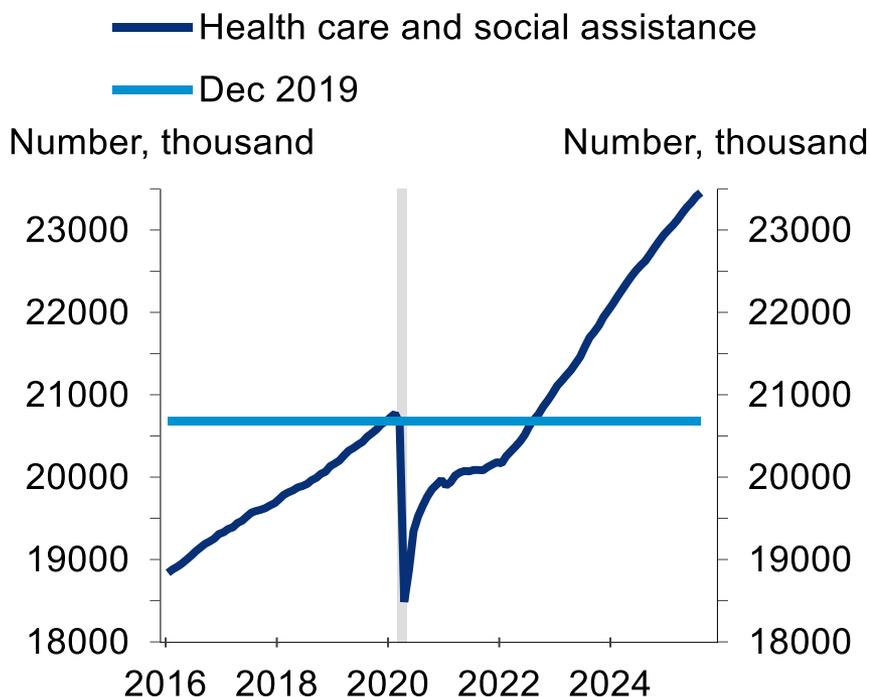


Source: BLS, Macrobond, Deutsche Bank



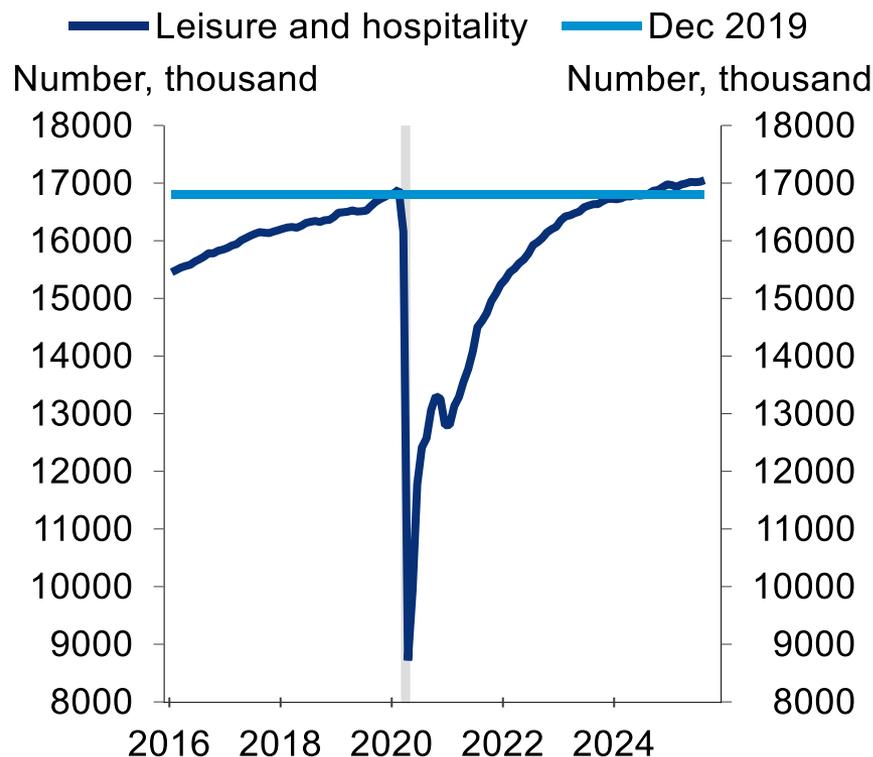
Health care/social assistance employment well above pre-pandemic; leisure/hospitality slightly above

Health care and social assistance payrolls



Source: BLS, Macrobond, Deutsche Bank

Leisure and hospitality payrolls

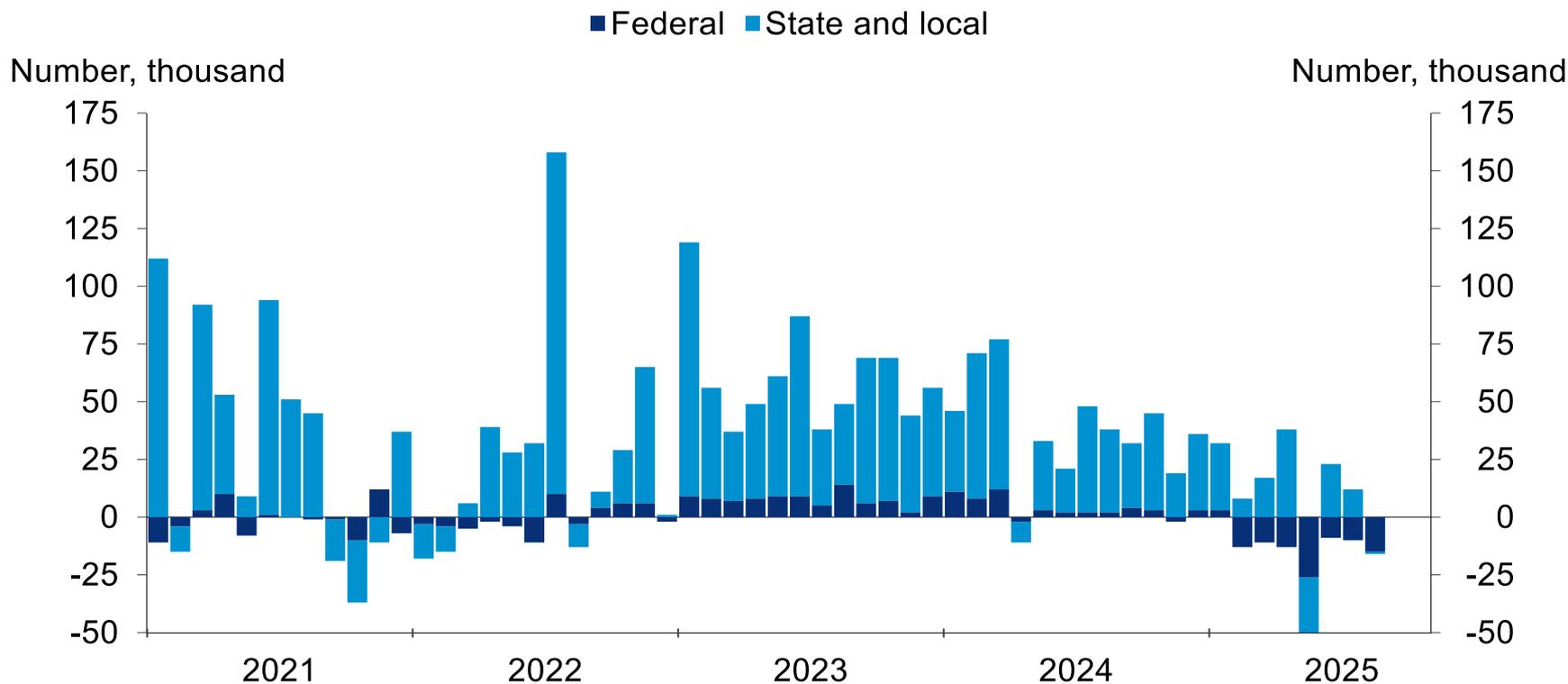


Source: BLS, Macrobond, Deutsche Bank



Government hiring fell by 16k, mostly due to federal job cuts. Federal cuts likely to surge over next 2 months

Monthly change in government payrolls

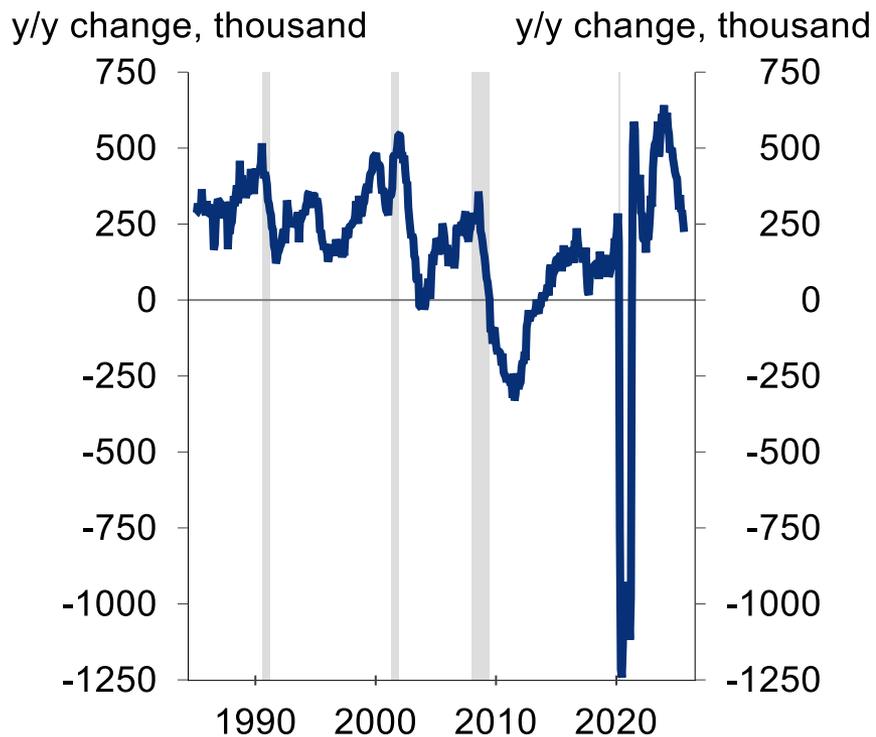


Source: BLS, Macrobond, Deutsche Bank



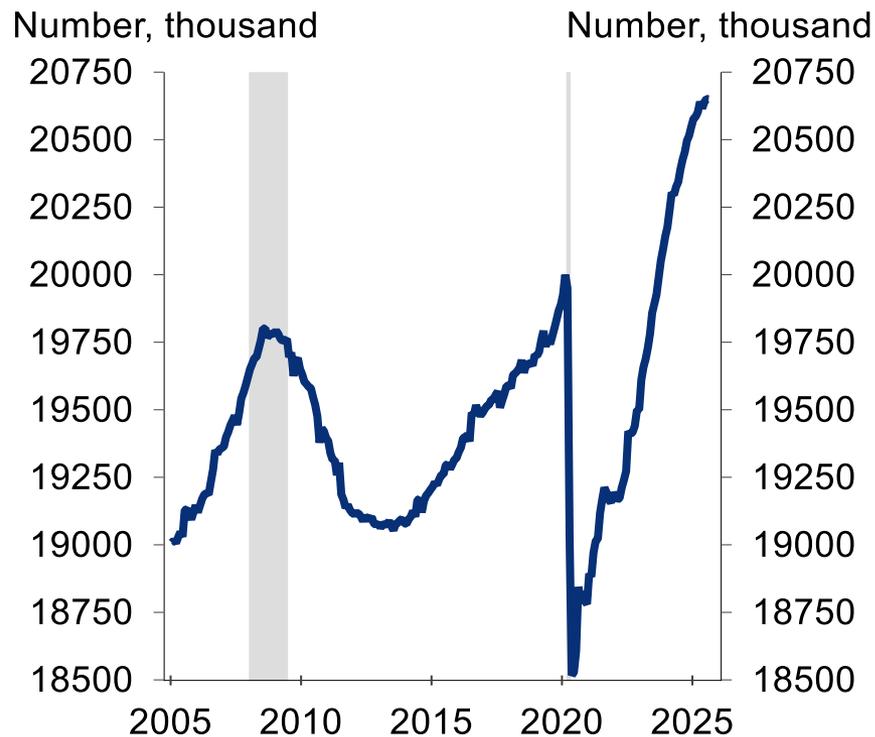
State & local government hiring has slowed notably since the beginning of the year

State and local government payrolls



Source: BLS, Macrobond, Deutsche Bank

State and local government payrolls

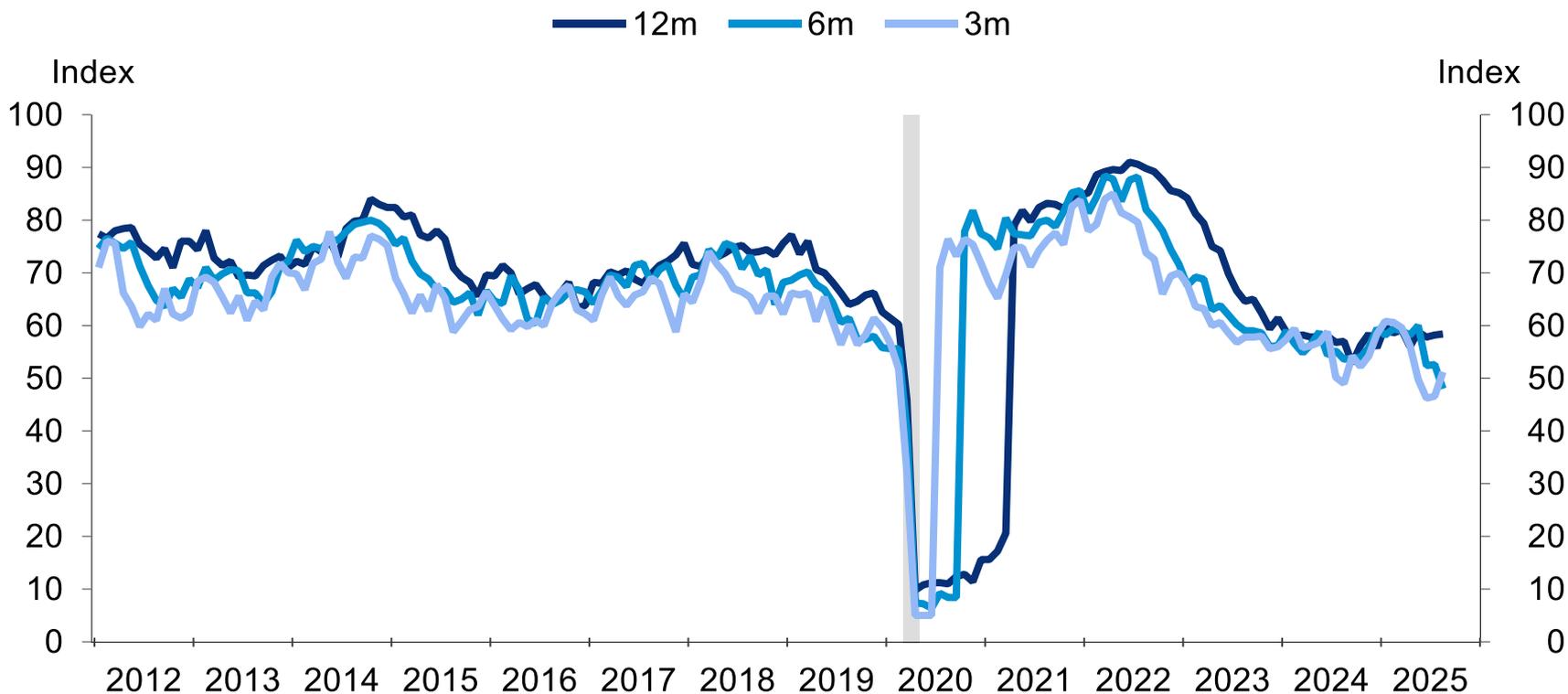


Source: BLS, Macrobond, Deutsche Bank



The breadth of job gains remains low relative to pre-pandemic range

Diffusion indices



Source: BLS, Macrobond, Deutsche Bank



Short-term trends in AHEs near levels consistent with Fed's inflation target

Private average hourly earnings growth for all employees

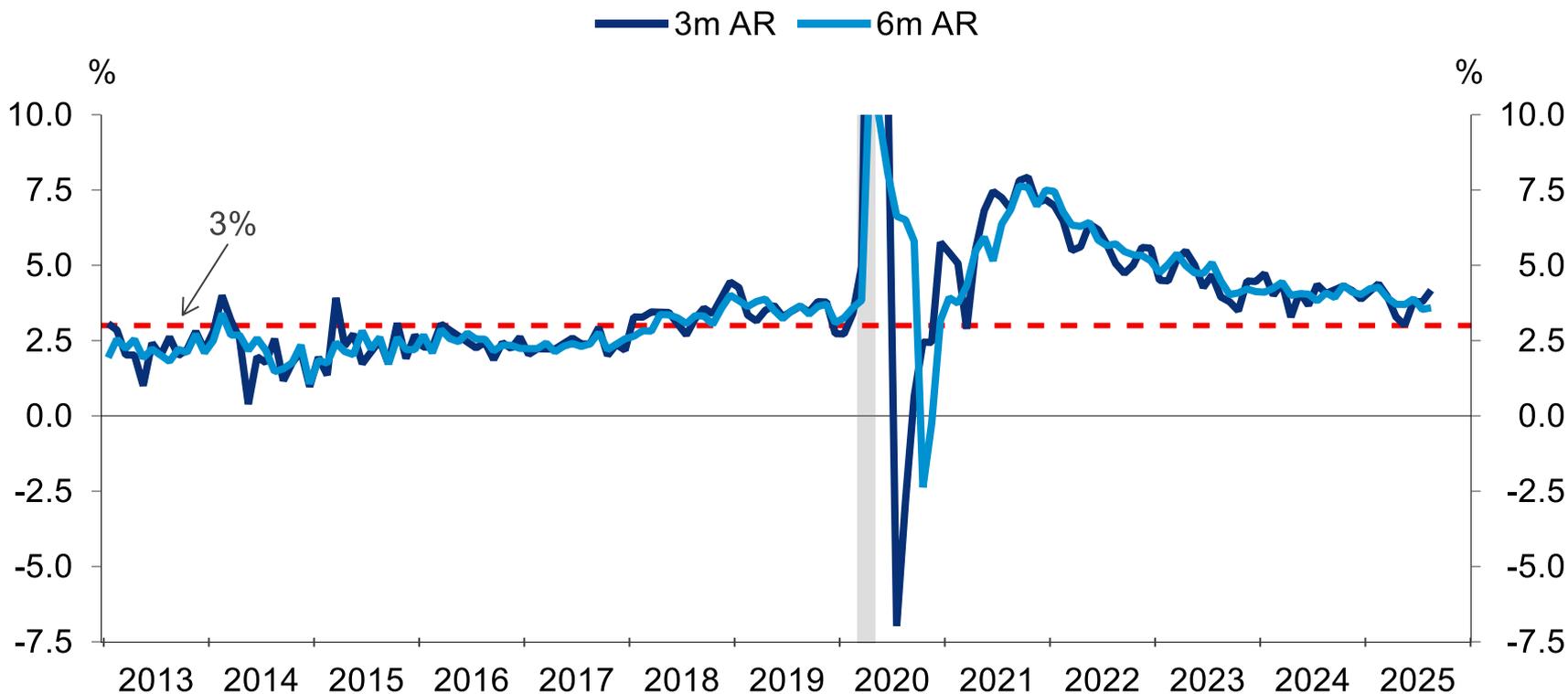


Source: BLS, Macrobond, Deutsche Bank



AHEs of production & nonsupervisory workers slightly above

Average hourly earnings growth for prod. & nonsup. employees

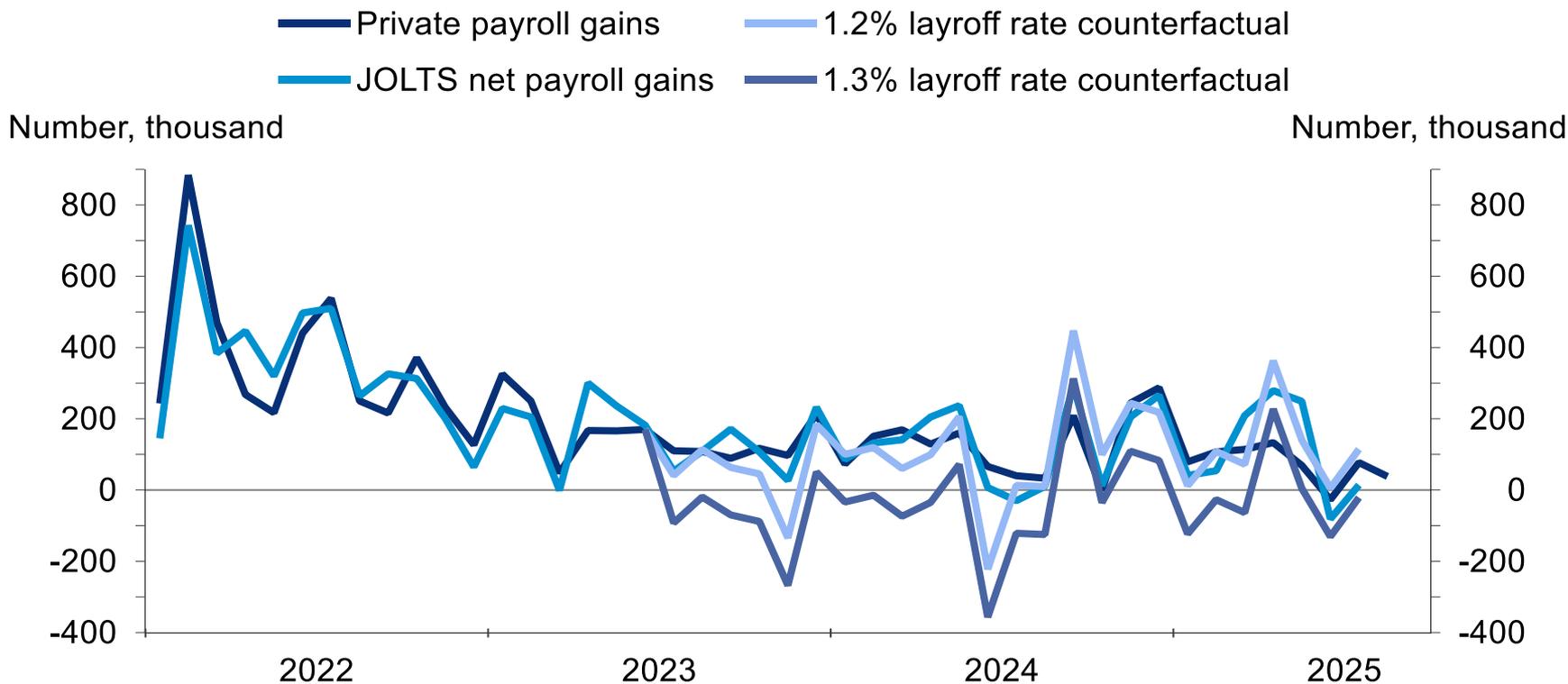


Source: BLS, Macrobond, Deutsche Bank



Payroll gains continue to rely on low layoffs

Counterfactuals for private payroll gains

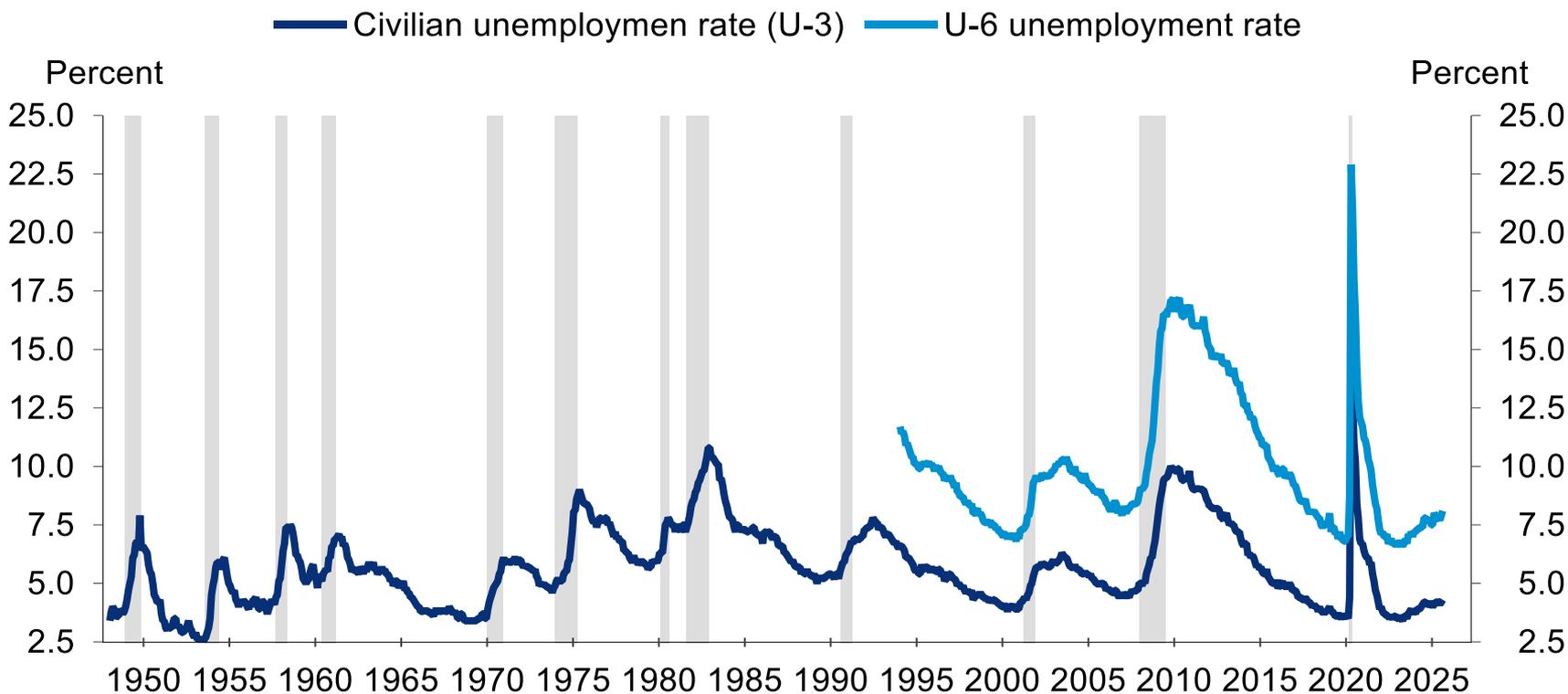


Source: BLS, Macrobond, Deutsche Bank



The U-3 rose by a tenth to 4.3% and U6 by two tenths to 8.1% - highest since Oct 2021

