

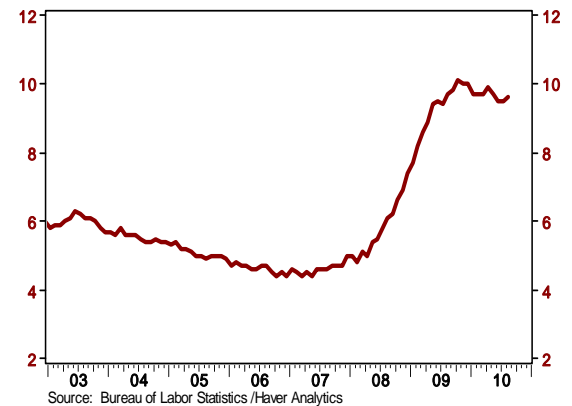
AUGUST EMPLOYMENT REPORT

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- Non-farm payrolls declined 54,000 in August. Revisions to June/July added 123,000, generating a net payroll *gain* in August of 69,000. The consensus had expected a *decline* of 103,000.
- Private sector payrolls increased 67,000 in August and were revised upward by 66,000 for June/July, bringing the net gain to 133,000. August private sector gains were led by health care & social assistance (+40,000), nonresidential construction (+29,000), hotels/bars/restaurants (+17,000), and temps (+17,000). The weakest private category was manufacturing (-27,000). Census-related payrolls declined 114,000, while state/local governments shed 10,000.
- The unemployment rate ticked up to 9.6% in August (9.642% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – increased 0.3% in August and are up 2.9% versus a year ago.

Civilian Unemployment Rate: 16 yr +

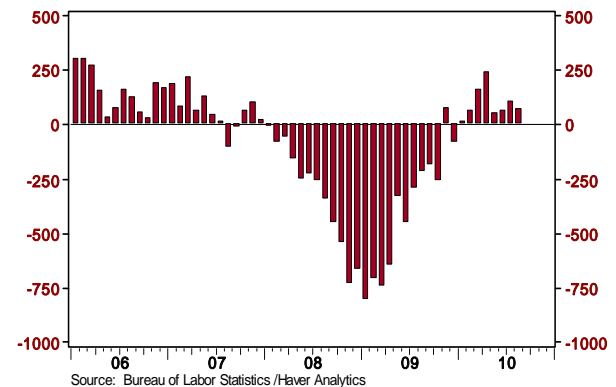
SA, %



Implications: The employment situation improved much more than the consensus expected in August. The demand for labor is growing. Right now the primary beneficiaries are those already in the workforce. However, in time, those looking for work will benefit more as well. Private payrolls increased 67,000 and were revised up by 66,000 for the prior two months, bringing the net gain to 133,000. The index of total hours worked in the private sector was unchanged in August, but only because July was revised upward. So far this year, total private hours worked have been rising at a 2.8% annual rate. Meanwhile, average hourly earnings increased 0.3% in August and are up at a 1.9% rate in 2010. Putting these figures together – hours and wages per hour – shows that “real” (inflation-adjusted) cash pay has been growing at a 4% annual rate so far this year. This is more than enough to propel consumer spending upward, while also leaving room for households to keep paying down their debts. The unemployment rate increased in August to 9.6%. However, the increase was completely due to a 550,000 rise in the labor force, which we see as a positive signal. So far this year, private payrolls are up 95,000 per month while civilian employment – minus the government sector – is up 218,000 per month. This is enough to gradually bring down the unemployment rate. In other recent news, pending home sales – contracts on existing homes – increased 5.2% in July, signaling a small increase in settlements on existing homes in August.

All Employees: Total Private Industries

1-month Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Aug-10	Jul-10	Jun-10	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.6	9.5	9.5	9.5	9.7	9.8
Civilian Employment (monthly change in thousands)	290	-159	-301	-57	102	5
Nonfarm Payrolls (monthly change in thousands)	-54	-54	-175	-94	112	19
Construction	19	-4	-9	2	4	-23
Manufacturing	-27	34	4	4	18	0
Retail Trade	-5	7	-16	-5	3	-4
Finance, Insurance and Real Estate	-4	-11	-11	-9	-9	-10
Professional and Business Services	20	-3	33	17	25	29
Education and Health Services	45	34	30	36	35	33
Leisure and Hospitality	13	11	30	18	16	3
Government	-121	-161	-236	-173	-3	-7
Avg. Hourly Earnings: Total Private*	0.3%	0.2%	0.0%	2.0%	1.6%	1.7%
Avg. Weekly Hours: Total Private	34.2	34.2	34.1	34.2	34.1	34.0
Index of Aggregate Weekly Hours: Total Private*	0.0%	0.4%	-0.2%	0.9%	2.9%	1.4%

*3, 6 and 12 month figures are % change annualized