

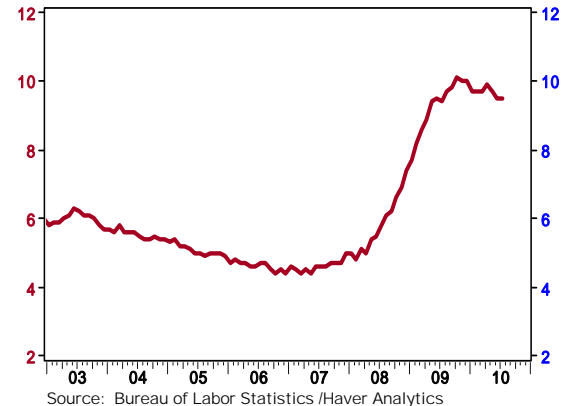
JULY EMPLOYMENT REPORT

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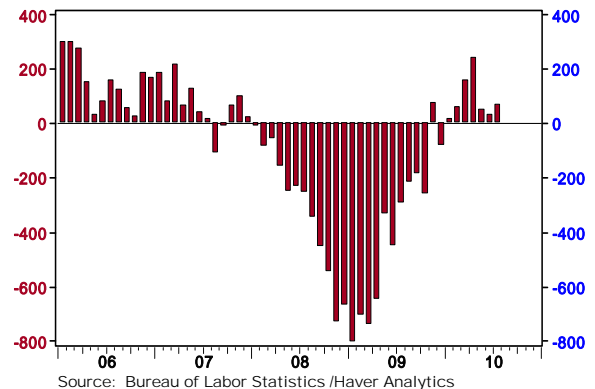
- Non-farm payrolls declined 131,000 in July. Revisions to May/June subtracted 97,000, bringing the net payroll loss in July to 228,000. The consensus had expected a loss of 65,000.
- Census-related payrolls declined 143,000 in July, while state/local governments shed 48,000. Most private-sector industries added to payrolls, led by manufacturing (+36,000), health care (+27,000), and transit/ground transportation (+11,000). The weakest private categories were residential construction (-17,000) and financial activities (-17,000).
- The unemployment rate was unchanged at 9.5% in July (9.507% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – increased 0.5% in July, were revised up for June, and are up 3.0% in the past year.

Implications: If you're an unemployed worker (or working "under the table") and looking for a formal job, today's report was a disappointment, with payrolls growing less than the consensus expected in the private sector and shrinking more than expected in the government sector. However, for those who are already employed, today's report was strong. Again, not mediocre, actually strong. Goods-producing industries have pushed their workweek back to pre-recession levels – meaning further production gains will translate into more employment. Meanwhile, average hourly earnings increased 0.2%. We can use data on total hours and hourly earnings to figure out total earnings, which increased at a 6.2% annual rate in July and are up at a 4.1% annual rate in the past nine months. This is more than enough for workers to both increase consumption and, if they want, increase their saving. Although the size of the labor force (workers and those who say they're looking for work) remains stagnant, at levels first reached in early 2008, this may be related to a drop in the number of illegal immigrants, many of whom worked in residential construction, one of the sectors hit the hardest in the recession. So far this year, private payrolls are up 90,000 per month while civilian employment – minus the government sector – is up 200,000 per month. In other recent news, new claims for unemployment insurance increased 19,000 last week to 479,000. Continuing claims for regular state benefits rose 49,000 to 4.59 million. Claims data should become much less volatile in August, as seasonal adjustments for annual auto layoffs are left behind.

Civilian Unemployment Rate: 16 yr +
SA, %



All Employees: Total Private Industries
1-month Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-10	Jun-10	May-10	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.5	9.5	9.7	9.6	9.7	9.8
Civilian Employment (monthly change in thousands)	-159	-301	-35	-165	105	-52
Nonfarm Payrolls (monthly change in thousands)	-131	-221	432	27	107	-4
Construction	-11	-21	-29	-20	-11	-31
Manufacturing	36	13	39	29	27	-2
Retail Trade	7	-21	-6	-7	4	-5
Finance, Insurance and Real Estate	-17	-12	-9	-13	-10	-12
Professional and Business Services	-13	23	26	12	27	22
Education and Health Services	30	26	25	27	31	31
Leisure and Hospitality	6	21	-15	4	16	0
Government	-202	-252	381	-24	4	-1
Avg. Hourly Earnings: Total Private*	0.2%	0.0%	0.2%	1.6%	1.3%	1.8%
Avg. Weekly Hours: Total Private	34.2	34.1	34.2	34.2	34.1	34.0
Index of Aggregate Weekly Hours: Total Private*	0.3%	-0.2%	0.3%	1.8%	2.2%	1.1%

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