



Economic Flash!

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Peter Buchanan (416) 594-7354

US Payrolls: Less Bad Than Feared

U.S. Labor Department seasonally adjusted jobs data

In 1,000s, Change	Aug	July	June
in Nonfarm Payrolls	-54	-54	-175
Jobless Rate (Pct)	9.6	9.5	9.5
Avg Weekly Hours	34.2	34.2	34.1
Manufacturing Hours	40.2	40.1	40.1
Overtime Hours	3.0	2.9	2.9
Earnings/Hour (dlrs)	22.66	22.60	22.55
Pct change	0.3	0.2	
Avg Weekly Hours	33.5	33.4	33.4
Earnings/Hour (dlrs)	19.08	19.05	19.02
Pct change	0.2	0.2	
Total Private	67	107	61
Goods-Producing	0	37	1
Construction	19	-4	-9
Manufacturing	-27	34	4
Service-Providing	67	70	60
Wholesale Trade	4.1	8.3	4.7
Retail	-4.9	7.4	-16.2
Transp/warehousing	-7.4	11.6	12.1
Information	-1	4	-14
Financial activities	-4	-11	-11
Professional/business	20	-3	33
Temporary help svcs	16.8	-0.9	18.6
Leisure/hospitality	13	11	30
Government	-121	-161	-236

- After a month filled with grim economic reports, even less somber than expected news can be a pleasant surprise. Overall employment fell by 54K, about 40K less than expected. That translates into an increase of 60K, netting out a further 114K reduction in temporary census workers. Beyond the cuts at the Census Bureau, 7K other government employees lost their jobs, a sharp reduction from the previous month when the job loss count was swelled by teacher layoffs. Private sector employment posted a 67K rise, about 30K above expectations, rising for an 8th straight month.
- A key part of the story was in the revisions, which added, all told, 123K to the job tally of the preceding two months. The size of July's job decline was scaled back sharply to 54K, with about half of the difference from the preliminary estimate coming from a 36K upward revision in private sector job creation for the month to 107K.

- The main ostensible negative was a one-tick rise in the unemployment rate to 9.6% from 9.5%. The increase was driven, however, by an increased number of work force entrants that pushed the labor participation rate up 0.7%-pts to 65.4%. That may indicate that Americans are becoming a bit less glum about their employment prospects. Long term unemployment, meanwhile, fell by 323K to a still-lofty level of well over 6 million.
- Glancing at the details, private sector gains were concentrated in less cyclical sectors like education/health and business services, which gained 65K positions in total. Staffing at temporary services—viewed by some as a sign of future trends—returned to positive territory, climbing by 17K after a small month-earlier dip. Construction employment posted a 19K increase, as a major strike ended. Manufacturing employment fell, somewhat surprisingly, for the first time in eight months. Most of the decline was in autos however, likely reflecting seasonal adjustment distortions, due to the fact that automakers placed fewer workers than usual on temporary furlough early in the summer.
- While weekly hours showed no change from a month earlier, average hourly earnings posted an appreciably stronger-than-expected 0.3% rise, although consumers will have to spend rather than save that money for it to feed into consumption.

Implications & Actions

Re: Economic Forecast — While today's report offered some hopeful signs, particularly on the revisions side, it is important not to read too much into a single month's report. The economy lost about 8 million jobs in the recession and its aftermath, and it will take years to gain those back. The private sector added 67K position in August. The rise in the unemployment rate to 9.6% is a cautionary sign that appreciably stronger job creation—on the order of 125-150K per month, or roughly double that pace—will be needed to start to bring joblessness down on a sustained basis, addressing one of the economy's greatest challenges. On a positive note, the 0.3% rise in hourly earnings suggests the consumer is not quite the basket case that some have claimed, although deleveraging could continue to limit the household sector's contribution to the recovery in the near term.

Re: Markets — Stocks took the somewhat stronger-than-expected report to heart, with the S&P 500 rising by as much as 11 points in early trading after the release. Treasuries sold off, with the euro and C\$ rising and yen falling on reduced market risk aversion.

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