Unemployment and underemployment rate

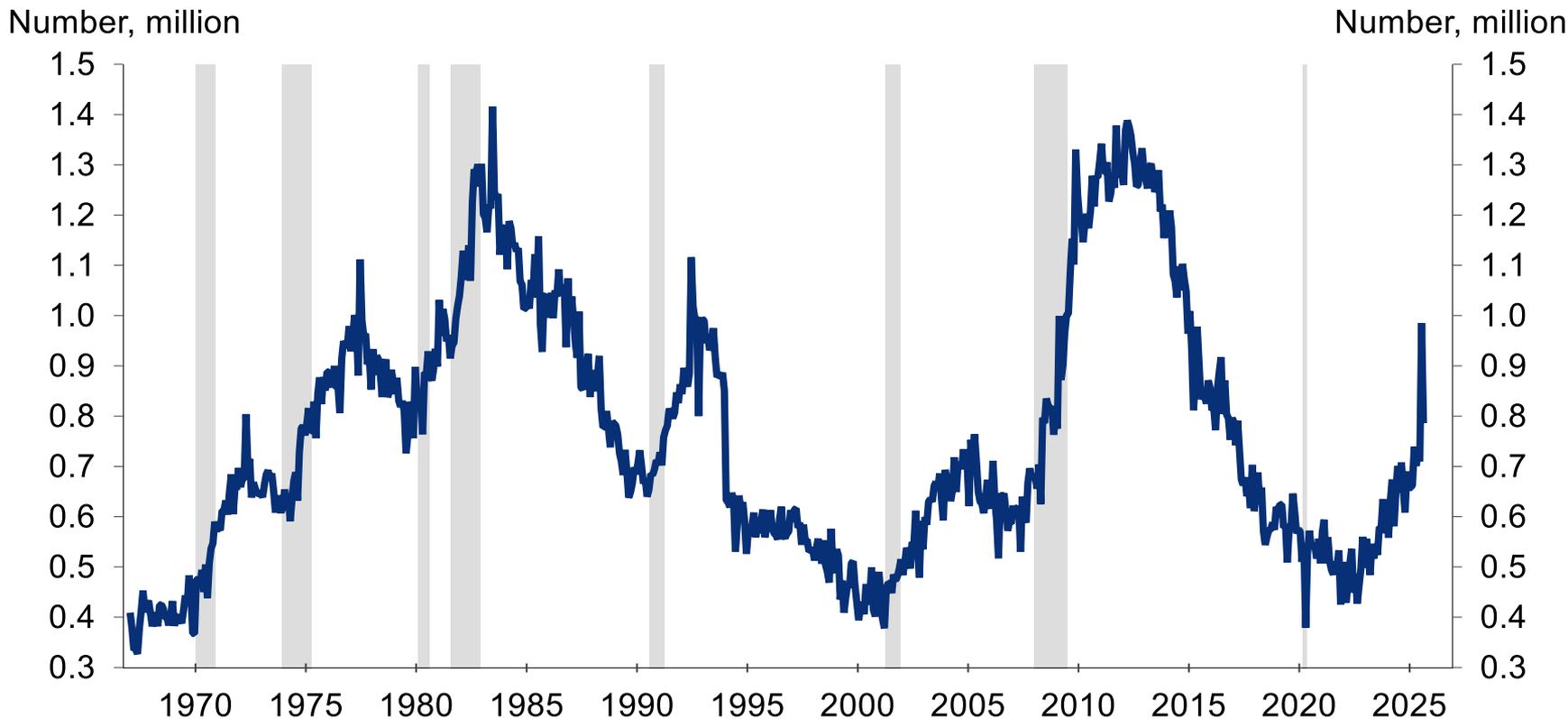


Source: BLS, Macrobond, Deutsche Bank



The unusual spike in new entrants to unemployed in July largely retraced in August

Reasons for Unemployment: New Entrants

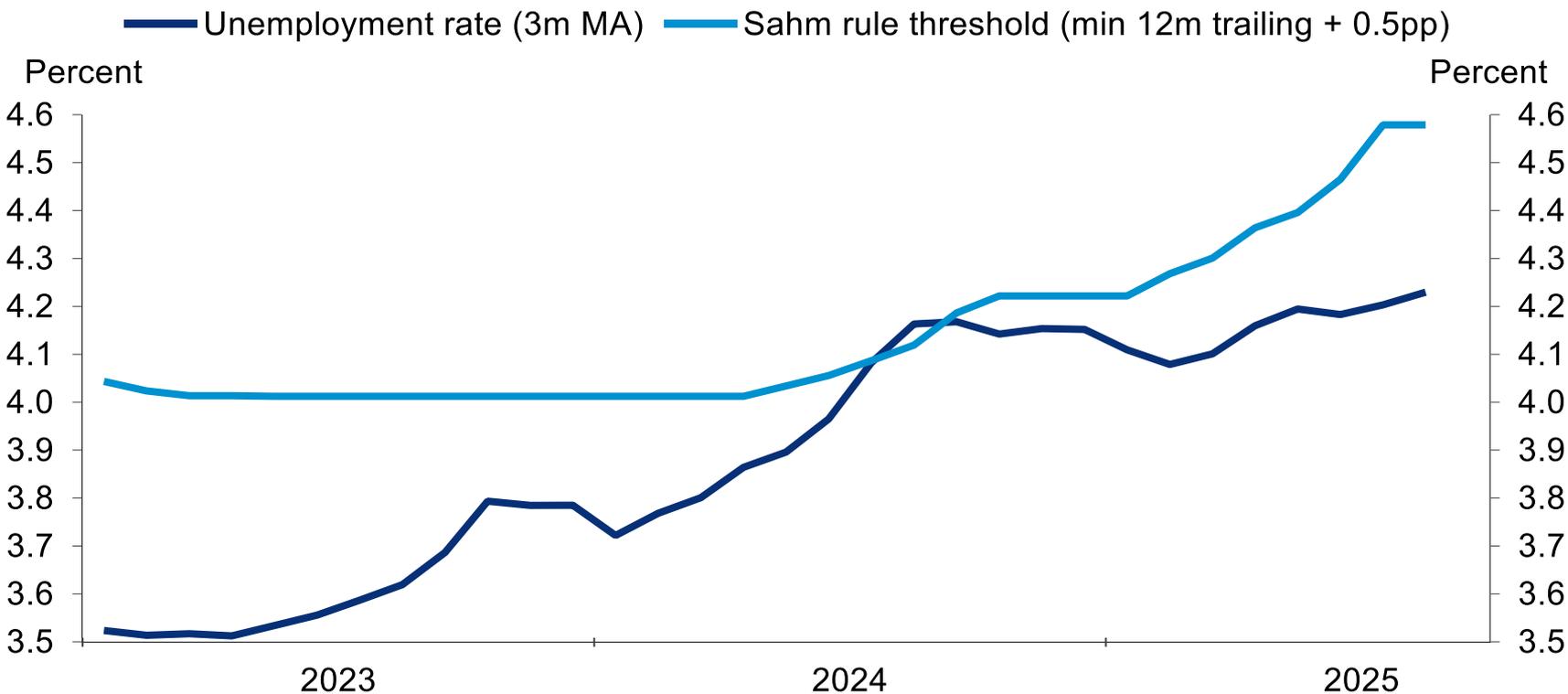


Source: BLS, Macrobond, Deutsche Bank



Unemployment rate stays below Sahm rule threshold, which was briefly breached last year

Sahm rule

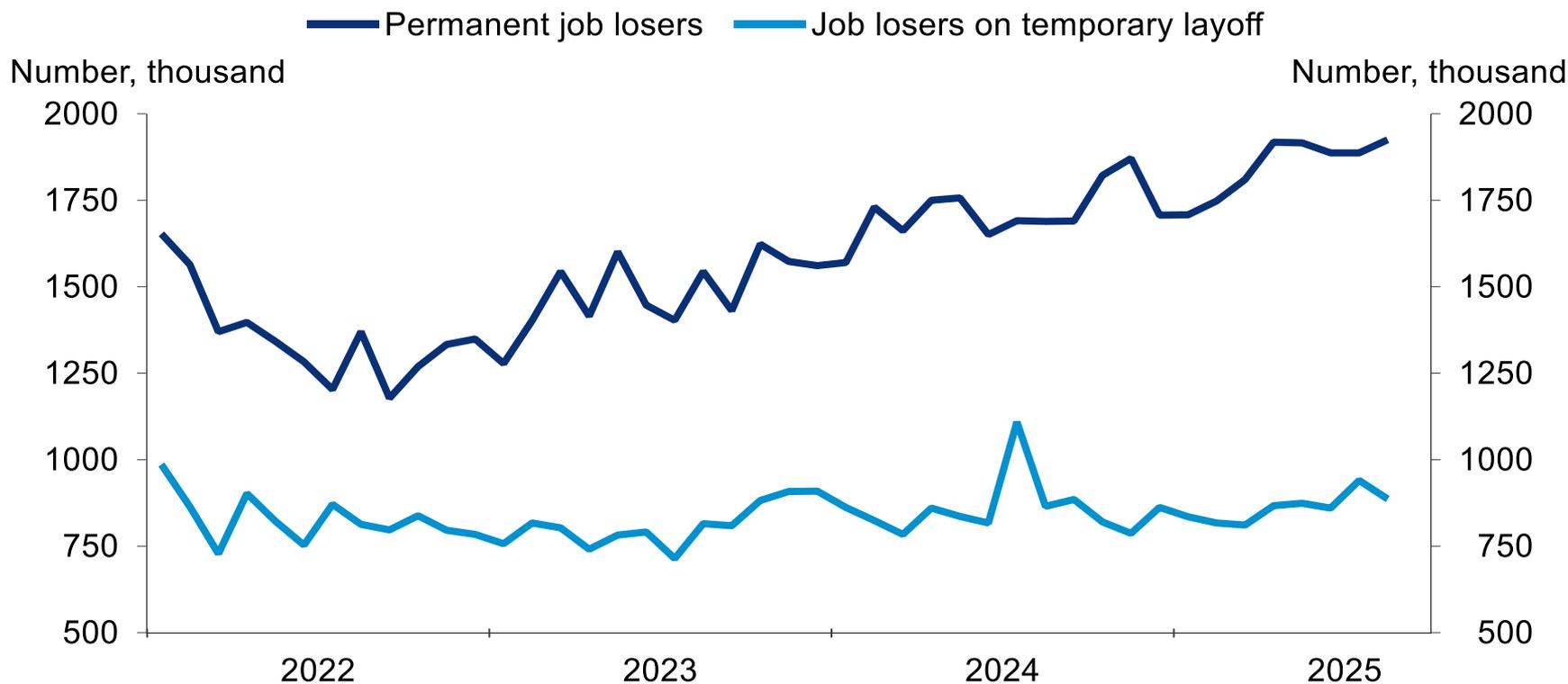


Source: BLS, Macrobond, Deutsche Bank



Permanent job losers ticked up slightly

Permanent job losers vs those on temporary layoff

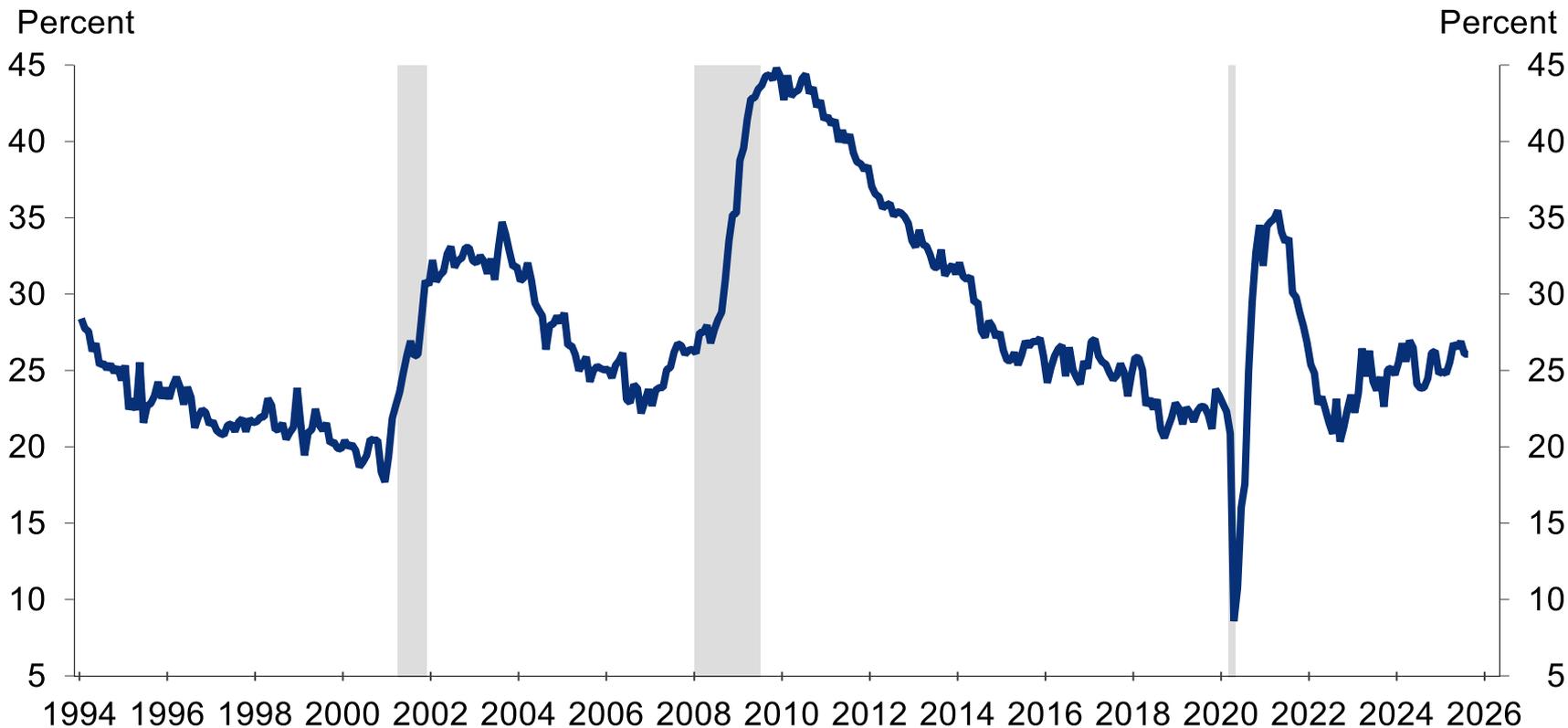


Source: BLS, Macrobond, Deutsche Bank



Permanent job losers as a share of unemployed roughly steady

Permanent job losers as % of total unemployed

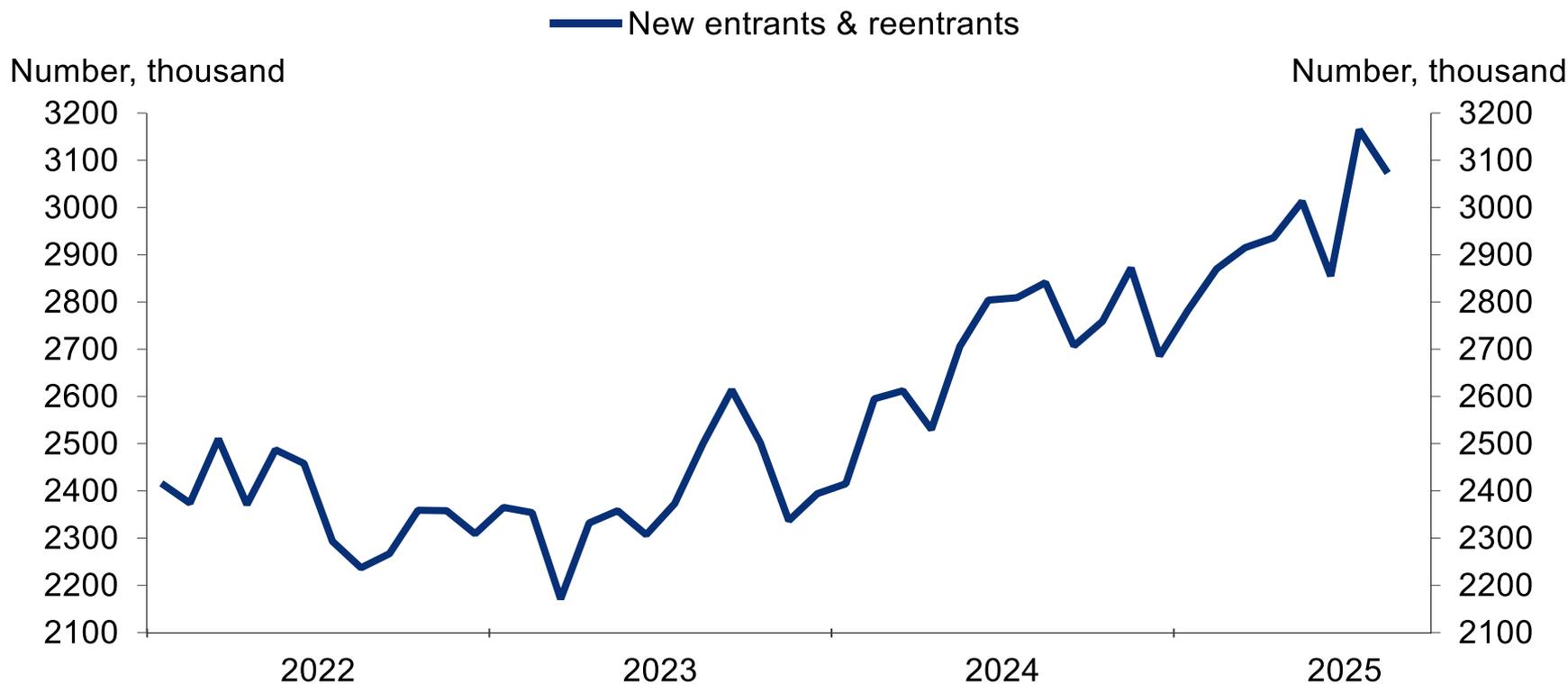


Source: BLS, Macrobond, Deutsche Bank



In general unemployment continues to be partly driven by labor supply, i.e., new and re-entrants

New entrants + reentrants into unemployment



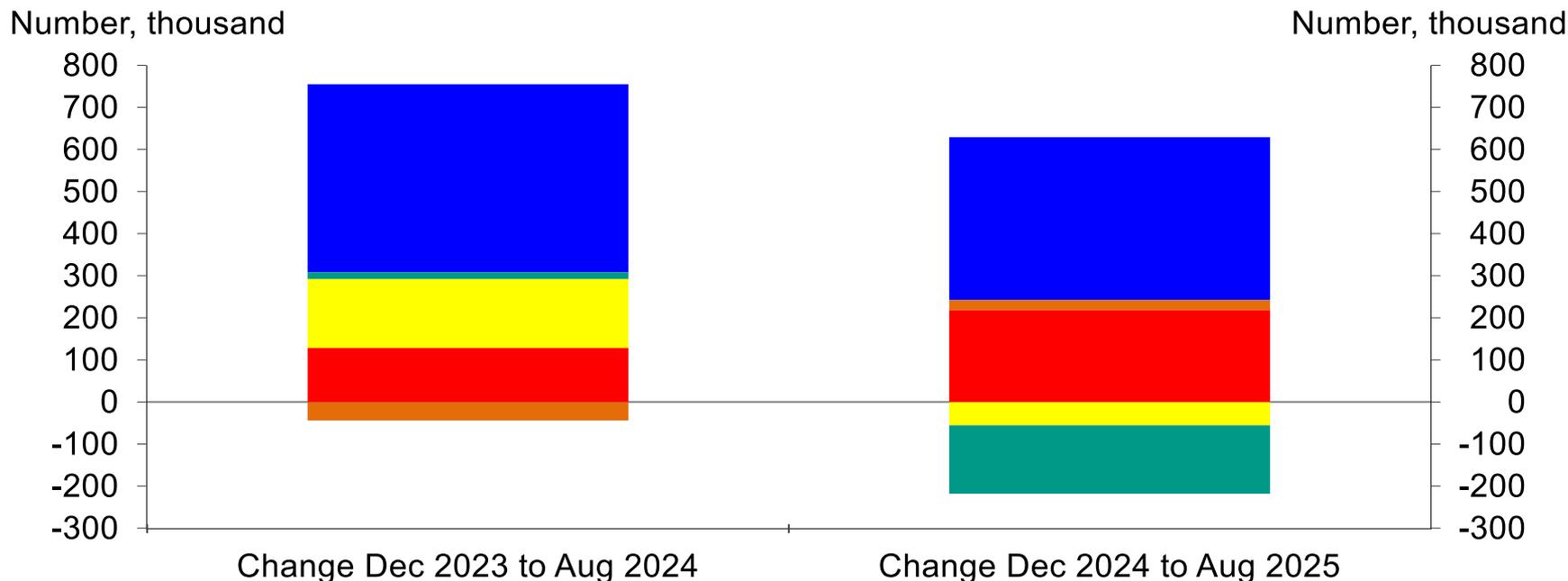
Source: BLS, Macrobond, Deutsche Bank



However, fewer job leavers and more job losers points to less labor demand relative to last year

Decomposition of the rise in the number of unemployed workers

- Permanent Job Losers
- Completed Temporary Jobs
- Re-Entrants+New Entrants
- On Temporary Layoff
- Job Leavers



Source: BLS, Macrobond, Deutsche Bank



Workers remaining in unemployment had picked up but stable over past several months

