

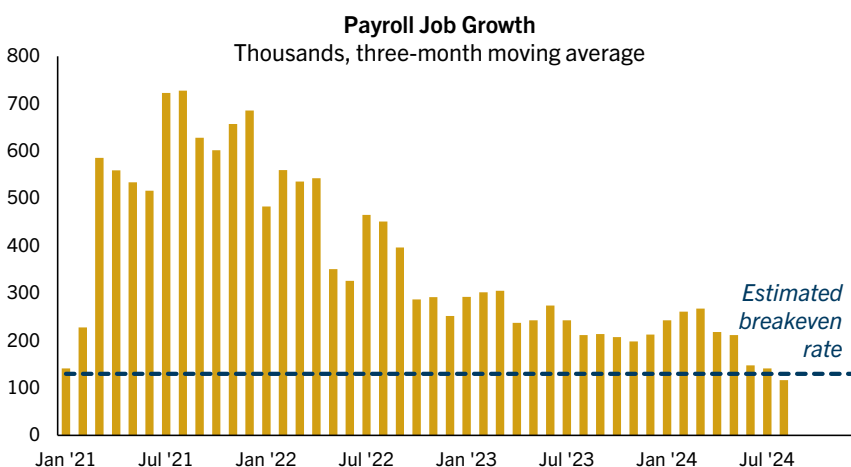
# Labor Market Report | September 6, 2024

## Cautious Waiting Ahead of September Fed Meeting

The August employment report was soft but roughly in line with market expectations. In the near term, the more subdued report positions the Federal Reserve to cut interest rates at its upcoming meeting as more of a scheduled adjustment than a hasty reaction. More broadly though, markets and policymakers will stay laser-focused on the softening labor market. **Further labor-market cooling would be troublesome for the economic outlook. Employment data will likely remain a source of market volatility in coming months.**

Employment data have given mixed signals in recent months. The unemployment rate has risen to 4.2% from 3.4% last year, a significant increase. Meanwhile, job growth has slowed markedly from its robust pace in recent quarters. Some more optimistic economists and analysts highlight that labor supply is growing and layoffs remain muted. While these are encouraging trends, the pace of new job growth has still been fairly tepid, and recent payroll gains have hovered around their estimated breakeven rate (see chart below).

Today's report was neither strong nor weak enough to deliver a clear signal to markets about the likely size of the Federal Reserve's interest-rate cut on September 18. A month ago after a [surprisingly weak employment report](#) collided with a slew of other unfavorable macro factors, markets expected the Fed to start cutting rates sharply. Although the specific path of rate cuts remains uncertain, Federal Reserve Governor Waller commented this morning that a "series of reductions [to the policy rate] will be appropriate."<sup>i</sup> Markets still expect the Fed to cut the overnight policy rate several times in coming months.



Source: Labor Department, Federal Reserve Bank of San Francisco, Bloomberg

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#### Takeaways

- Unemployment rate: 4.2%
- Net new jobs: 142,000

#### What does it mean for you?

- The labor market is cooling, but new jobs are still being added, and hourly earnings growth remain positive.
- Employment data will likely remain a source of future market volatility.
- Today's report is further evidence that the Federal Reserve will likely begin cutting interest rates at the next meeting.

#### What to watch:

- The next Federal Reserve rate decision is September 18<sup>th</sup> and will include the summary of economic projections.
- Stay informed and submit your questions at [FirstCitizens.com/Market-Outlook](https://www.firstcitizens.com/Market-Outlook).



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