

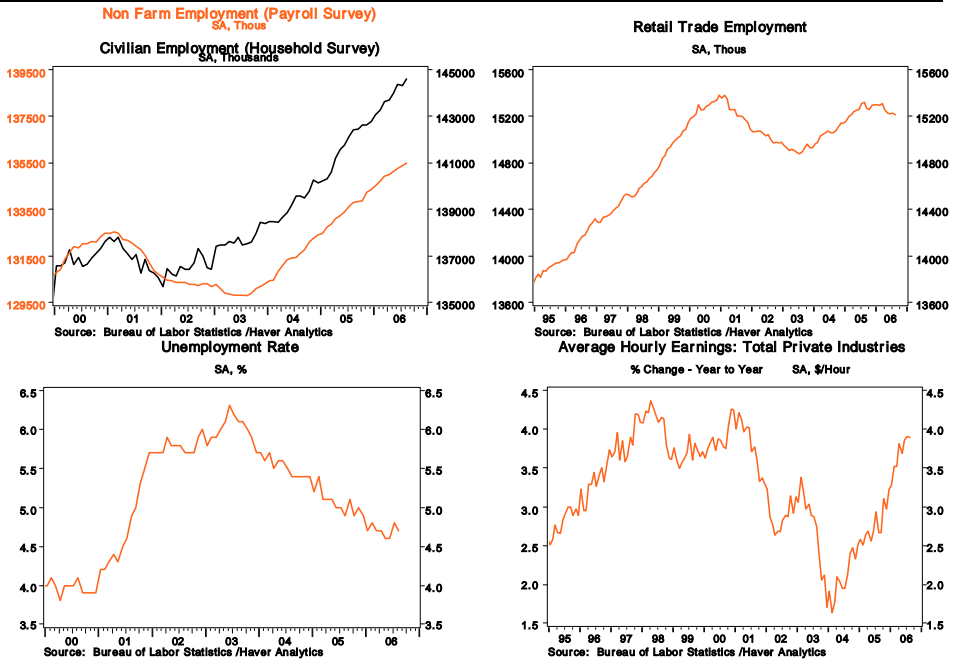
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## AUGUST EMPLOYMENT REPORT

- Non-farm payrolls increased by 128,000 in August, slightly above consensus estimates of 125,000. Revisions added 18,000 jobs.
- The household survey gained 250,000 last month after declining 34,000 in July. The labor force gained 164,000 jobs. As a result, the unemployment rate fell to 4.7% from 4.8% in July, which should calm fears that the unemployment rate was trending higher.
- Average hourly earnings increased 0.1% in August after an upwardly revised 0.5% in July (originally +0.4%). Average hourly earnings are up 3.9% in the past year, well above the 25-year average of 3.3%.

**Implications:** Payrolls grew 128,000 in August, slightly above the 5-month average of 119,000. Retail employment continues to hold back the headline number, declining 13,000 in August and 96,000 in the past year – suggesting to some that consumers and

retailers are in trouble. But this trend has been in place for some time and does not signal a weak consumer. In 2000, retailers employed 15.28 million, while in August 2006 retail trade employment was 15.21 million. Despite losing workers, retailers have never sold more goods. The shift to online retailing is allowing productivity to increase. Inflation-adjusted, or real, retail sales per employee have increased by 13.6% (from \$19.2 thousand per month to \$21.8 thousand per month) between 2000 and August 2006. The household survey rebounded from a decline in July to a 250,000 gain in August. While the household survey is notoriously volatile on a month-to-month basis, it shows 2.15 million new jobs in the past year versus just 1.71 million for the payroll survey. The unemployment rate declined to 4.7% in August after a temporary up-tick in July. For comparison sake, the unemployment rate averaged 6.1% over the past 25 years. While average hourly earnings increased just 0.1% in August, they are up an annualized 4.2% in the past three months and 3.9% in the past year. The labor market has settled into a consistent pattern over the last few months, with job growth healthy and wages rising. This should lay the foundation for strong economic growth throughout the rest of this year.



Employment Report	Aug-06	Jul-06	Jun-06	3-month moving avg	6-month moving avg	12-month moving avg
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>128</b>	121	134	128	128	142
<i>Goods-Producing Industries</i>	10	-13	28	8	10	24
<i>Mining</i>	8	8	6	7	7	6
<i>Construction</i>	17	5	-2	7	5	18
<i>Manufacturing</i>	-11	-23	25	-3	0	1
<i>Service-Producing Industries</i>	118	134	106	119	119	119
<i>Retail Trade</i>	-13	4	-5	-5	-13	-8
<i>Finance, Insurance and Real Estate</i>	6	6	-5	2	9	14
<i>Government</i>	17	15	27	20	18	11
<b>Avg. Hourly Earnings: Priv. Nonfarm Payrolls*</b>	0.1%	0.5%	0.4%	4.2%	3.9%	3.9%
<b>Avg. Weekly Hours: Priv. Non-agric</b>	33.8	33.9	33.9	33.9	33.9	33.8
<b>Avg. Weekly Hours: Manufacturing</b>	41.3	41.4	41.3	41.3	41.3	41.1
<b>Index of Aggregate Weekly Hours*</b>	-0.2%	0.1%	0.4%	1.2%	1.5%	2.2%
<b>Unemployment Rate</b>	<b>4.7</b>	4.8	4.6	4.7	4.7	4.8
<b>Labor Force</b>	164	213	330	236	208	159
<b>Civilian Employment</b>	250	-34	387	201	220	180

Source: Bureau of Labor Statistics

\*3, 6 month figures are % change annualized; 12 mo. = year over year % change

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