Labor Force Flows: Unemployed to Unemployed

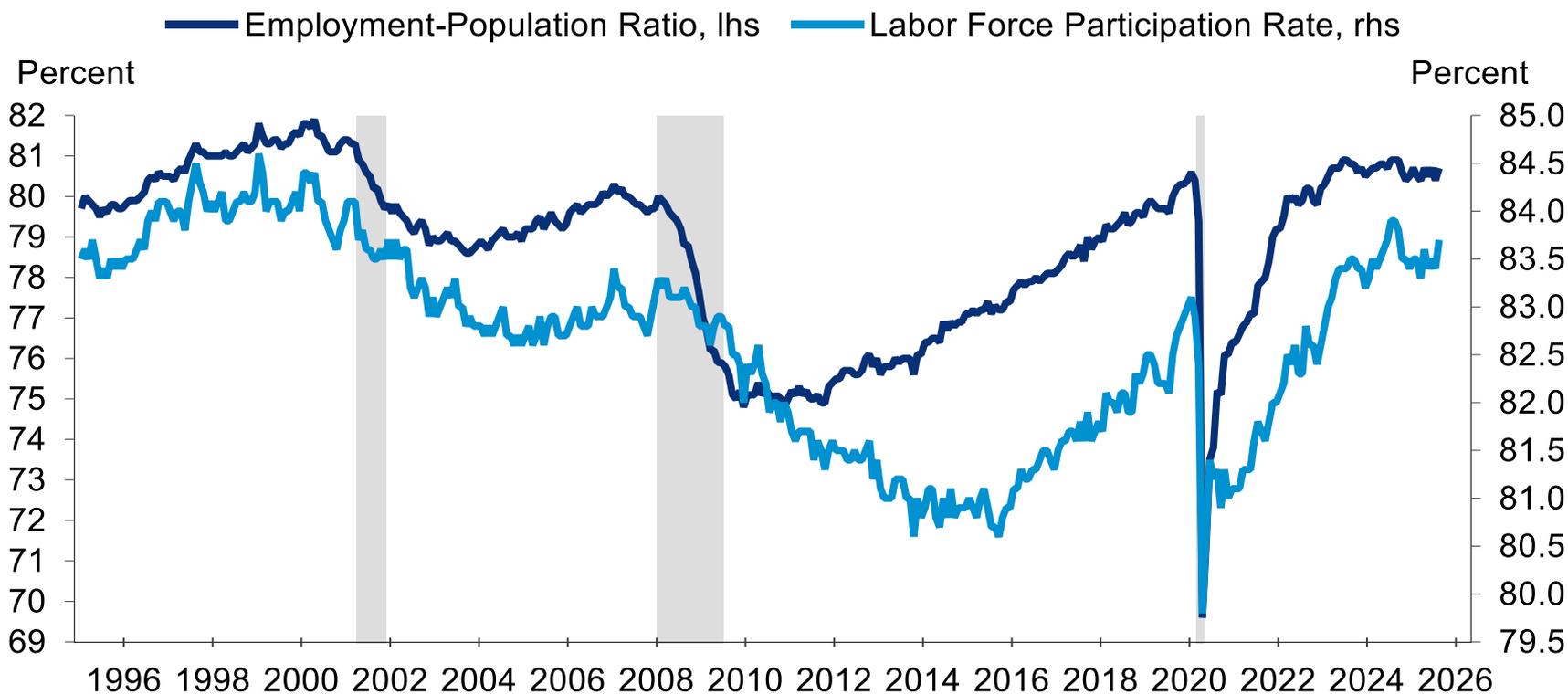


Source: BLS, Macrobond, Deutsche Bank



Prime-age employment-population ratio and labor force participation at or above pre-pandemic levels

Prime-age EPR and LFPR



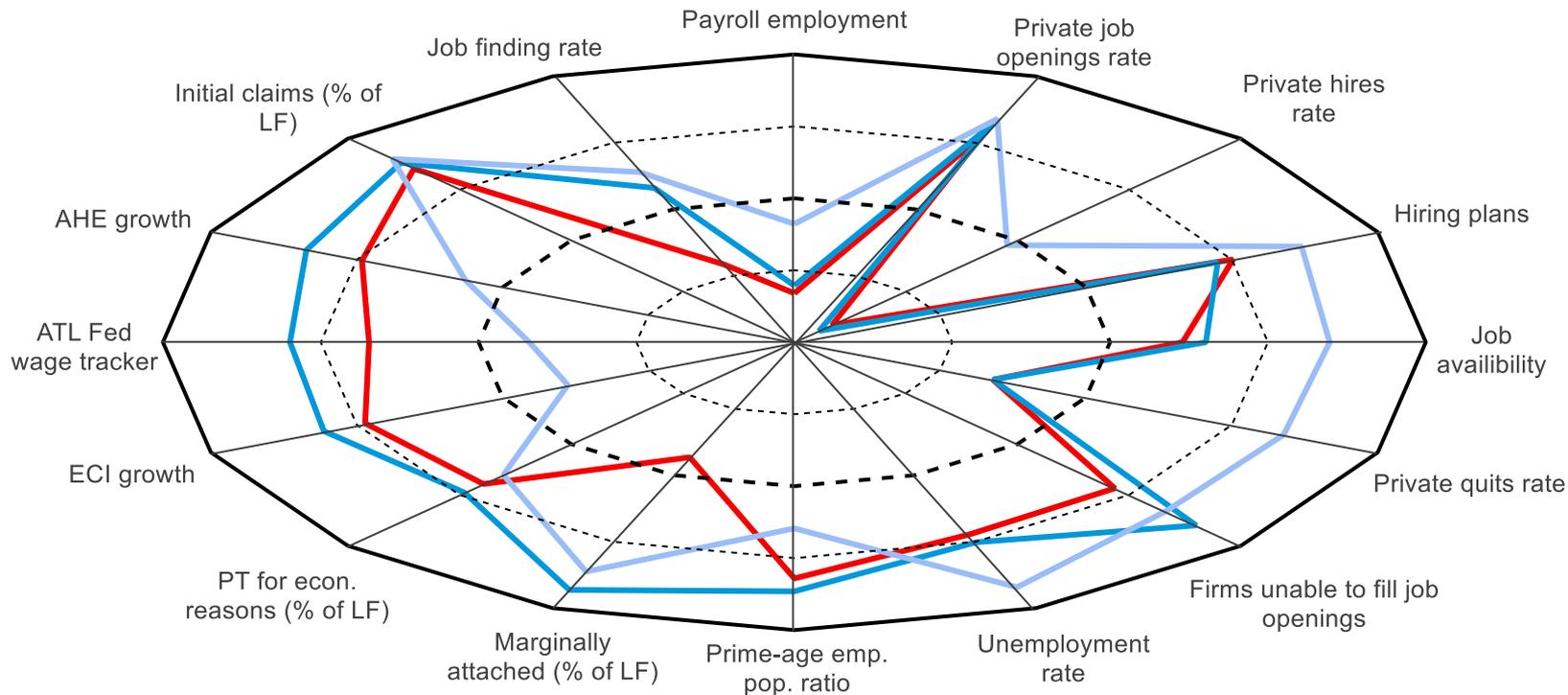
Source: BLS, Macrobond, Deutsche Bank



Labor market showing a mixed picture relative to pre-pandemic

Labor market distributions

— Latest
 — 1y ago
 — 2019 avg
 — Maximum
 - - - - - 75th Percentile (outer)
 - - - - - Median
 - - - - - 25th Percentile (inner)



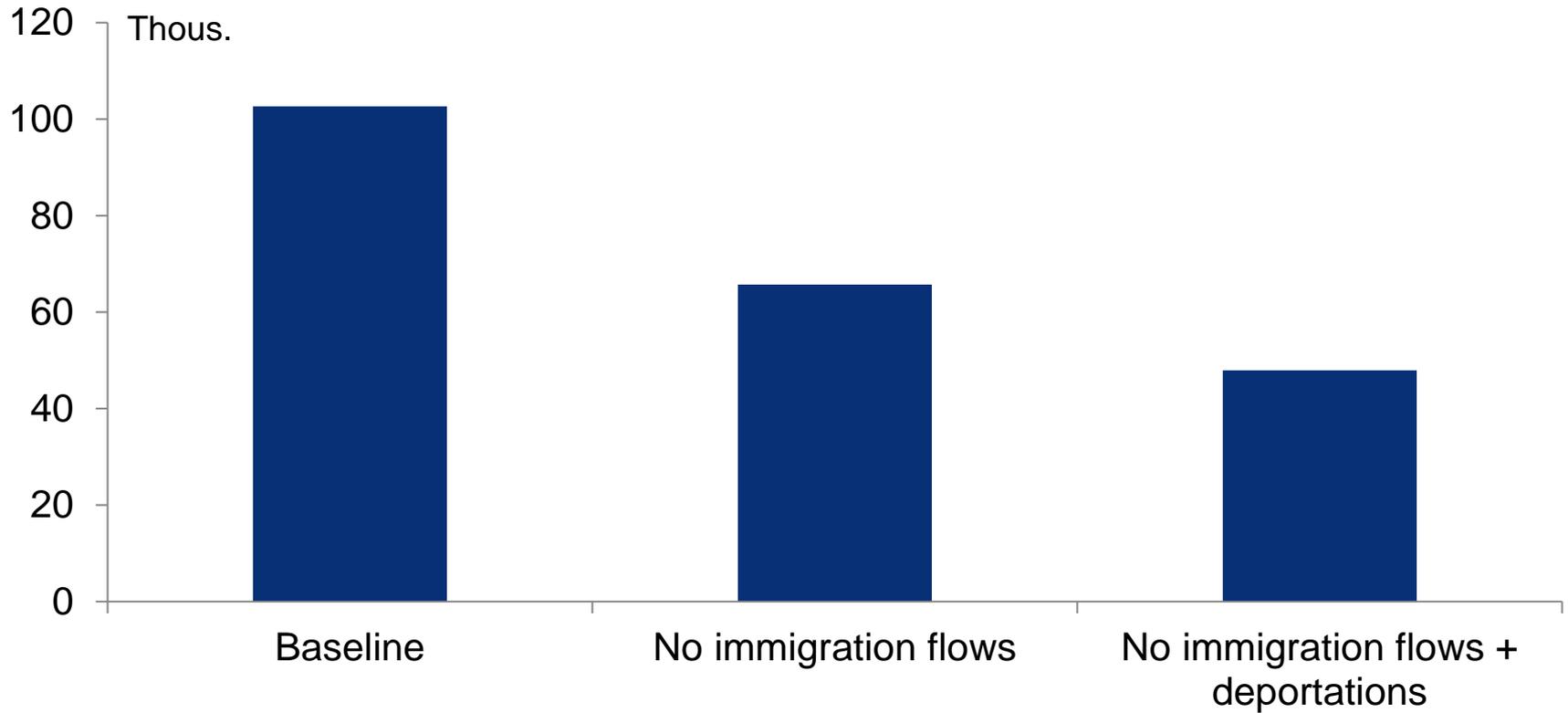
Source: BLS, NFIB, TCB, Atlanta Fed, DOL, Macrobond, Deutsche Bank

Source: Atlanta Fed, Deutsche Bank



Breakeven employment numbers likely in the 50k – 100k range

Breakeven monthly payroll gains



Source: BLS, Haver Analytics, Deutsche Bank



Labor market supply/demand balance



Part-time for economic reasons as a share of employment back to pre-pandemic levels

Part-time for economic reasons as a share of employment (non-ag)

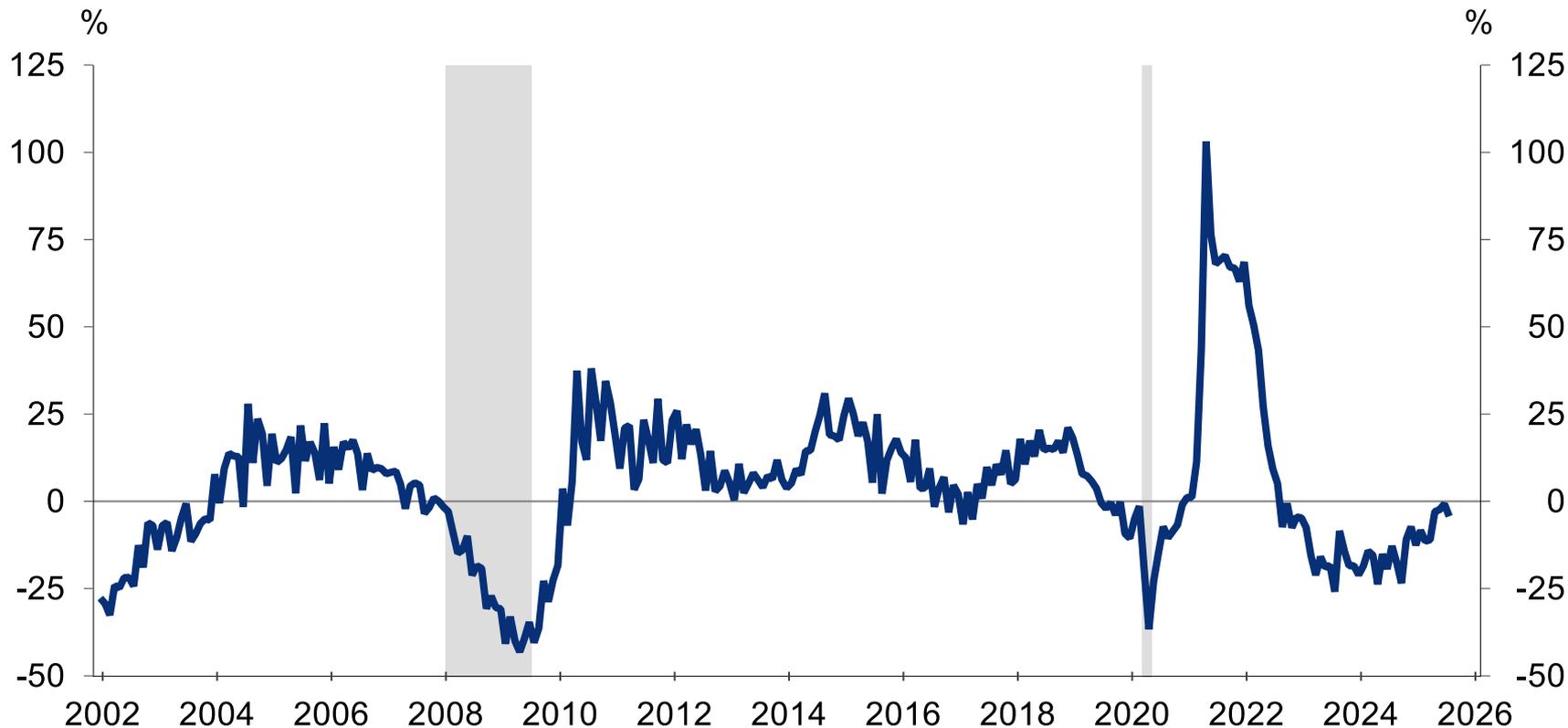


Source: BLS, Macrobond, Deutsche Bank



Job openings have come down meaningfully as supply and demand now in balance

Change in total job openings



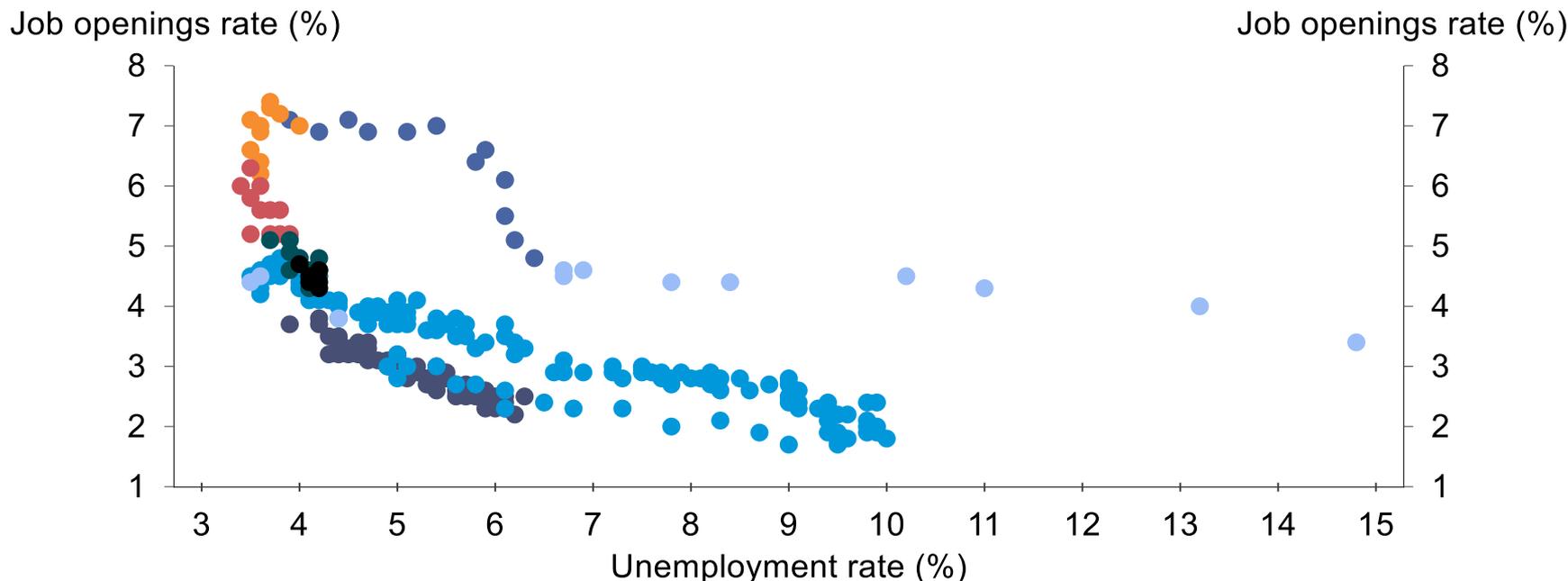
Source: BLS, Macrobond, Deutsche Bank



Beveridge curve normalized initially via lower job openings but unemployment has also started to move up

Beveridge curve

- 2000-2007
- 2008-2019
- 2020
- 2021
- 2022
- 2023
- 2024
- 2025

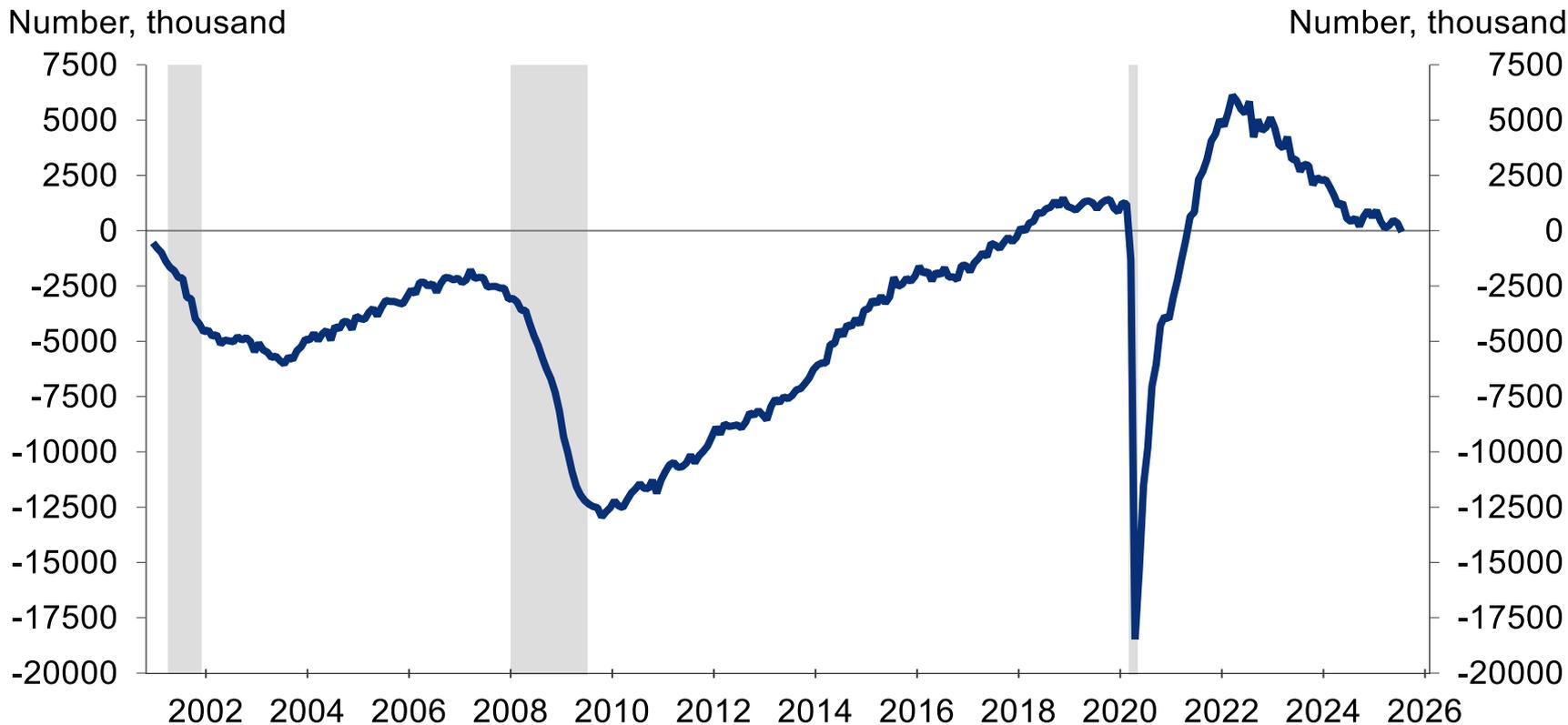


Source: BLS, Macrobond, Deutsche Bank



Job openings are essentially in line with unemployed people indicating balanced supply/demand

Job openings less unemployed workers

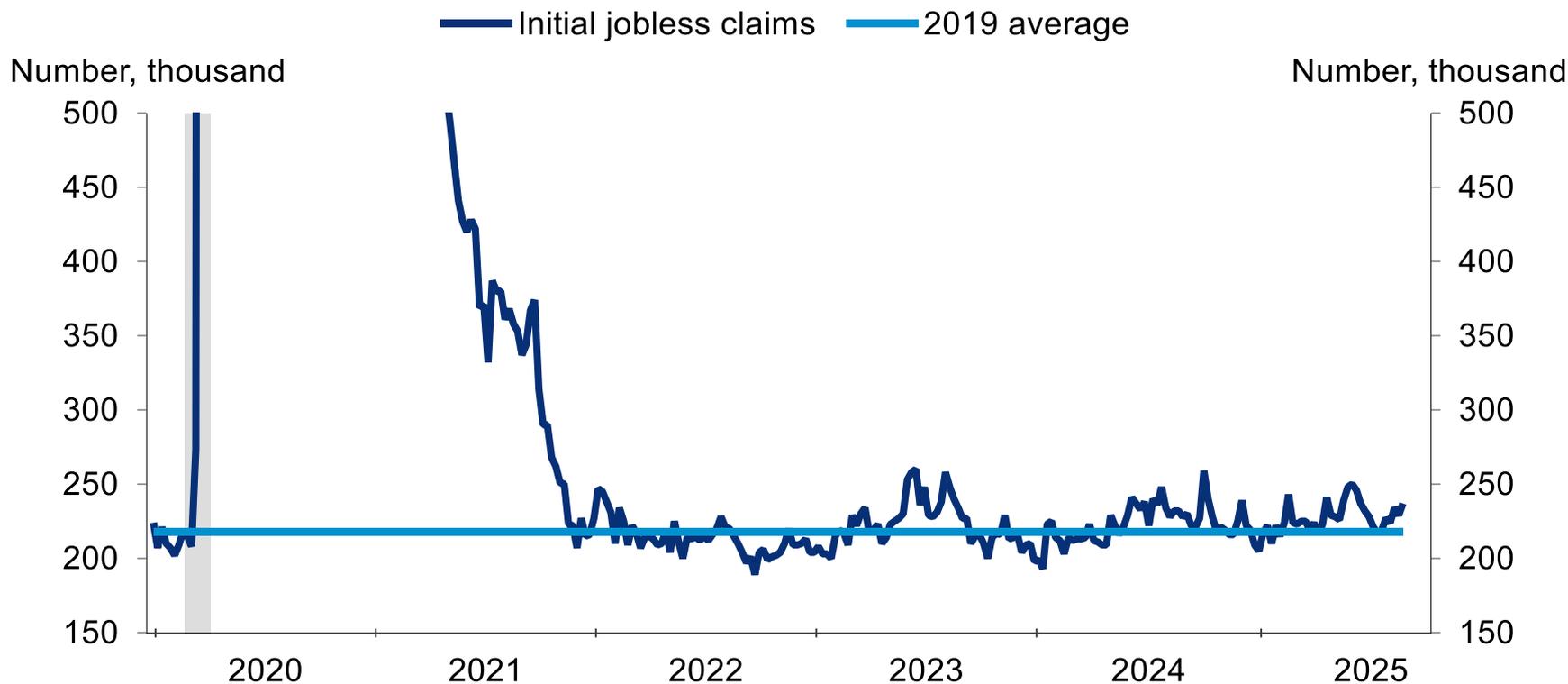


Source: BLS, Macrobond, Deutsche Bank



Initial jobless claims have fluctuated around their 2019 average – no signs of meaningful pick up in layoffs

