RESEARCH BRIEF
EMPLOYMENT

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Job Growth Downshifts to Goldilocks Zone, Providing Runway for Fed to Pull Off Soft Landing

Last month's employment report ideal for Fed objectives. Employers added 315,000 personnel to payrolls in August, below the 526,000 jobs created in the previous month, but well above historical averages. The month-over-month hiring slowdown, together with a slight increase to unemployment, lowers the likelihood of a 75-basis-point rate hike at the next Federal Reserve meeting in favor of a smaller margin. The central bank is still likely to raise the overnight lending rate at least one more time this year to bring the target range above 3 percent. Comments from Chairman Jerome Powell at Jackson Hole last month indicate the Fed expects to impose some near-term challenges on the labor market as it pushes interest rates higher in an effort to combat elevated inflation.

Medical-related real estate sees improvement. One of the sectors that led hiring last month was healthcare, with employers in these fields growing staff counts by 48,000 personnel, about double the long-run average. Jobs were distributed among medical offices, hospitals and residential care facilities, reflecting the health needs of the population and driving demand for such space. Medical offices have outperformed traditional offices during the health crisis, posting more consistently positive net absorption and stronger rent growth. Seniors housing facilities have also noted strong demand of late. About 48,600 units were absorbed over the year ended in June, double the units relinquished over the preceding period. Occupancy at skilled nursing properties has also gained about a third of the ground lost during the pandemic. Lack of labor remains an impediment to growth, so last month's hiring is a positive signal.

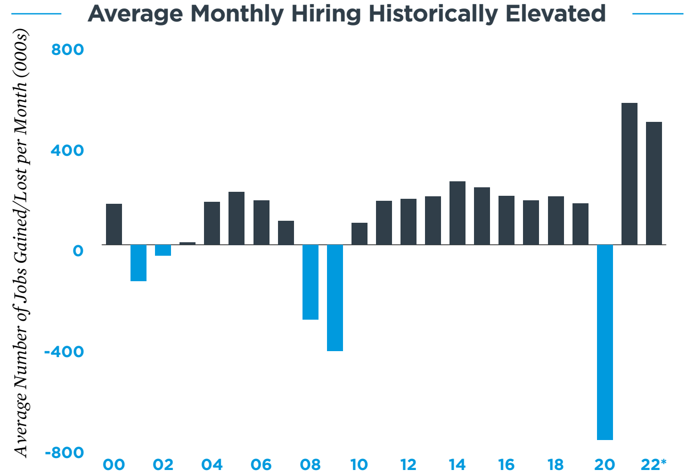
Domestic manufacturers need space, personnel. Staff counts among manufacturers continued to trend up last month. More firms are investing in United States operations, especially in fields relating to semiconductor chip, energy storage and electronic vehicle manufacturing. Recent public policies support this trend, creating demand for industrial manufacturing space. On the distribution side of the sector, warehouse demand could wean over the coming year as some retailers re-balance safety inventories.

Labor market entrants nudge up unemployment. The unemployment rate rose 20 basis points in August to 3.7 percent, which is still very low by historical standards. This modest uptick was primarily driven by more people entering or returning to the labor force. The labor force participation rate, which measures the number of people working or looking for a job, increased last month to 62.4 percent, a pandemic high that is nonetheless 100 basis points below the February 2020 mark. Additional available labor should aid firms' hiring efforts, cooling some upward wage pressure. Lower wage growth would, in turn, help slow inflation.

Total labor force returns to pre-pandemic size. An additional recovery signal, the total civilian labor force grew last month to 164.7 million people, surpassing the 2019 high for the first time. While the number of workers is already at an all-time standing, more people entering or returning to the labor pool to look for work speaks well of the potential capacity of the labor market to meet companies' personnel needs in the coming months.

240,000	438,000
Jobs Above Pre-Pandemic High as of August 2022	*Average Number of Jobs Added Per Month Year-to-Date*

Average Monthly Hiring Historically Elevated



** Monthly average for 12-month period ended August*
Sources: IPA Research Services; Bureau of Labor Statistics; Federal Reserve; NIC Map© Data and Analysis Service (www.nicmap.org)

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