Initial jobless claims

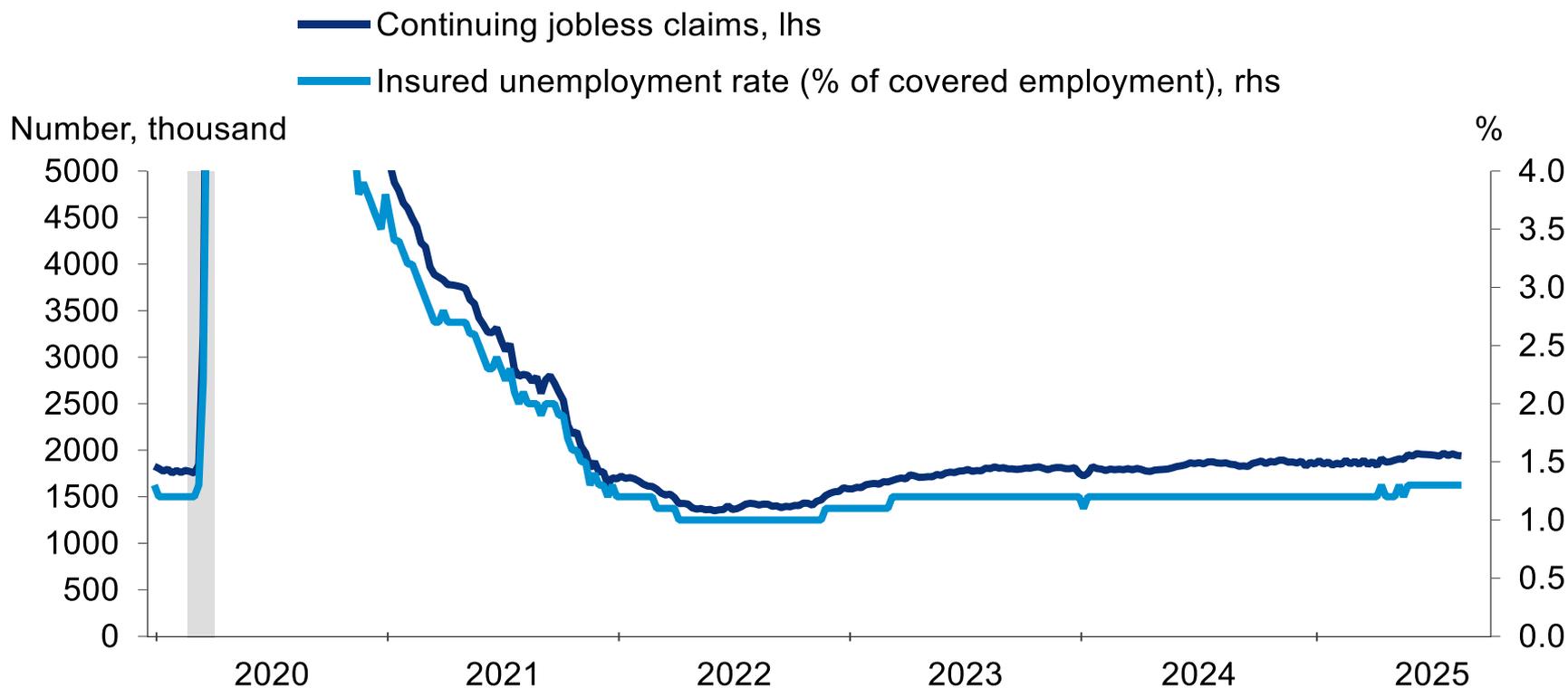


Source: DOL, Macrobond, Deutsche Bank



Continuing claims have been very stable

Continuing jobless claims

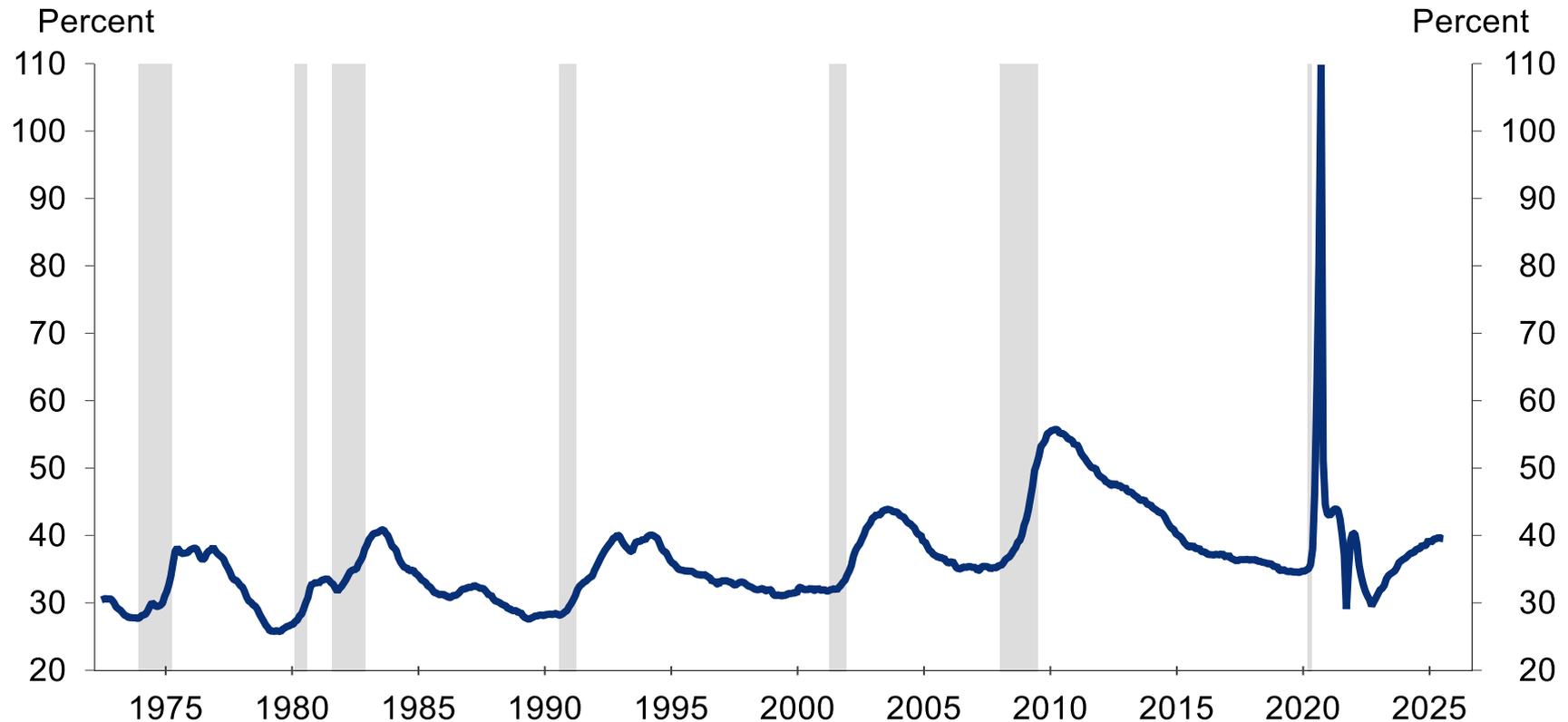


Source: DOL, Macrobond, Deutsche Bank



~40% of claimants are exhausting benefits – near 2015 levels

Share of claimants who collect all of their UI benefits



Source: DOL, Macrobond, Deutsche Bank

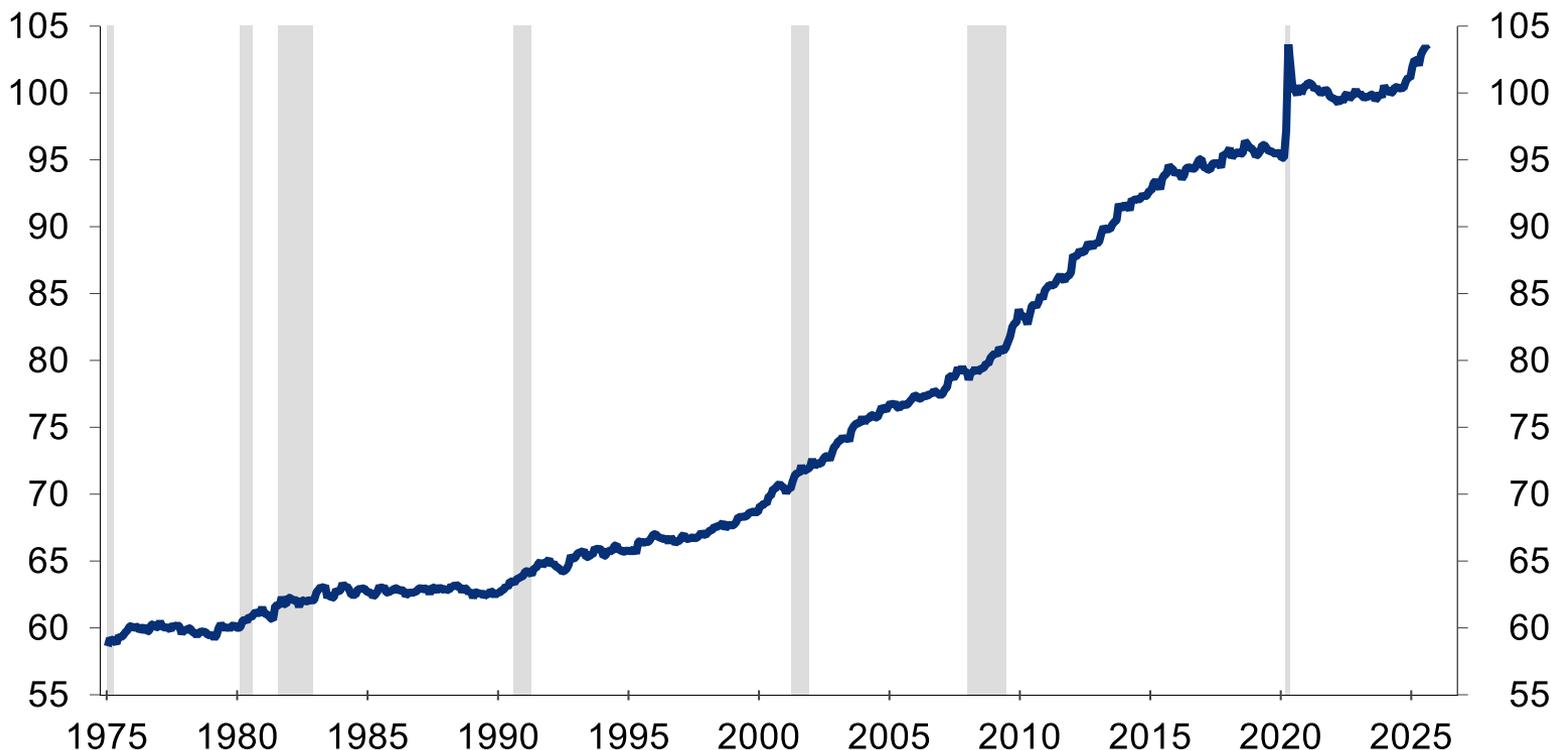


~103mn people are not in the labor force, ~7mn more than pre-pandemic

Civilians not in labor force

No. of Persons, million

No. of Persons, million

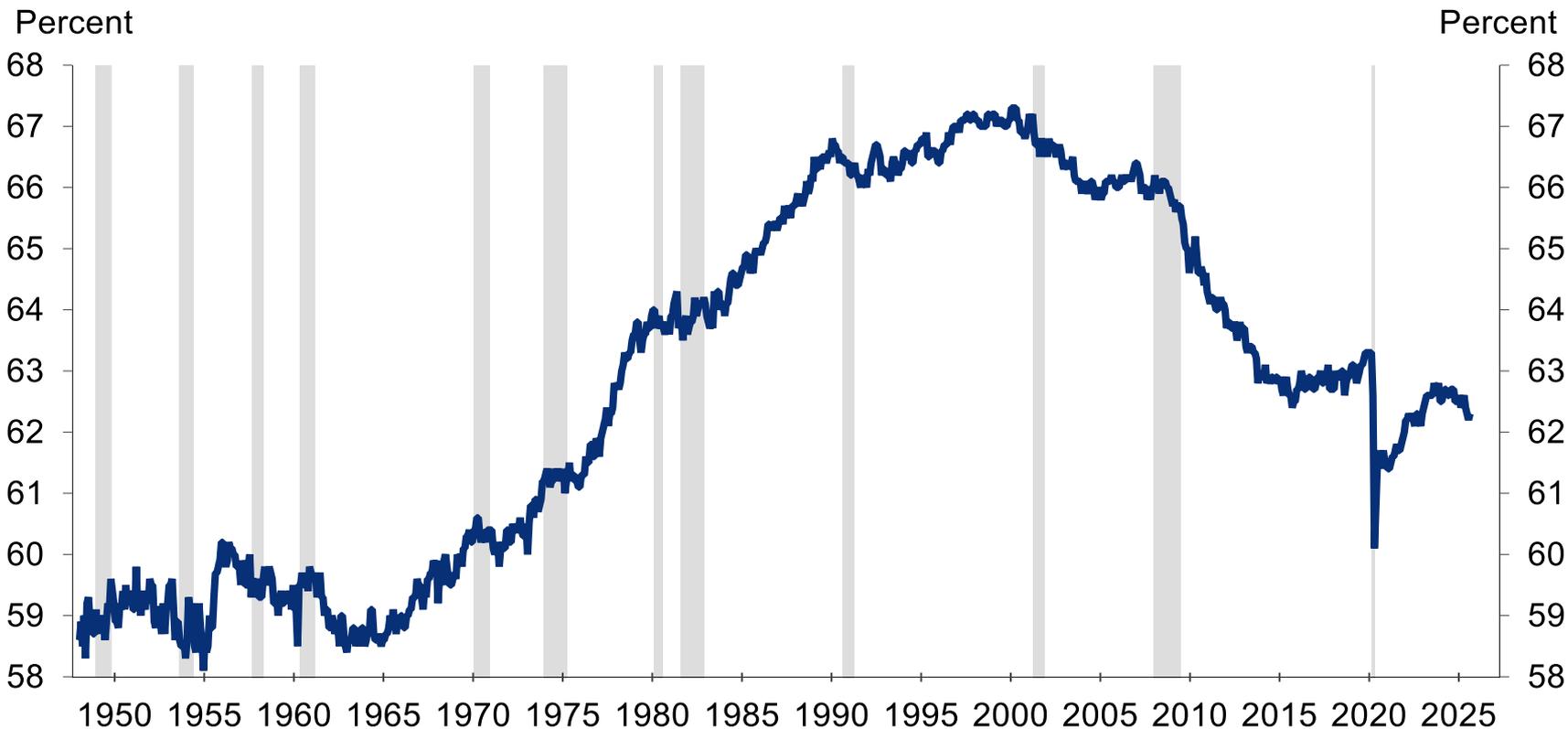


Source: BLS, Macrobond, Deutsche Bank



The overall labor force participation rate still below the November 2023 post-pandemic peak of 62.8%

Civilian labor force participation rate

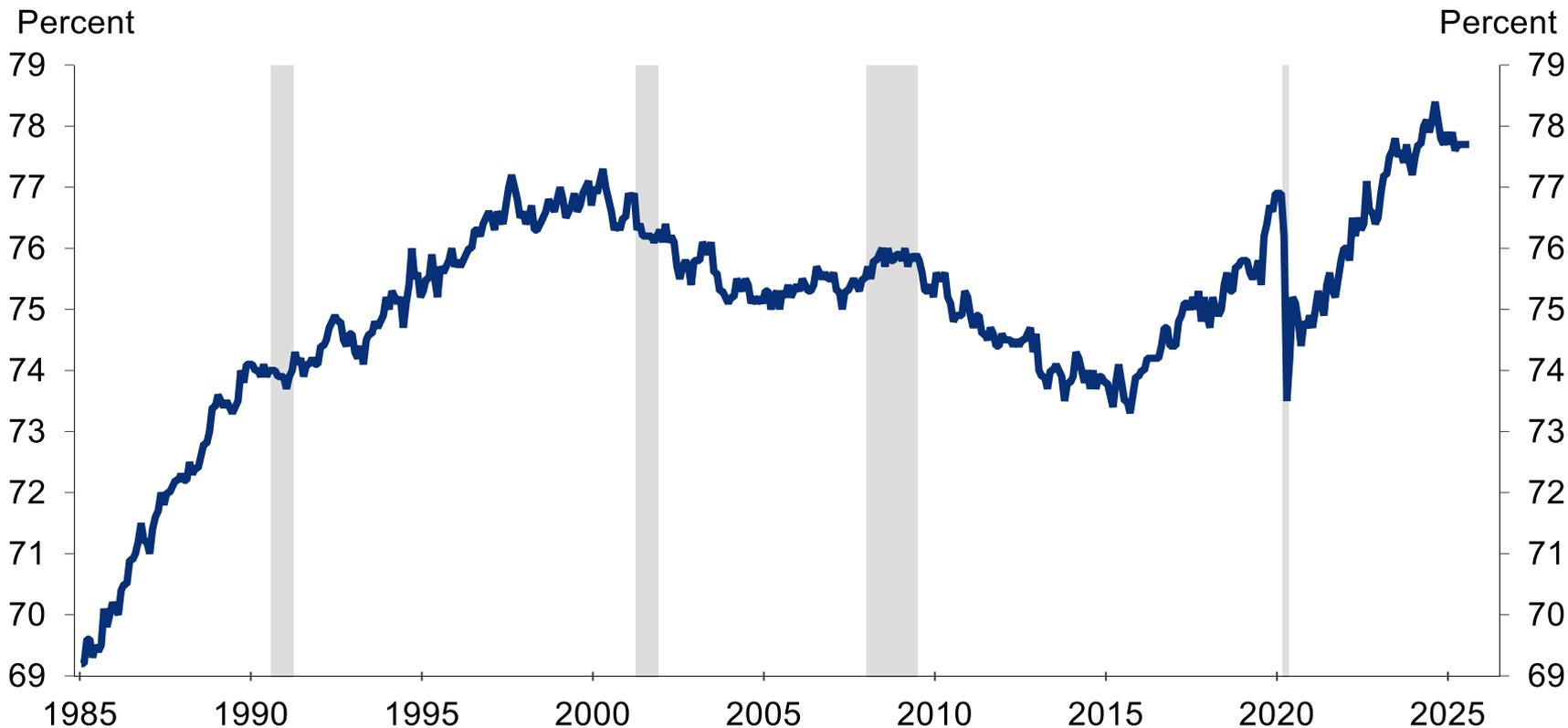


Source: BLS, Macrobond, Deutsche Bank



Prime age labor force participation for women down slightly from a record high

Labor force participation rate: women (25-54)

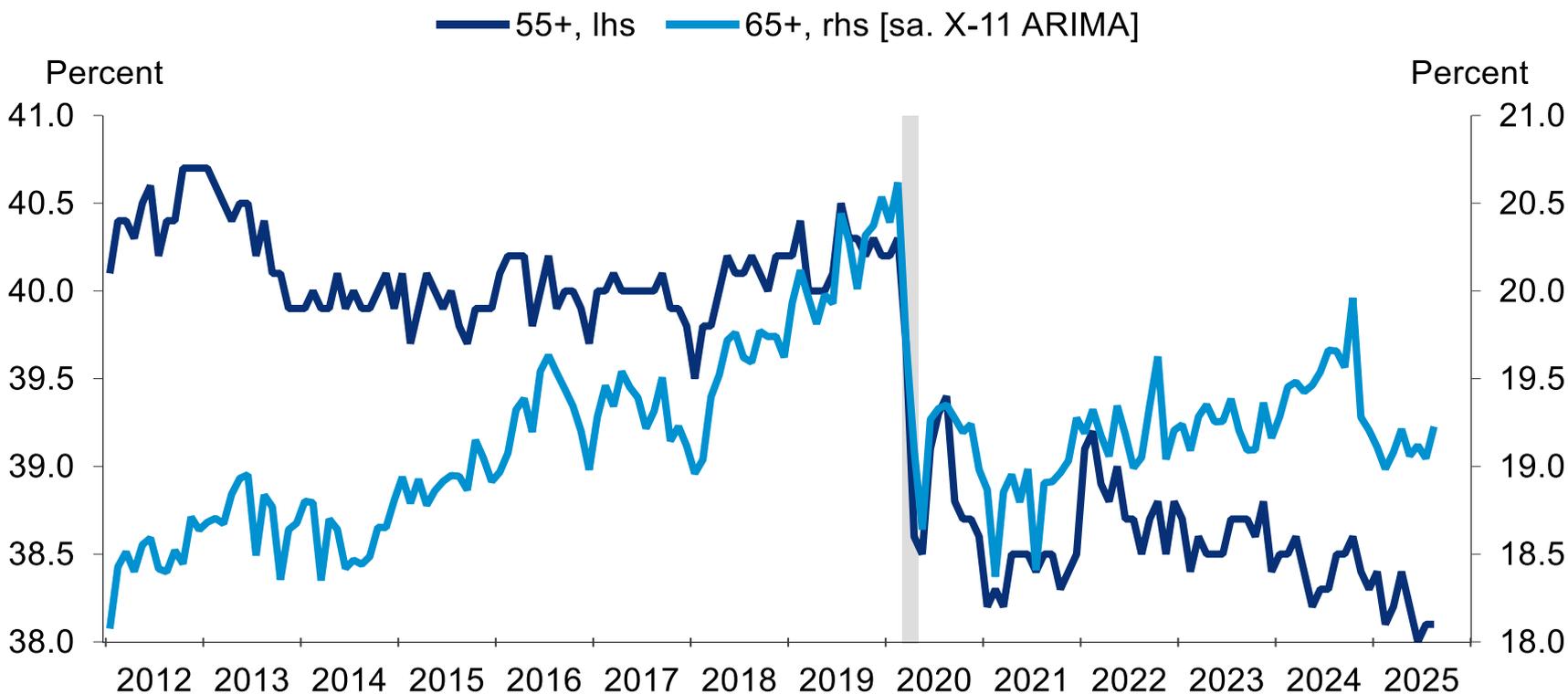


Source: BLS, Macrobond, Deutsche Bank



The participation rate for the 55+ and 65+ age groups has been trending lower

Labor force participation rate

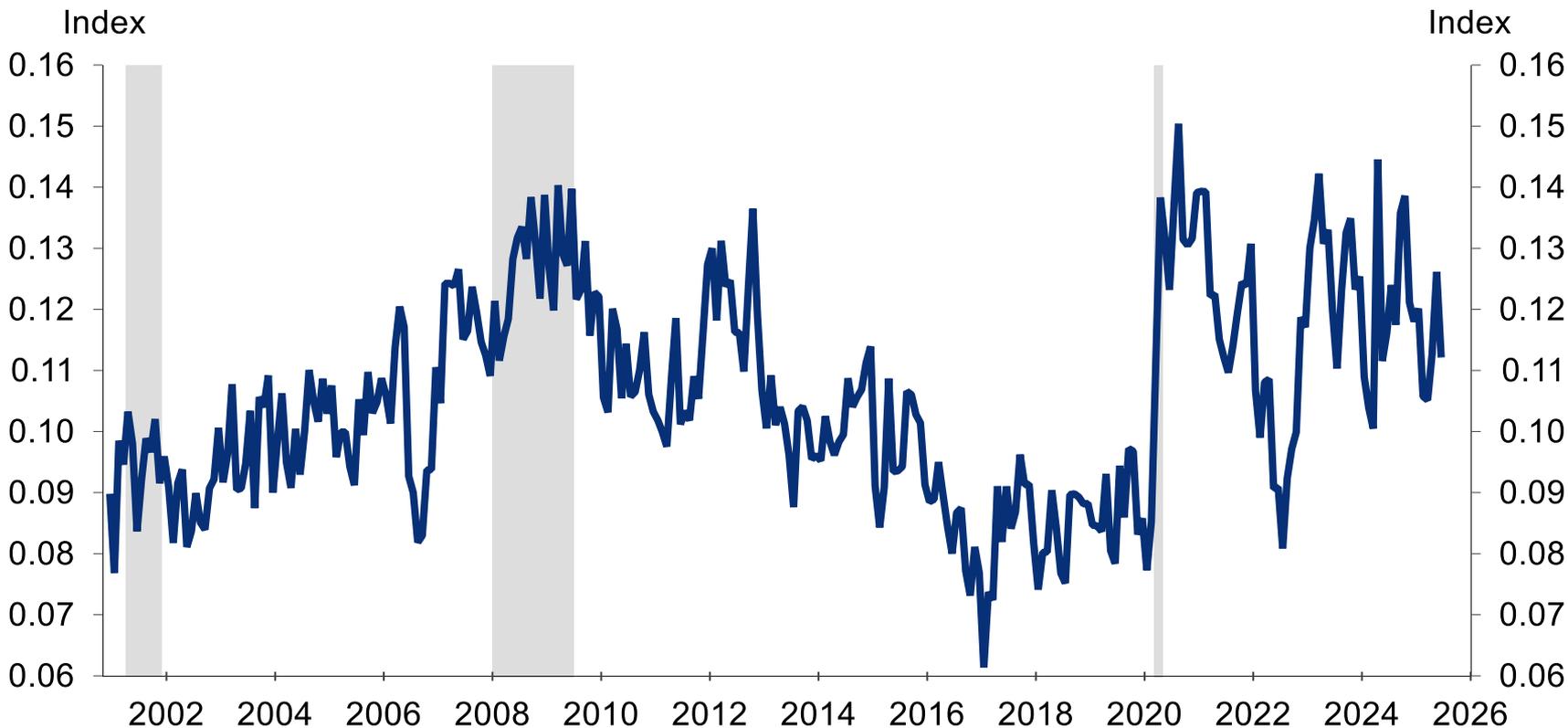


Source: BLS, Macrobond, Deutsche Bank



Geographic labor market mismatch remains elevated relative to pre-pandemic

Geographic mismatch index

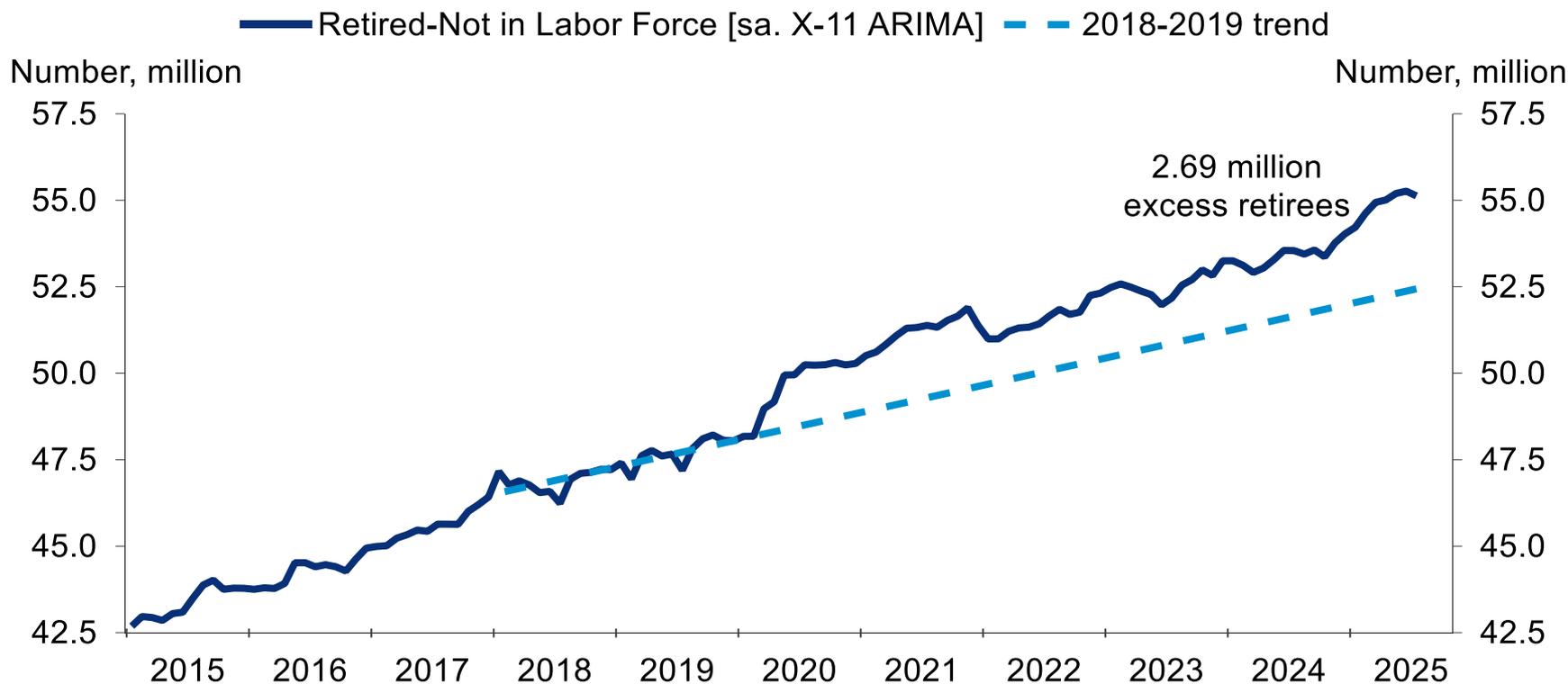


Source: BLS, Macrobond, Deutsche Bank



Excess retirements remain elevated

Excess retirements

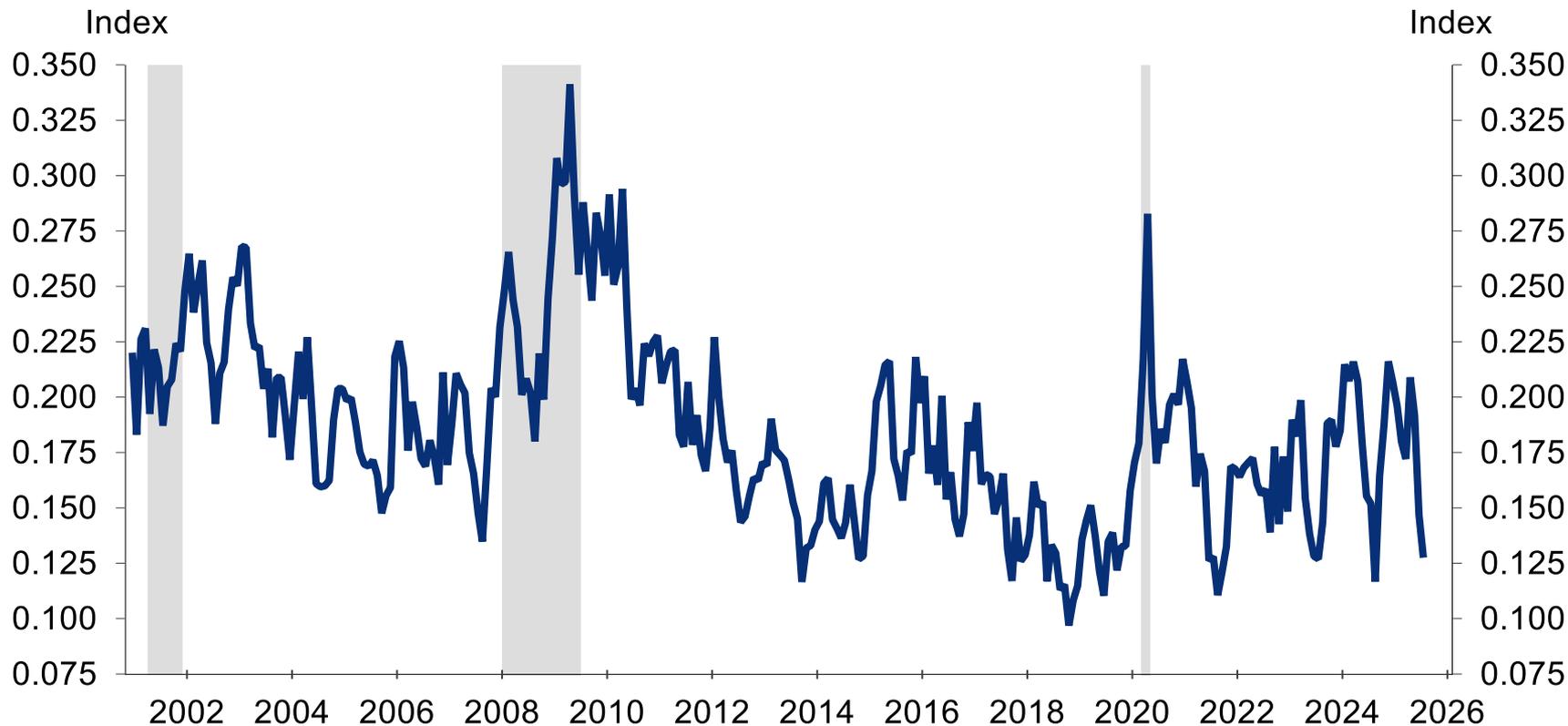


Source: USCB, Macrobond, Deutsche Bank



Sectoral mismatch index fell back to a level year ago

Industry-level mismatch



Source: BLS, Macrobond, Deutsche Bank

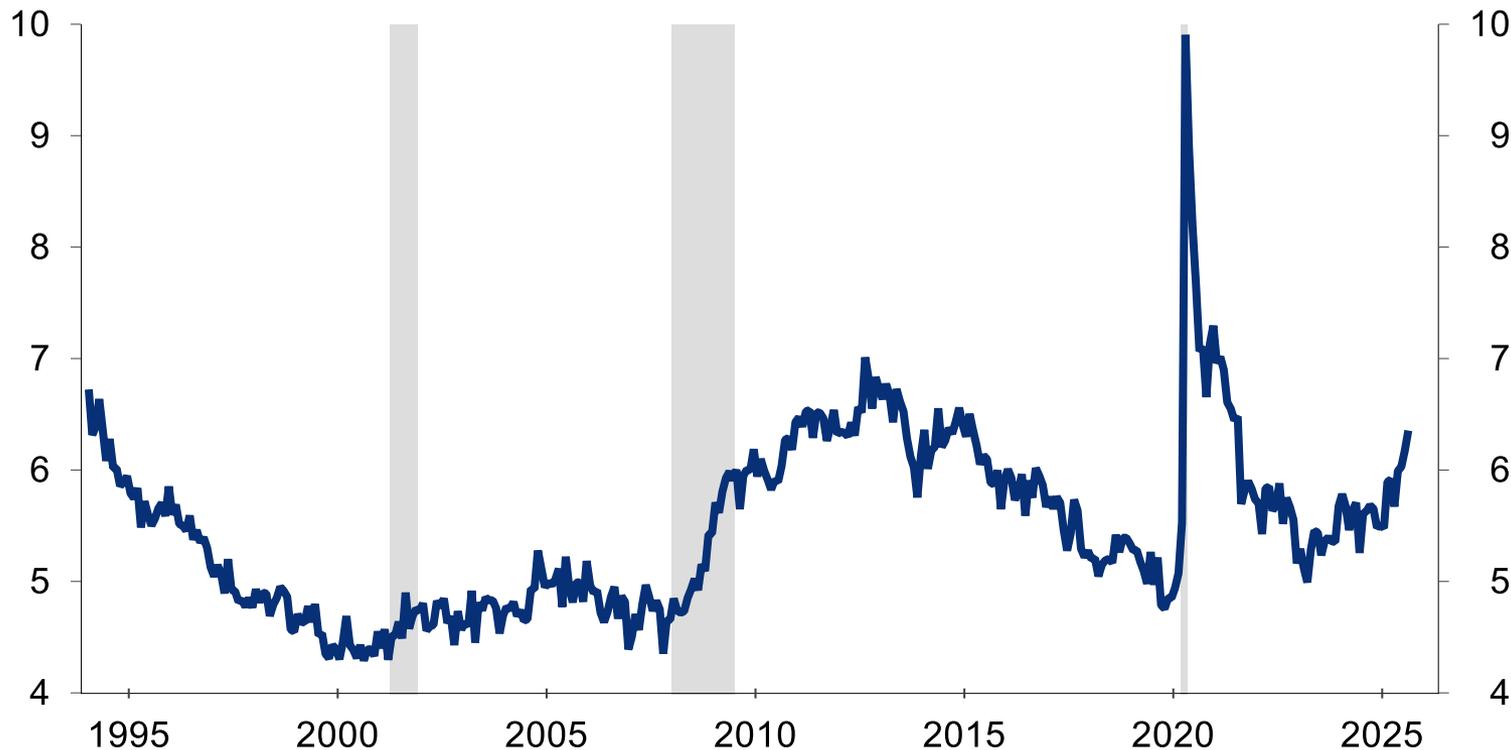


A little over 6mn people outside the labor force want a job now

Not in labor force but want a job now

No. of Persons, million

No. of Persons, million

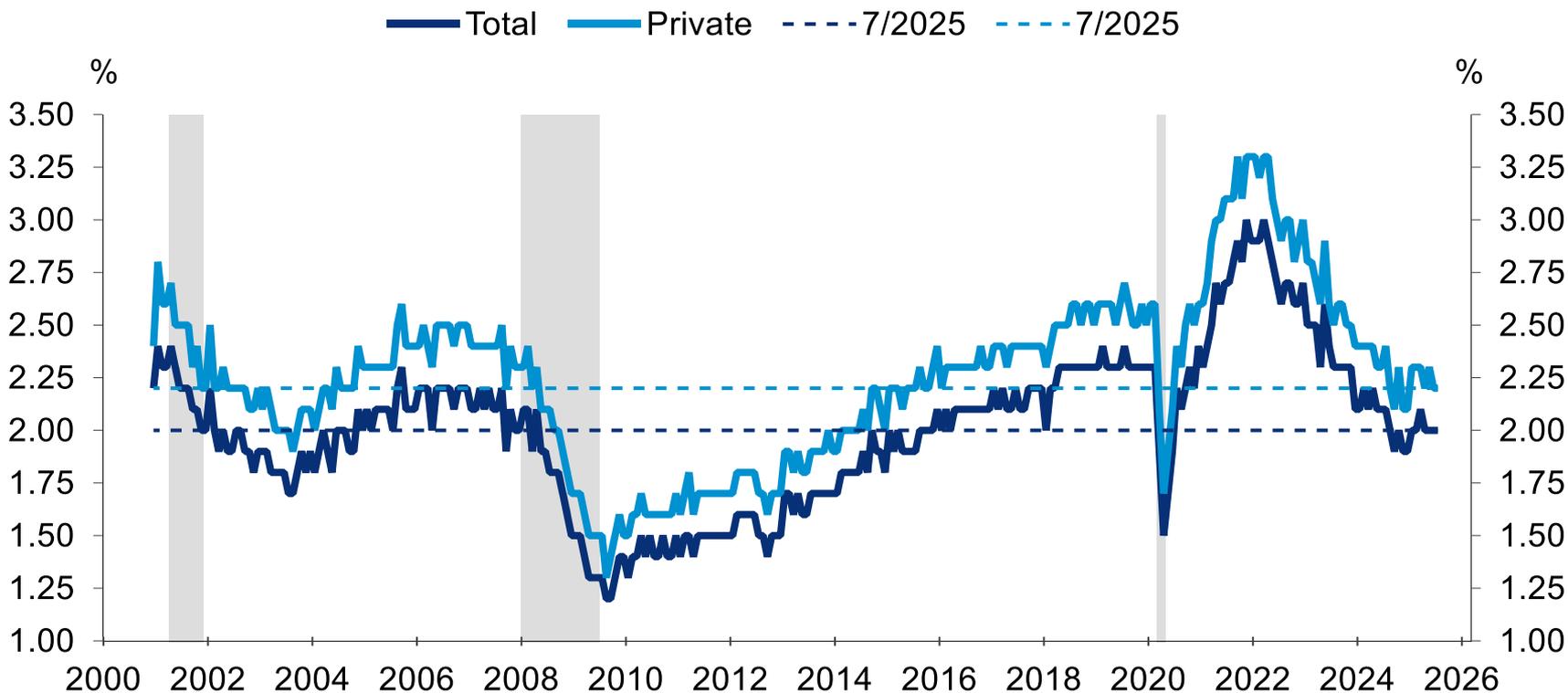


Source: BLS, Macrobond, Deutsche Bank



Quits rate potentially starting to level off

Quits rate

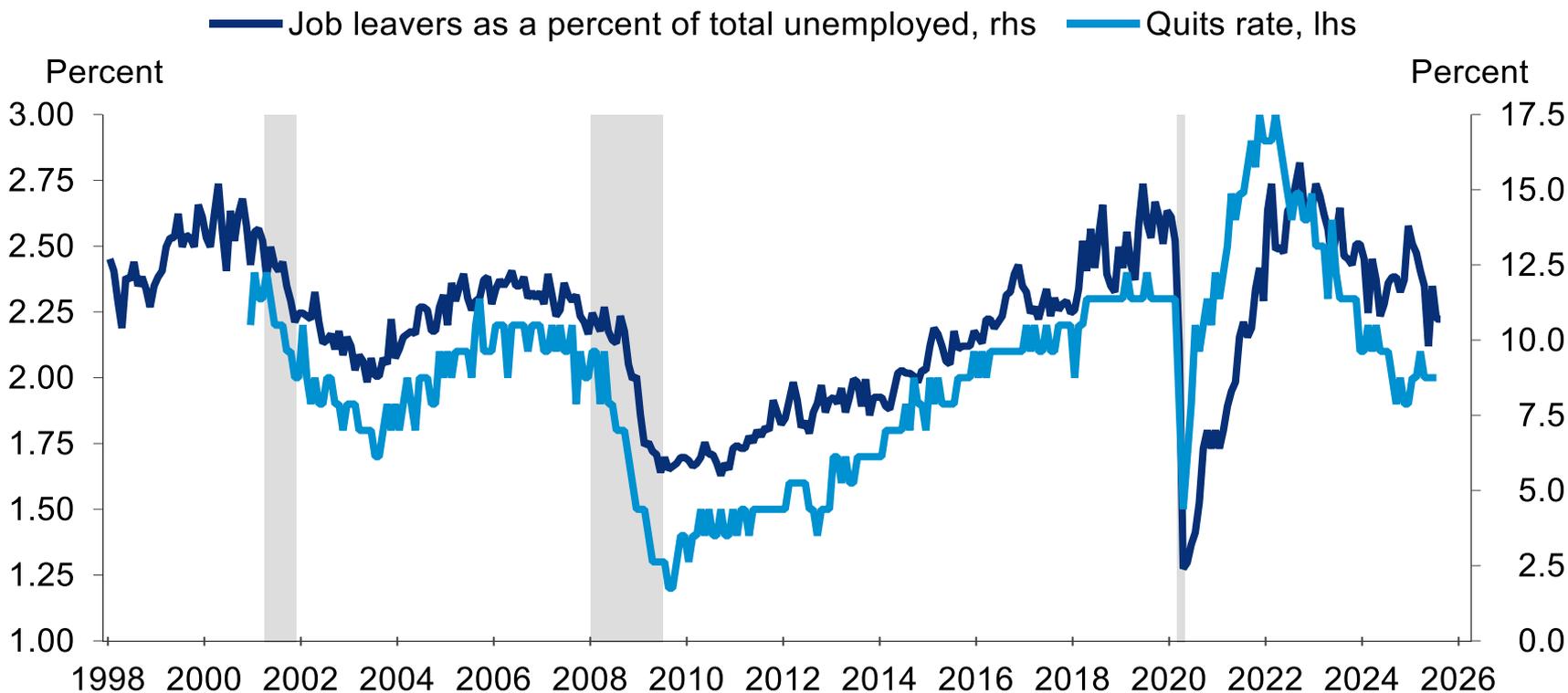


Source: BLS, Macrobond, Deutsche Bank



Quits rate broadly consistent with share of unemployed workers leaving their jobs voluntarily

Job leavers versus quits rate

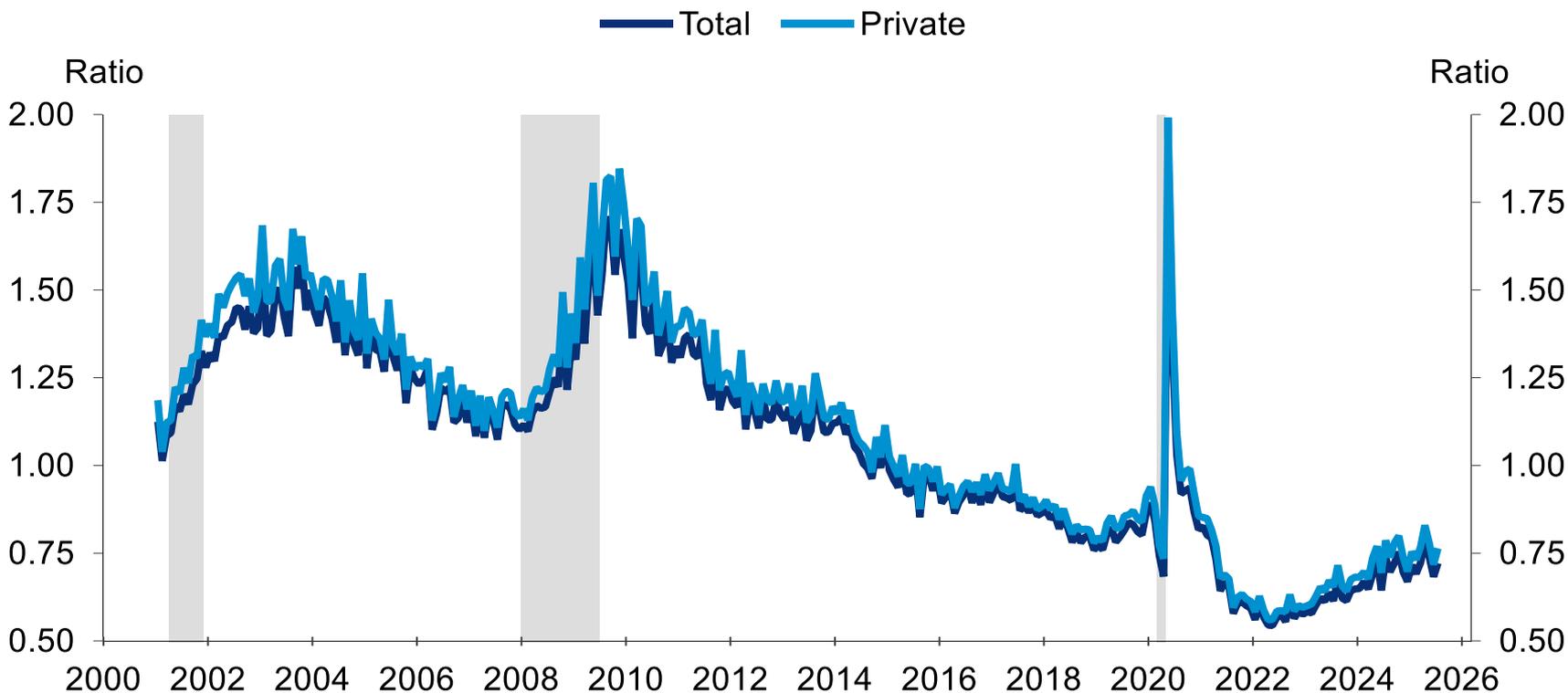


Source: BLS, Macrobond, Deutsche Bank



Vacancy yield (hires/openings) has on balance improved but still lower than pre-pandemic

Vacancy yield (hires / job openings)

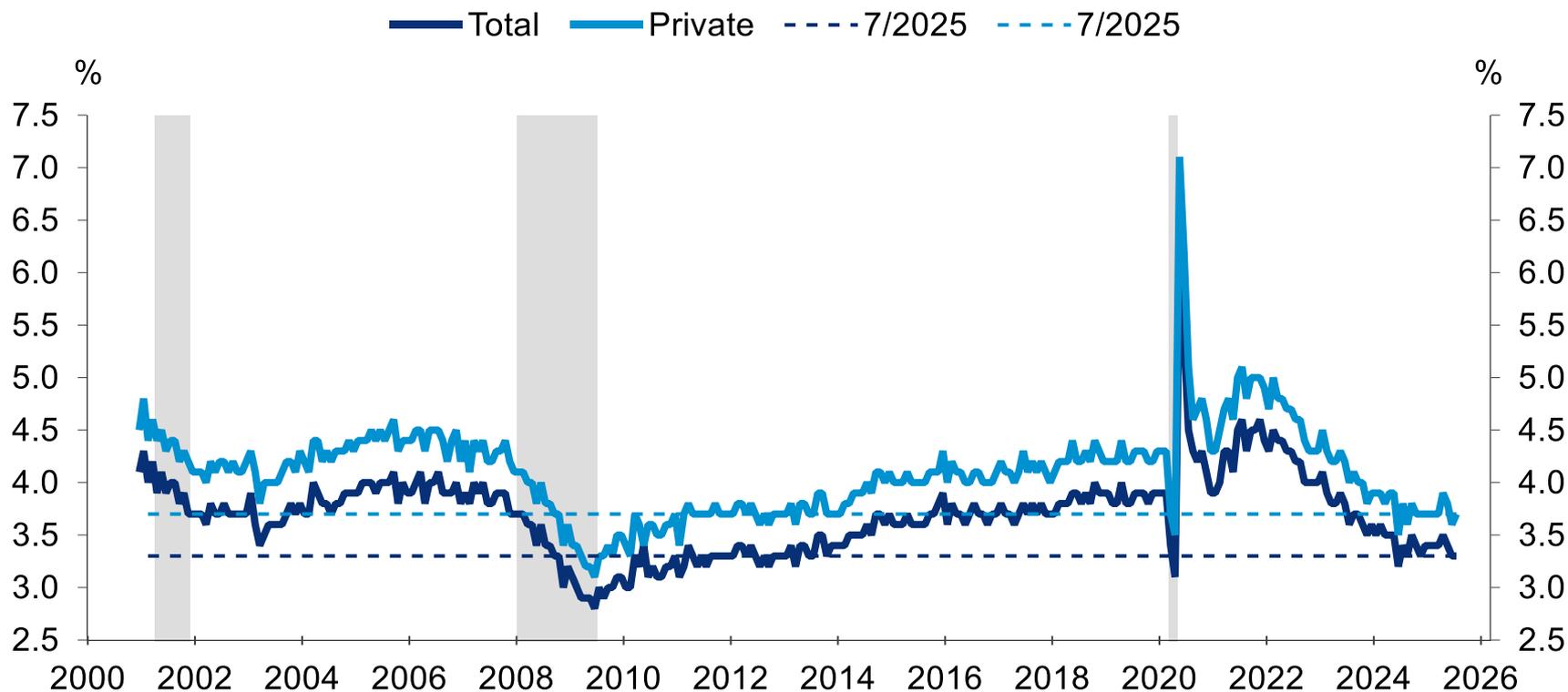


Source: BLS, Macrobond, Deutsche Bank



Hiring rate has been steady near 2013/2014 levels

Hiring rate

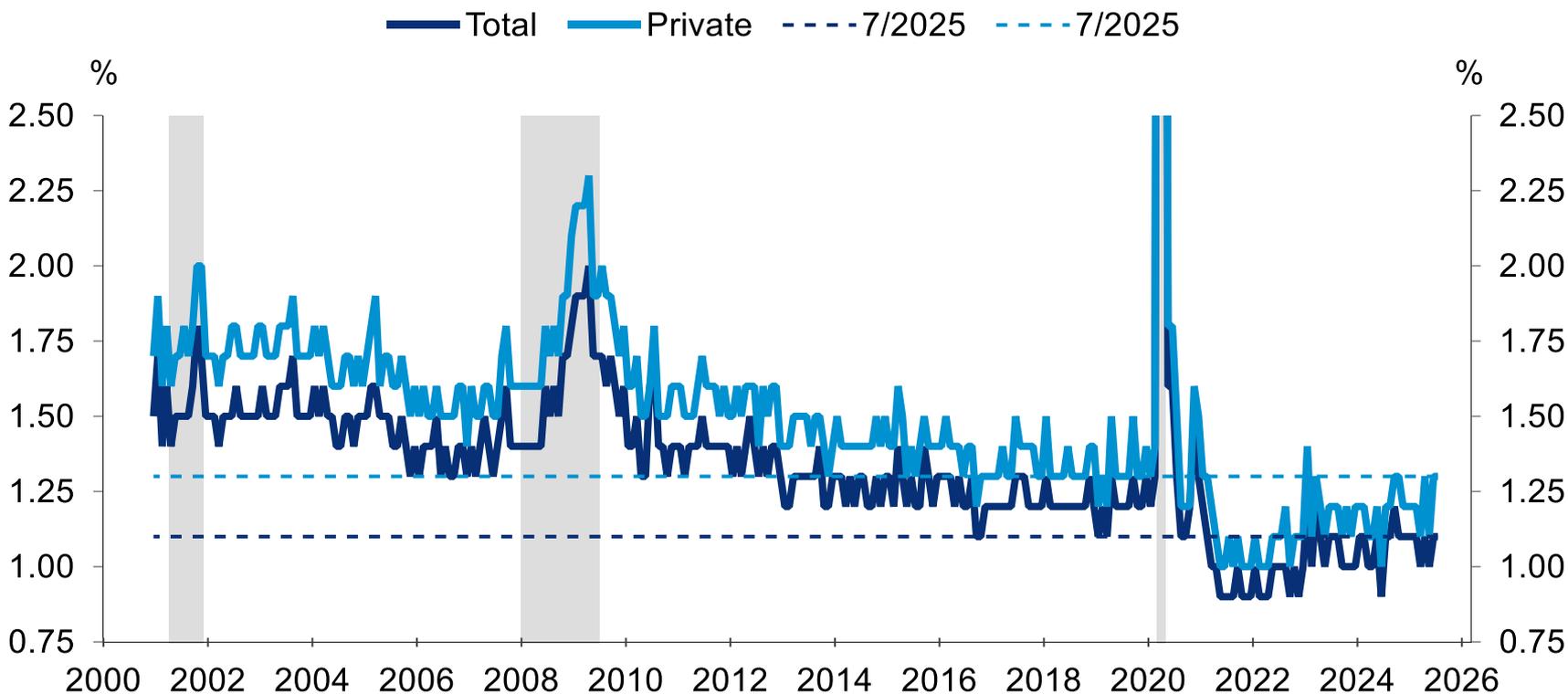


Source: BLS, Macrobond, Deutsche Bank



The layoff rate has edged up but still historically low – a key reason job gains holding in

Layoff rate

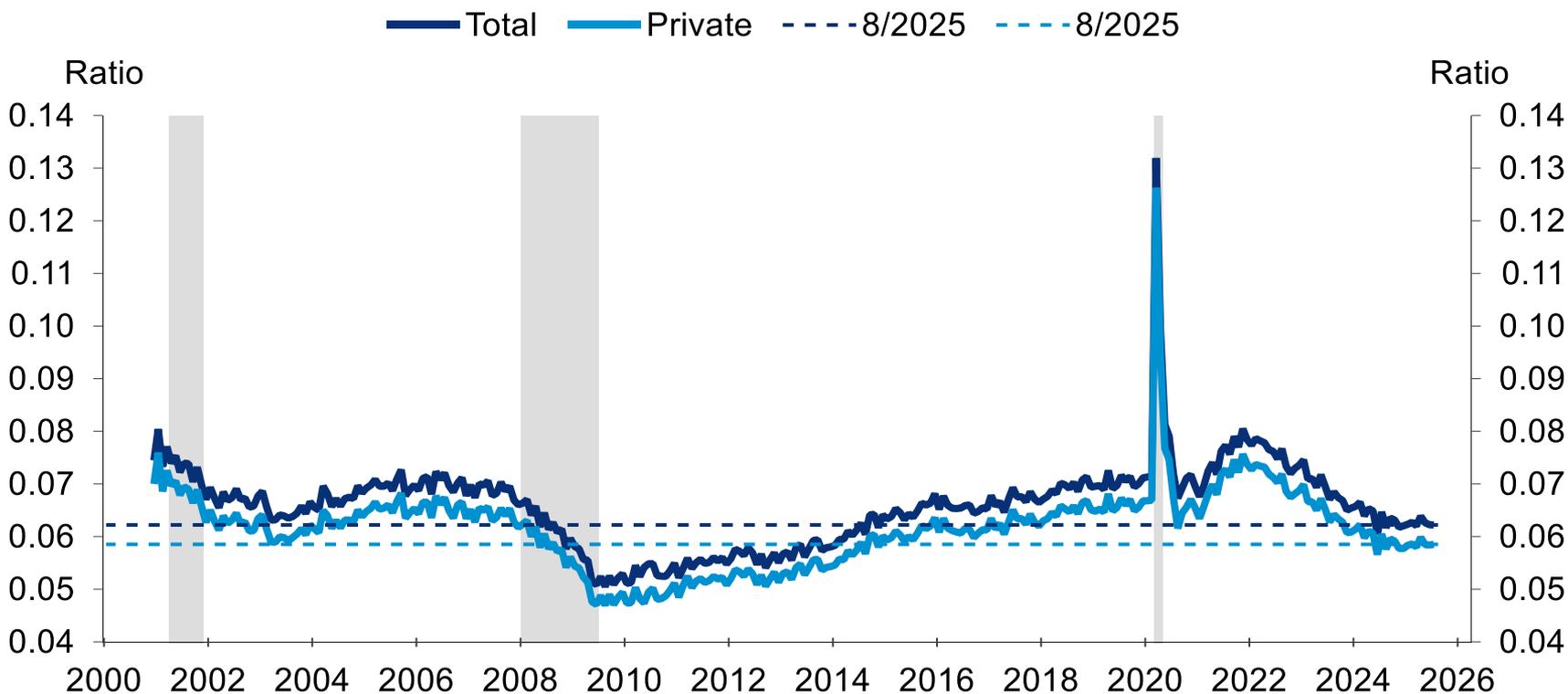


Source: BLS, Macrobond, Deutsche Bank



Measure of aggregate labor churn ((total hires + separations) / labor force) has flatlined recently

Labor churn ratio

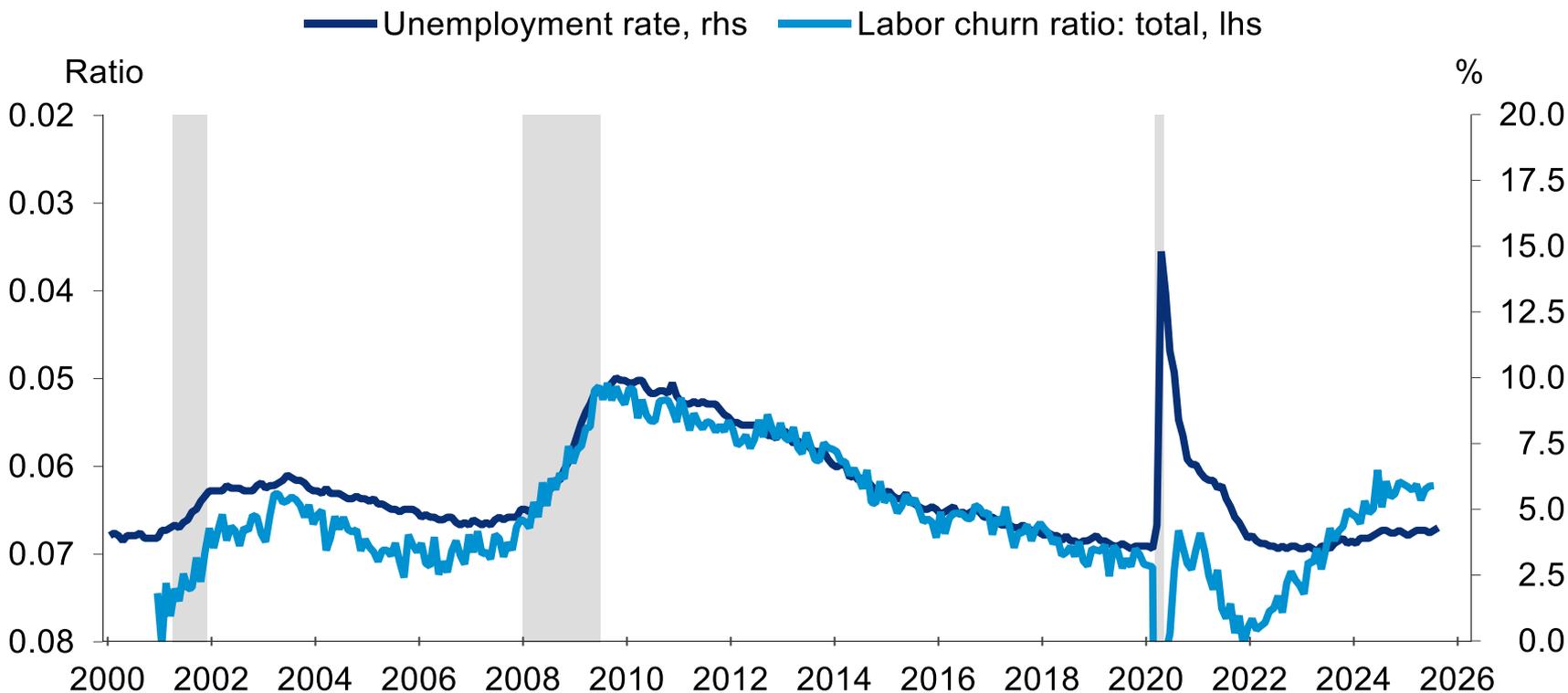


Source: BLS, Macrobond, Deutsche Bank



Low labor market churn would typically be associated with much higher unemployment rate

Labor churn ratio vs. unemployment rate

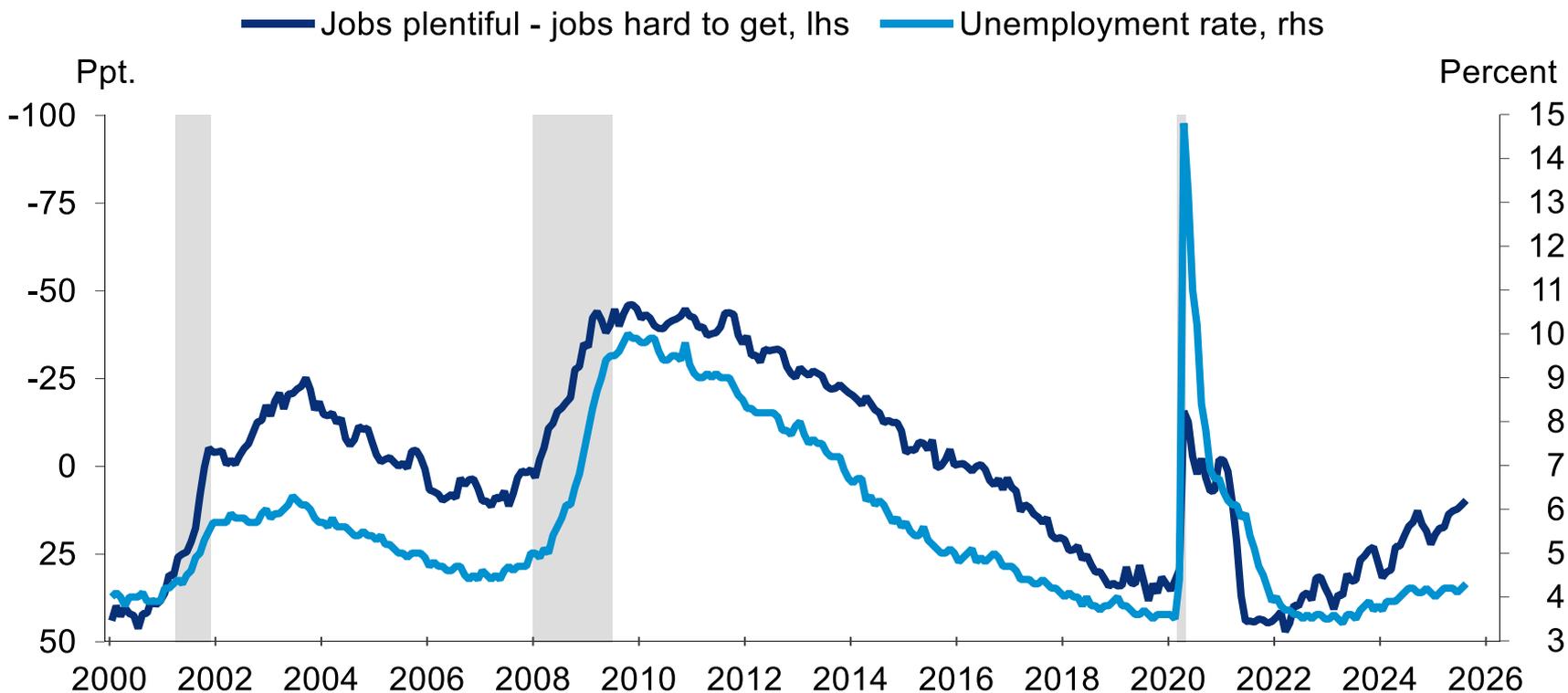


Source: BLS, Macrobond, Deutsche Bank



Conference Board jobs differential consistent with a loosening labor market

Conference Board jobs differential and the unemployment rate



Source: TCB, BLS, Macrobond, Deutsche Bank

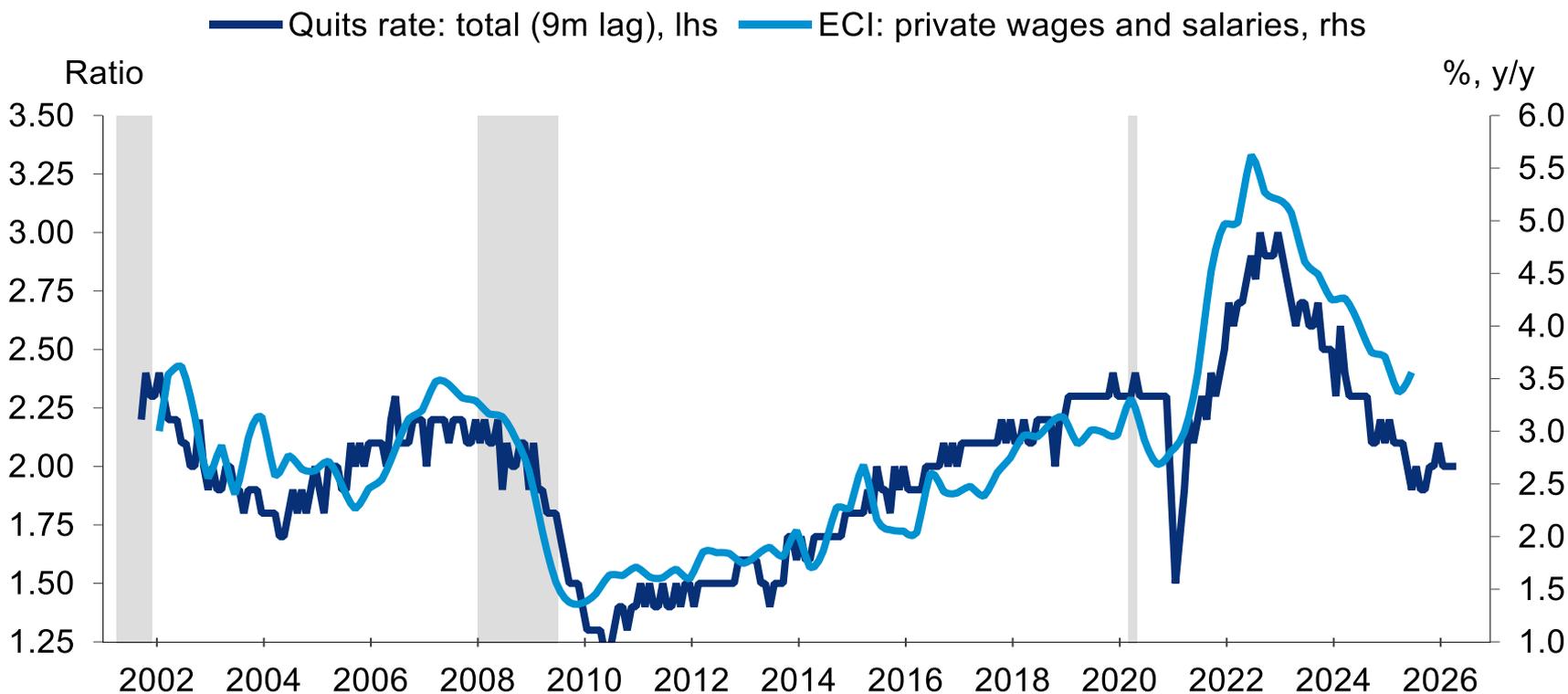


Wages



Quits rate suggests wage growth should level off in coming quarters

Quits rate and ECI wage growth

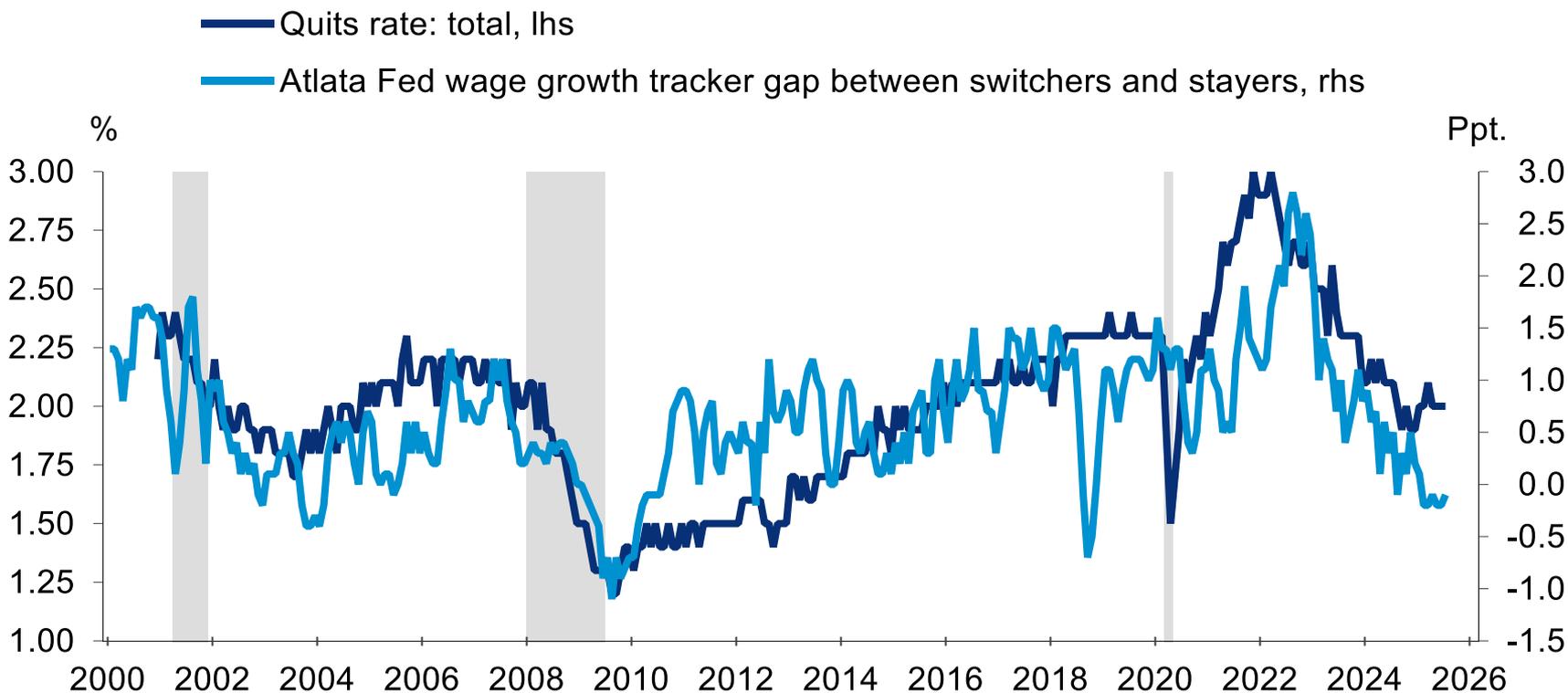


Source: BLS, Macrobond, Deutsche Bank



Quits had declined along with the wage premium for job switching

Job switching premium

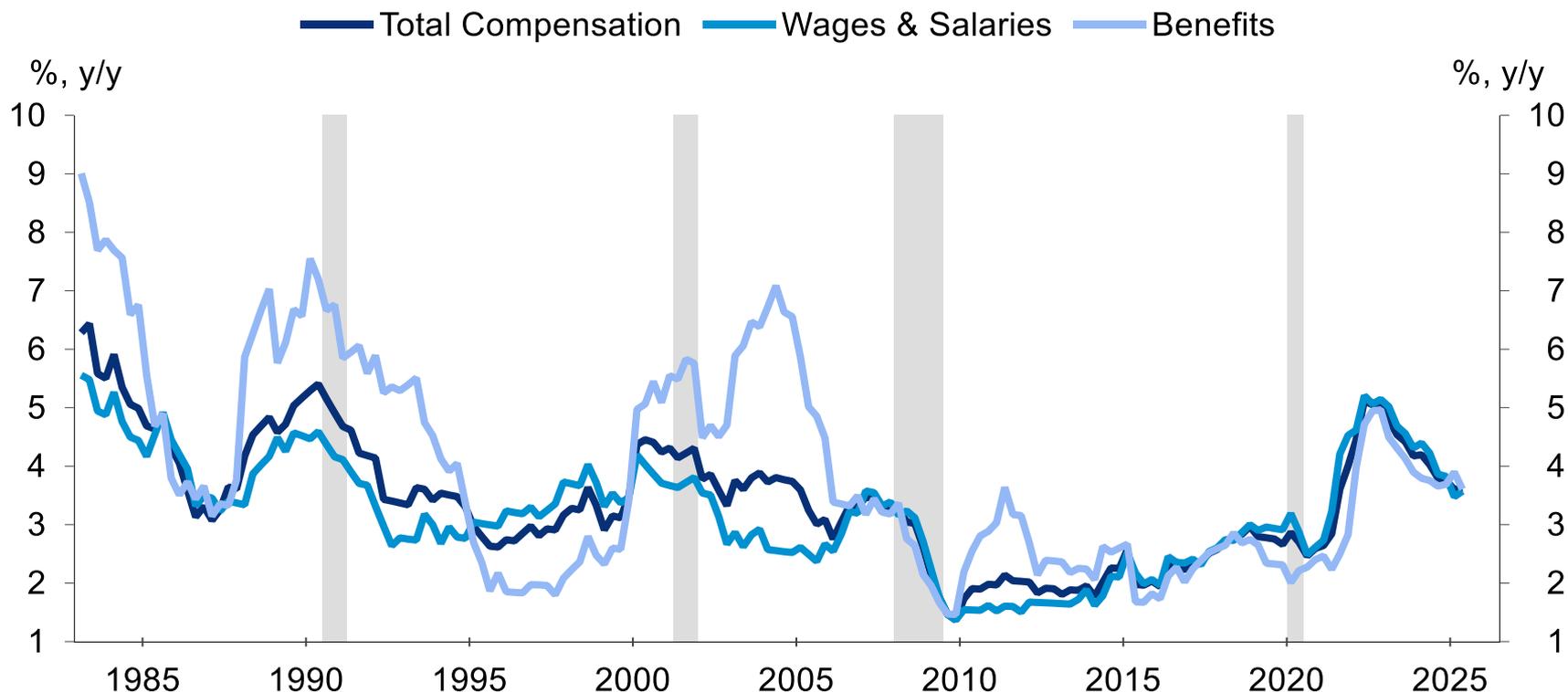


Source: BLS, Atlanta Fed, Macrobond, Deutsche Bank



Employment cost index moderating but still elevated

Employment Cost Index

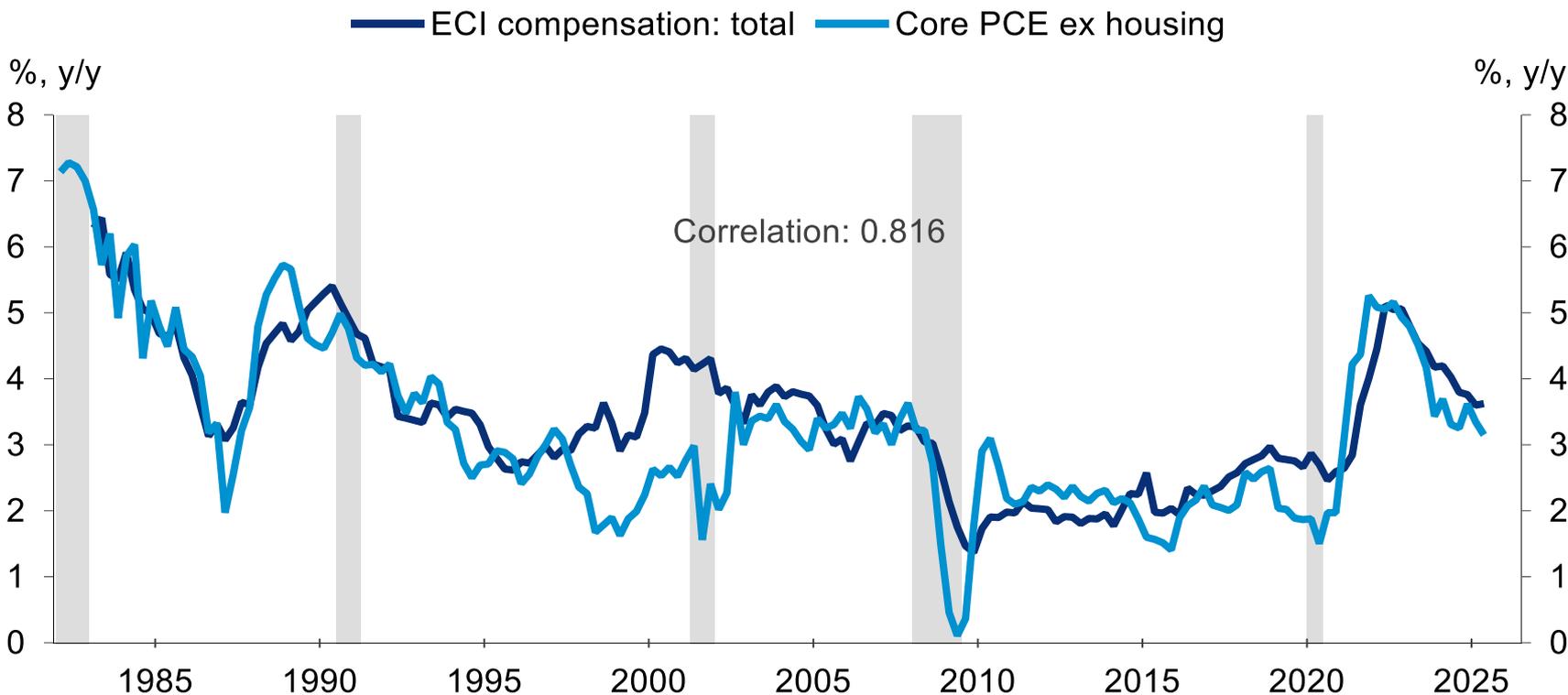


Source: BLS, Macrobond, Deutsche Bank



Fed focuses on core services ex-shelter inflation, which is significantly correlated with the ECI

ECI vs supercore PCE

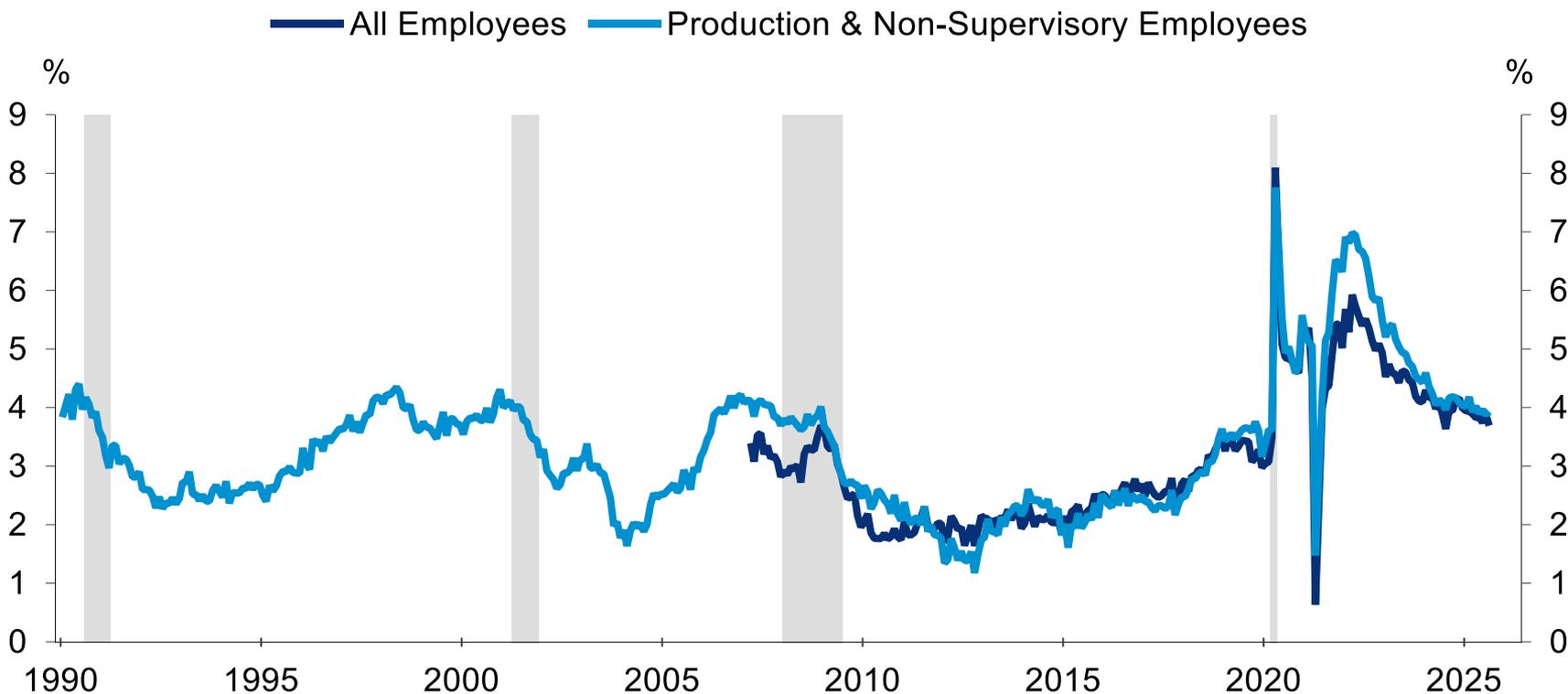


Source: BLS, BEA, Macrobond, Deutsche Bank



Year-over-year growth of AHEs at 3.9%, somewhat elevated relative to pre-pandemic

Average hourly earnings

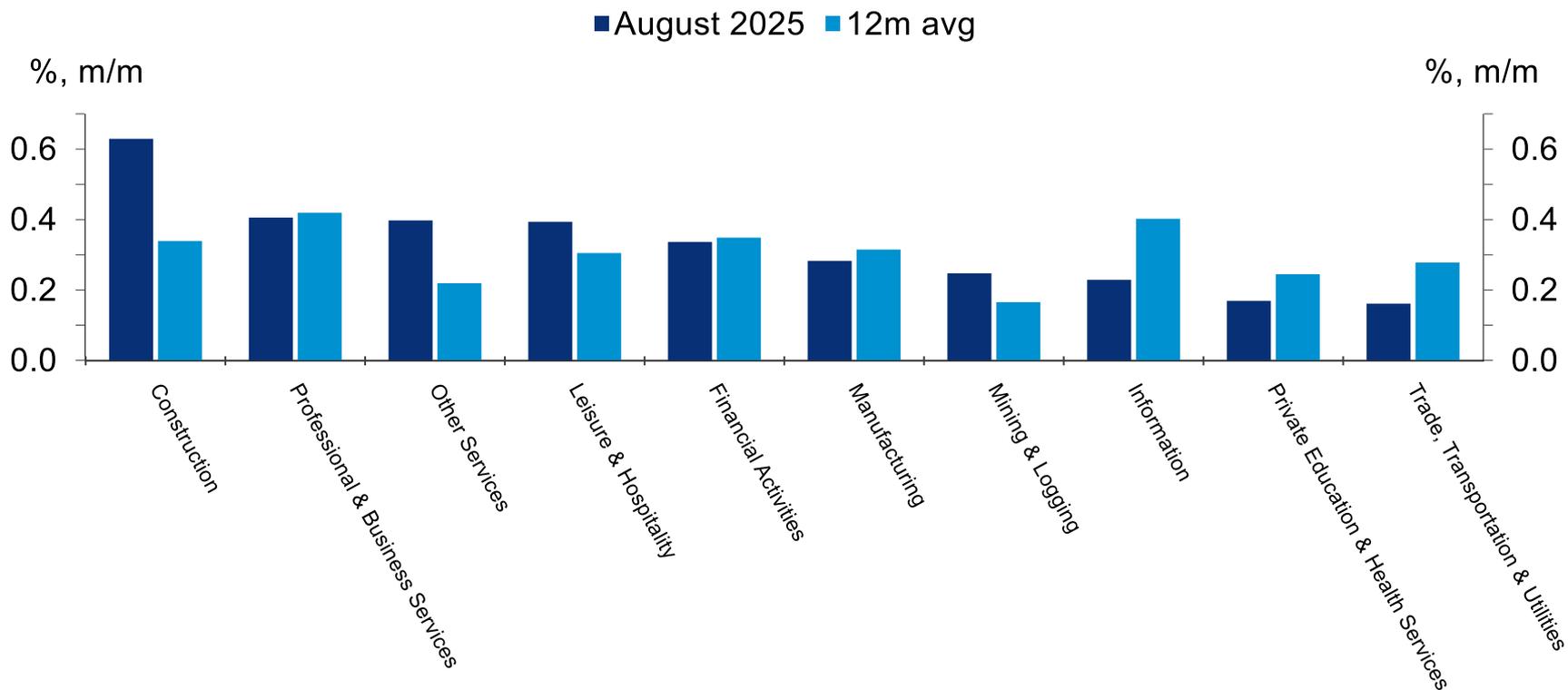


Source: BLS, Macrobond, Deutsche Bank



Wage growth across sectors

Average hourly earnings of employees in total private industries

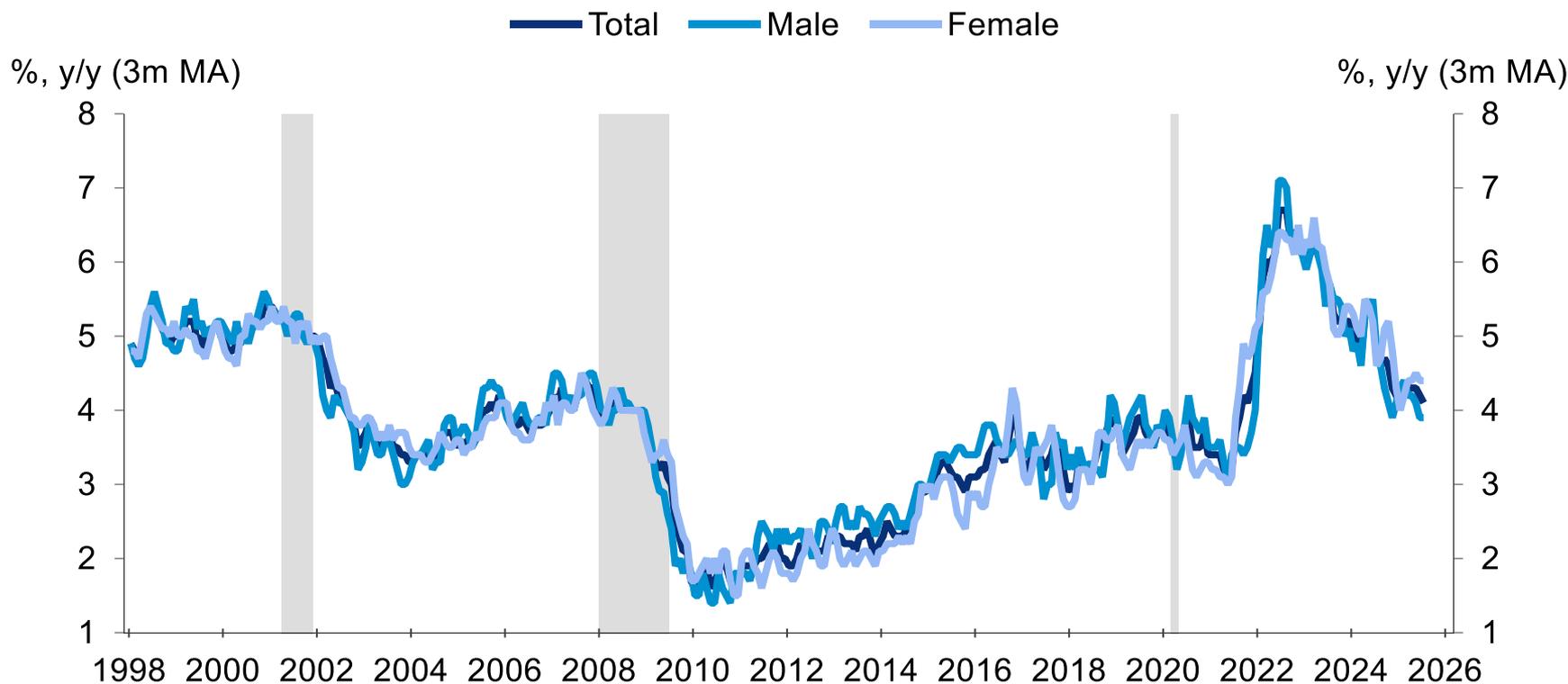


Source: BLS, Macrobond, Deutsche Bank



Atlanta Fed wage tracker decelerated but remains somewhat elevated

Atlanta Fed wage tracker

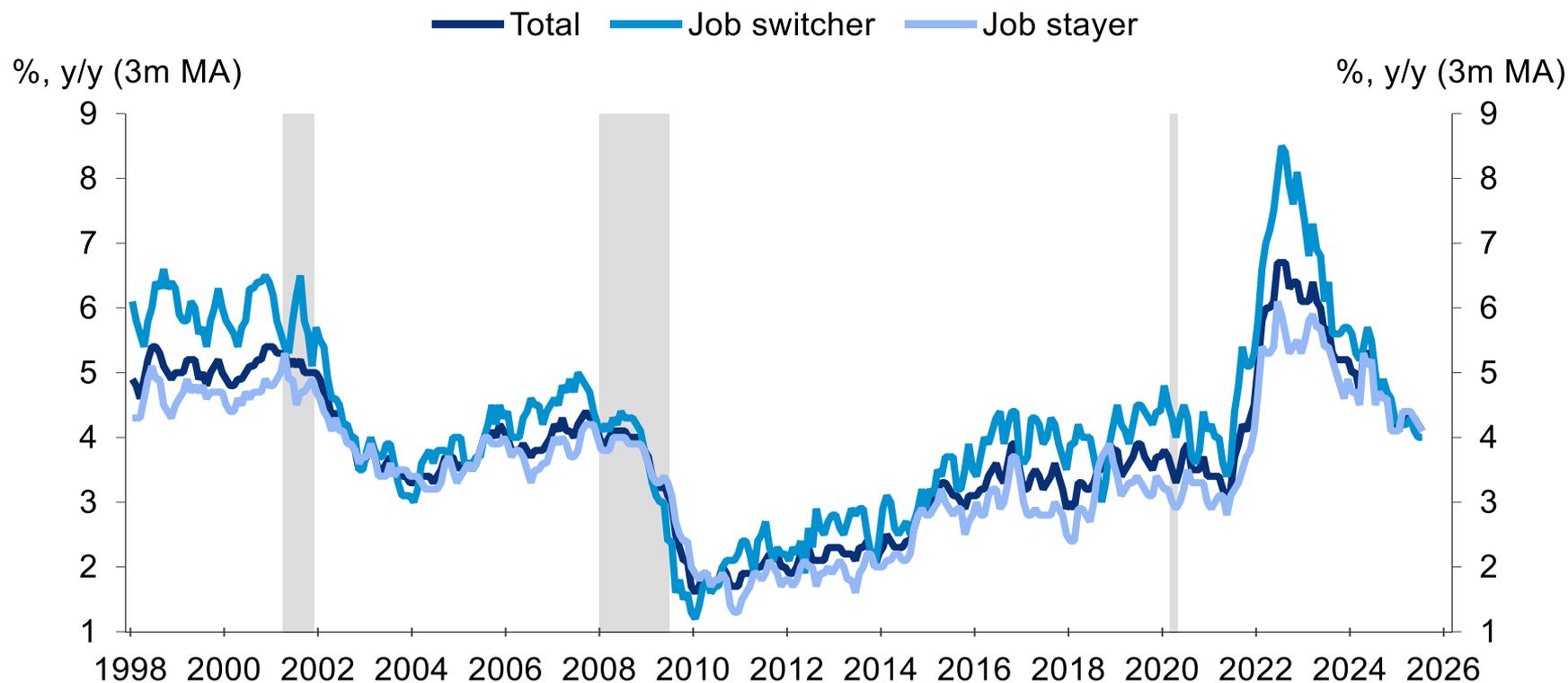


Source: Atlanta Fed, Macrobond, Deutsche Bank



Wage gap appeared to close between job switchers and stayers

Atlanta Fed wage tracker

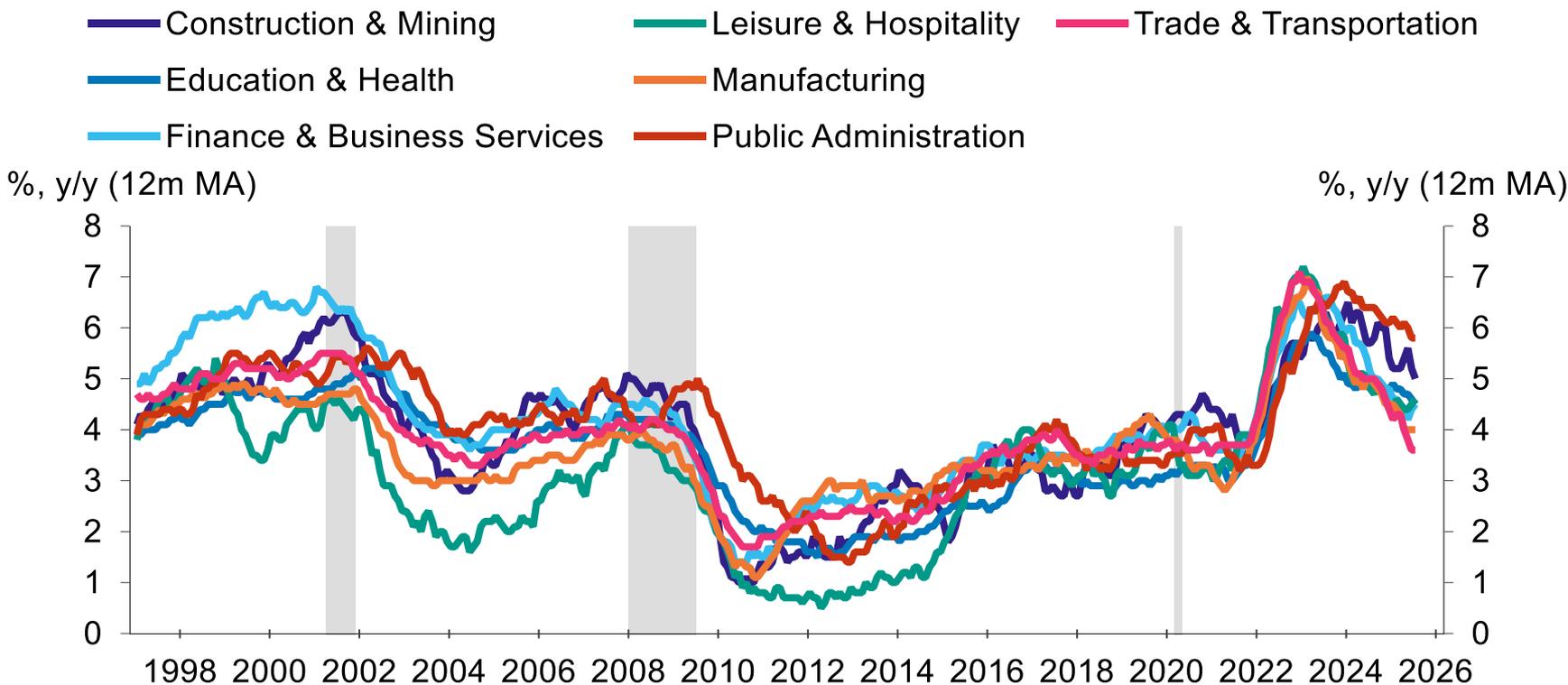


Source: Atlanta Fed, Macrobond, Deutsche Bank



Wage growth across industries shows some divergence

Atlanta Fed wage tracker

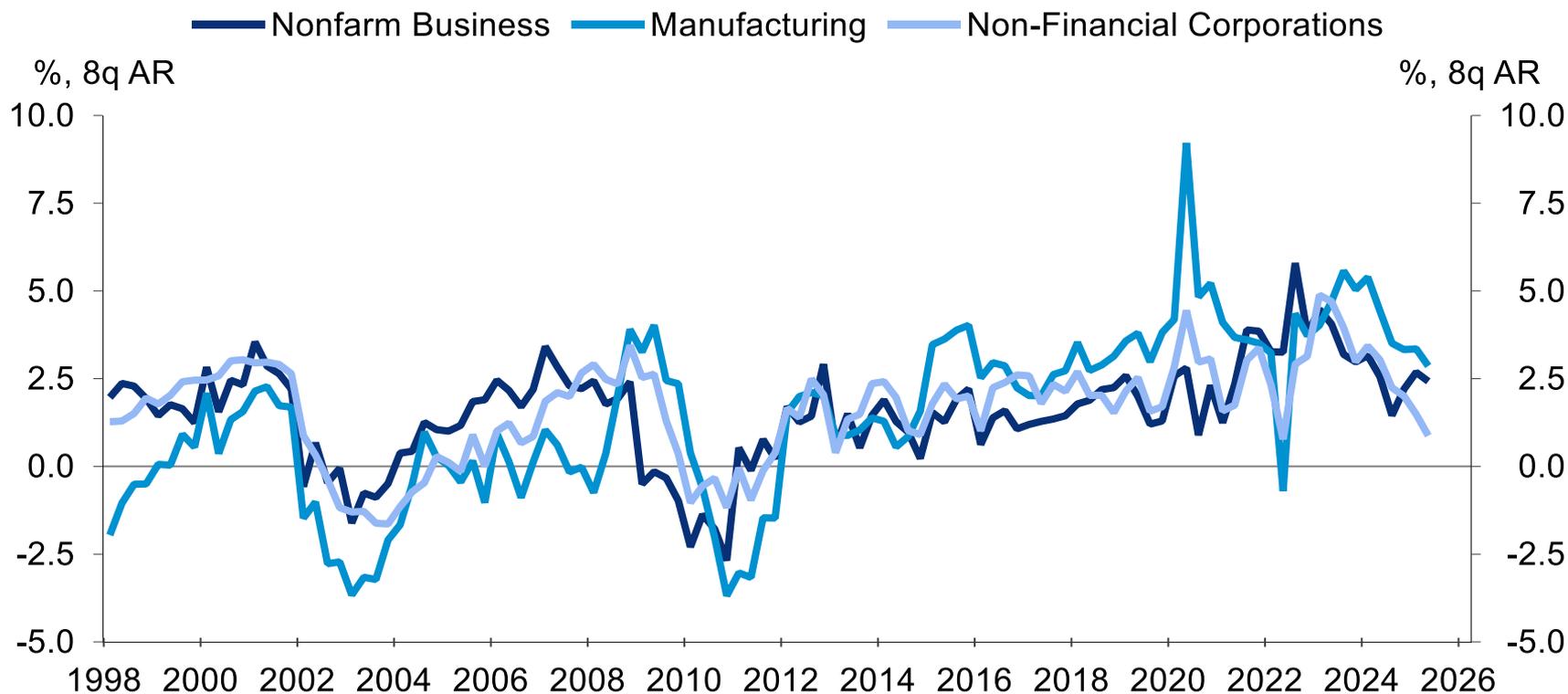


Source: Atlanta Fed, Macrobond, Deutsche Bank



Trend in unit labor costs has generally eased, a supportive signal for disinflation

Unit labor costs

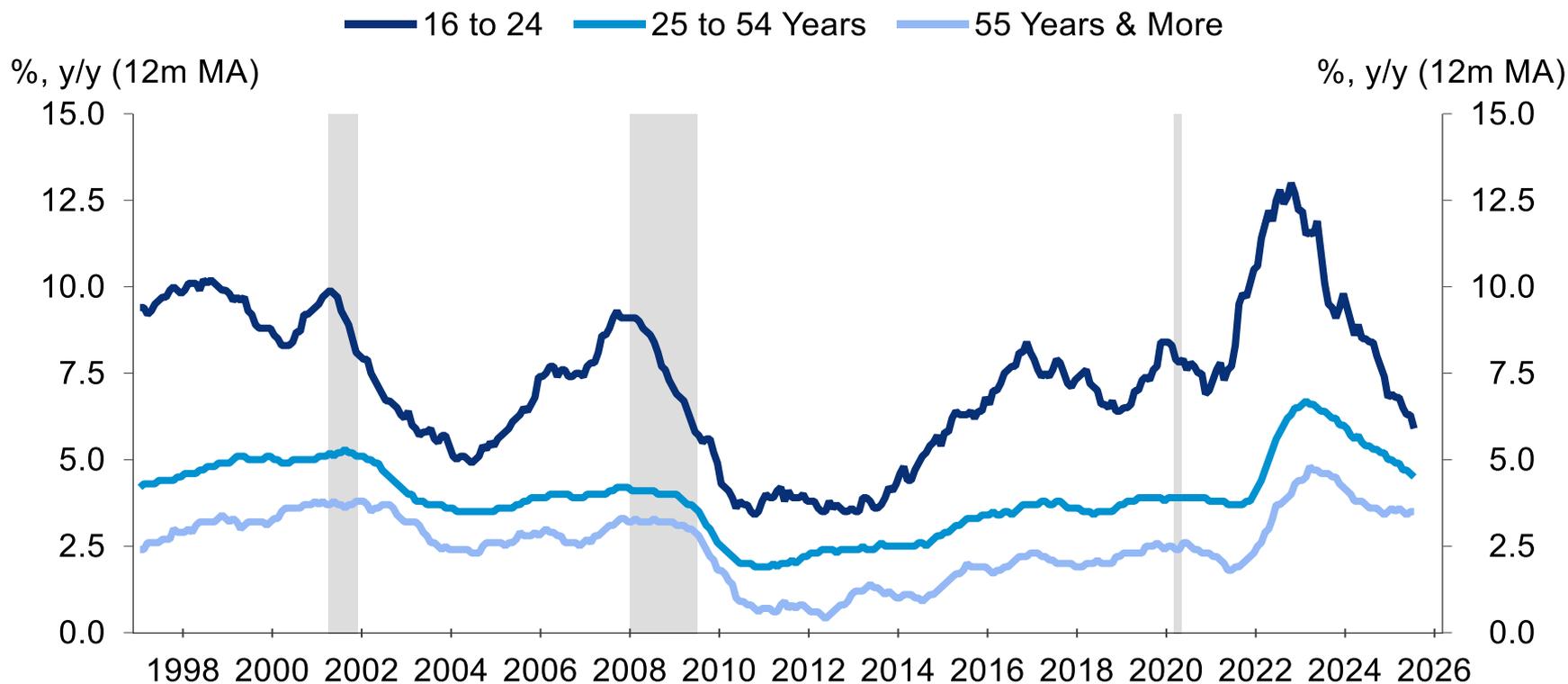


Source: BLS, Macrobond, Deutsche Bank



Younger workers continue to see faster wage growth, but that premium is shrinking

Atlanta Fed wage tracker

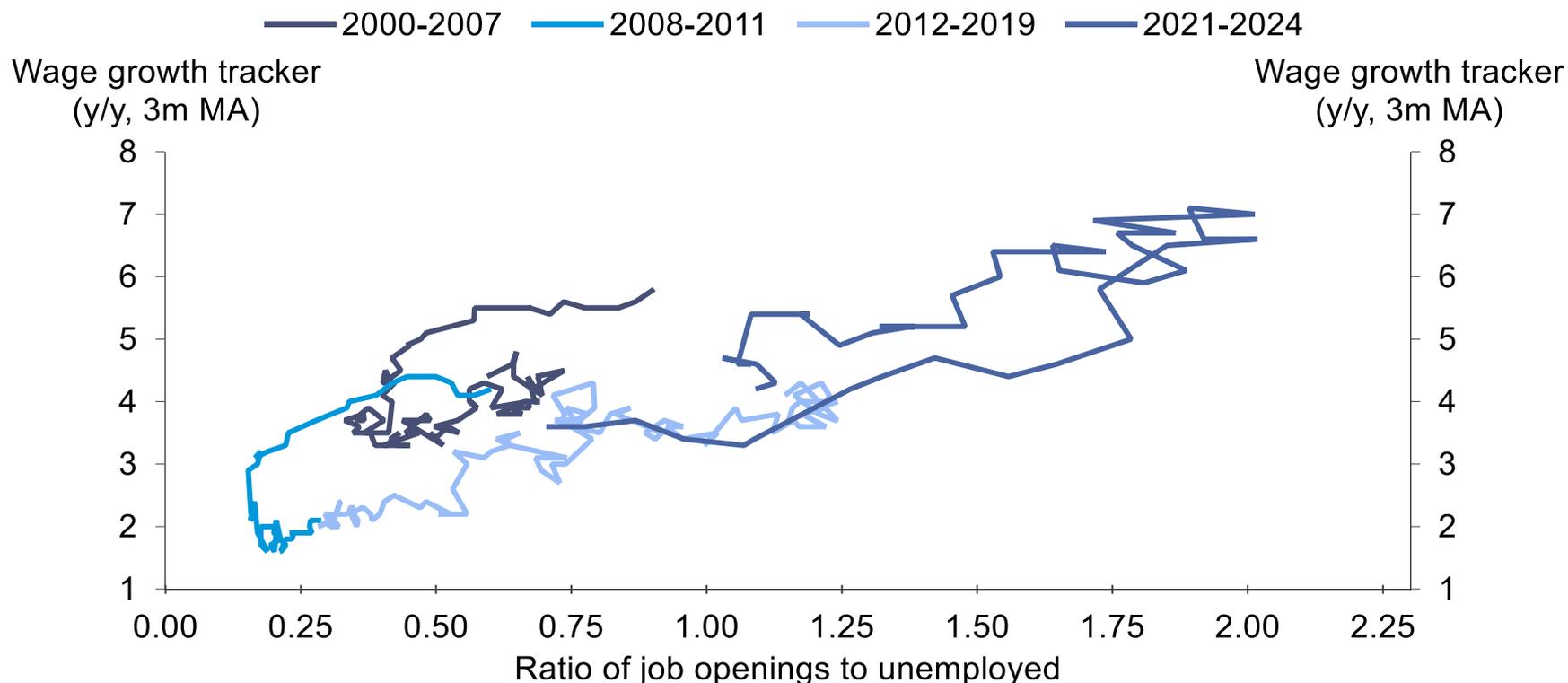


Source: Atlanta Fed, Macrobond, Deutsche Bank



Wage growth and the vacancy-to-unemployment ratio are normally correlated, except at the onset of recession

Wage growth vs V/U ratio



Source: BLS, Atlanta Fed, Macrobond, Deutsche Bank

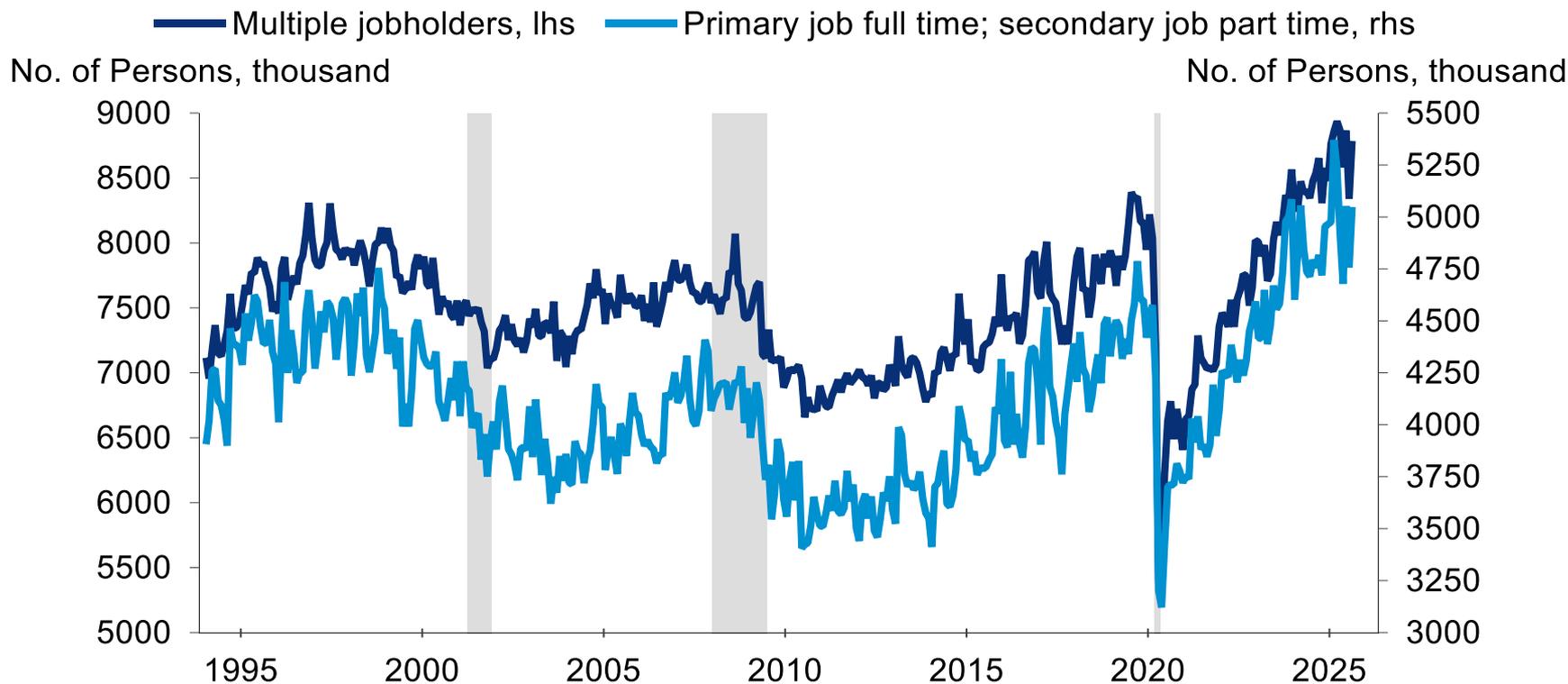


Deep dive into employment picture



Number of workers with multiple jobs above pre-pandemic levels

Multiple jobholders

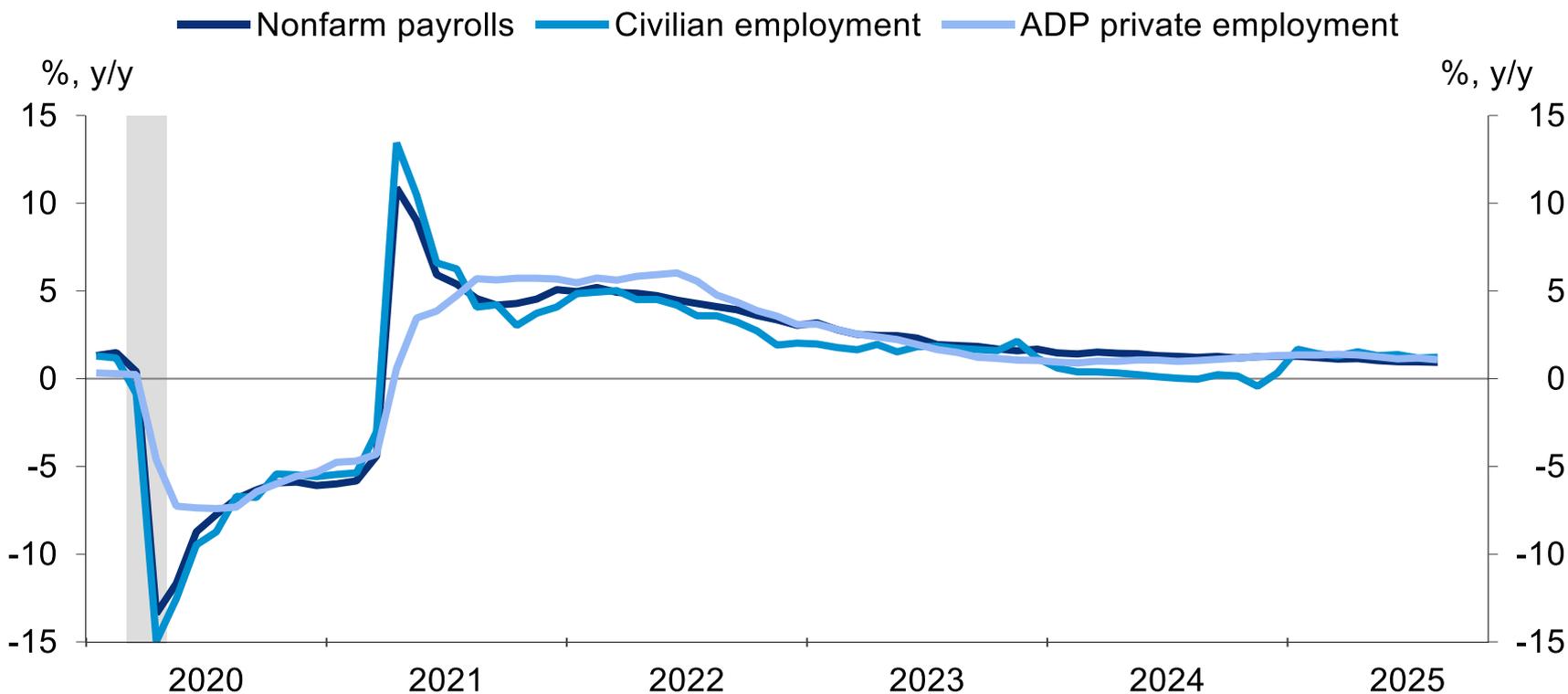


Source: BLS, Macrobond, Deutsche Bank



Job growth trends in the establishment & ADP surveys are broadly similar; HH survey revisions close gap

Employment growth measures

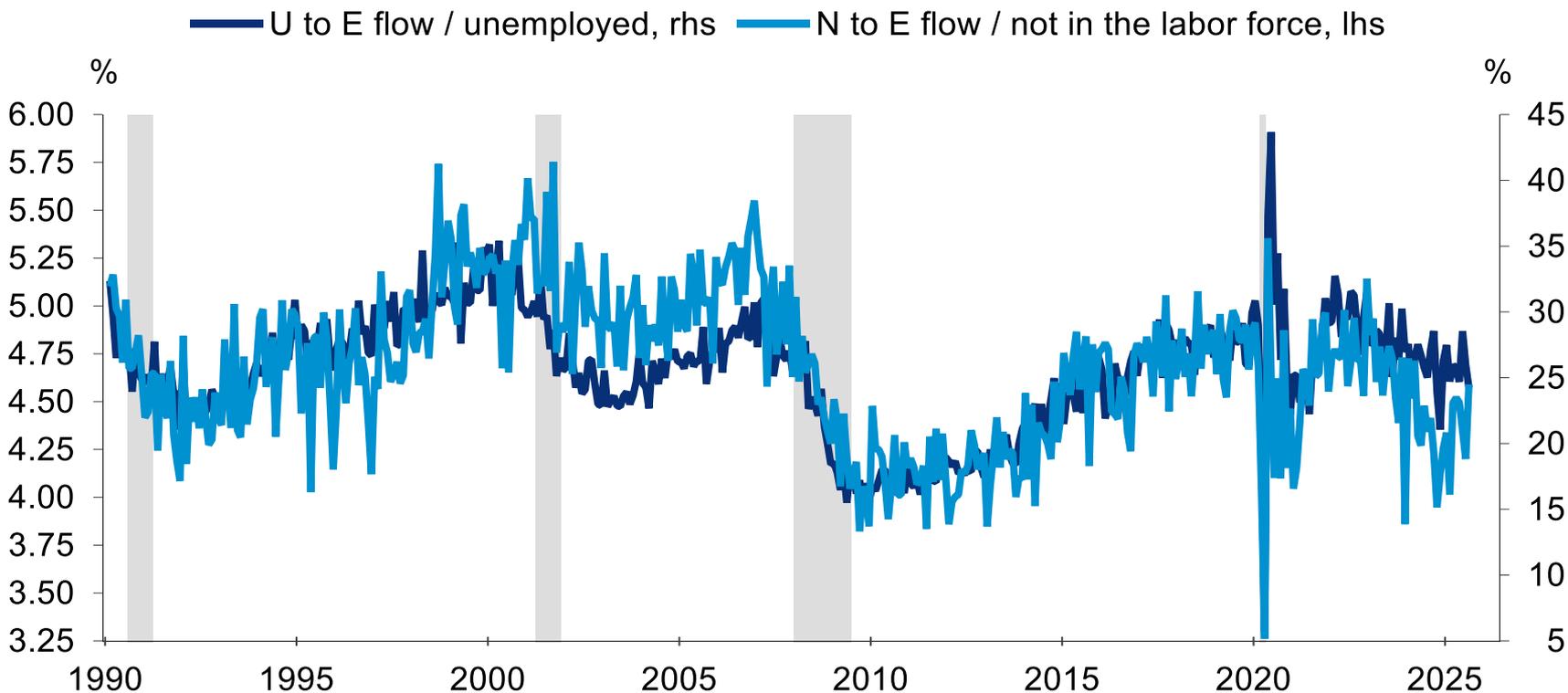


Source: BLS, ADP, Macrobond, Deutsche Bank



Job finding rates have been trending lower

Job finding rate

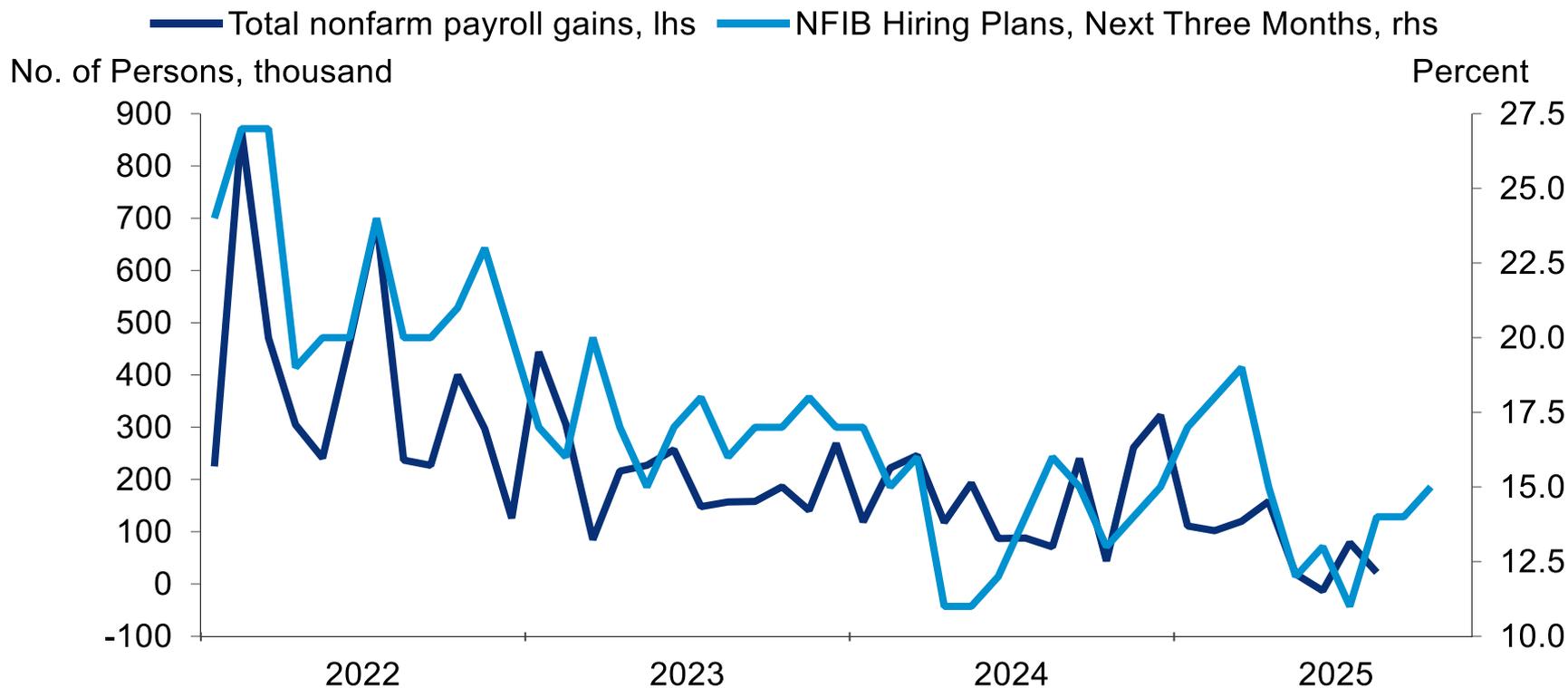


Source: BLS, Macrobond, Deutsche Bank



Small business hiring plans have improved a bit over the summer, potentially arguing for fall rebound

Small business hiring plans lead actual job gains

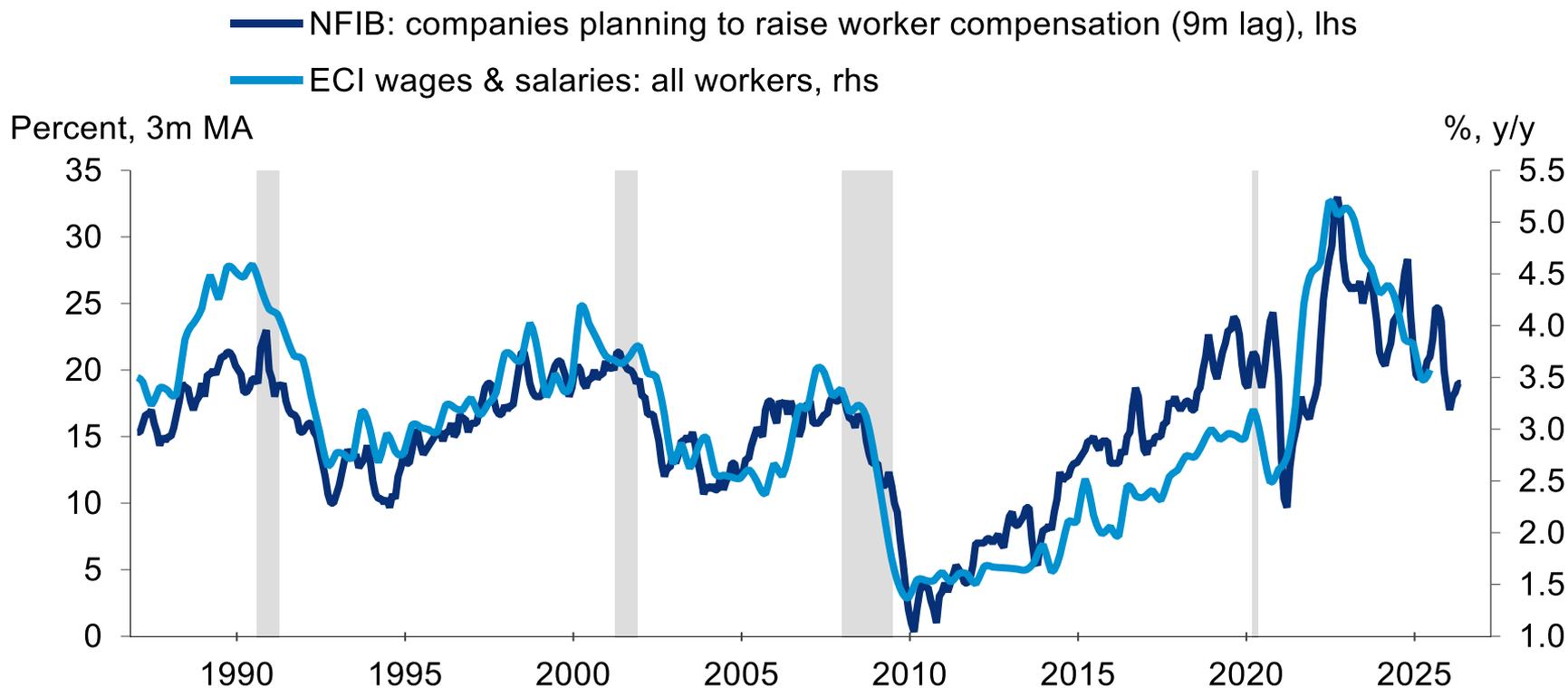


Source: BLS, NFIB, Macrobond, Deutsche Bank



NFIB signaled a continuing moderation of wage growth

ECI wage growth and NFIB survey



Source: NFIB, BLS, Macrobond, Deutsche Bank



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Appendix 1

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