

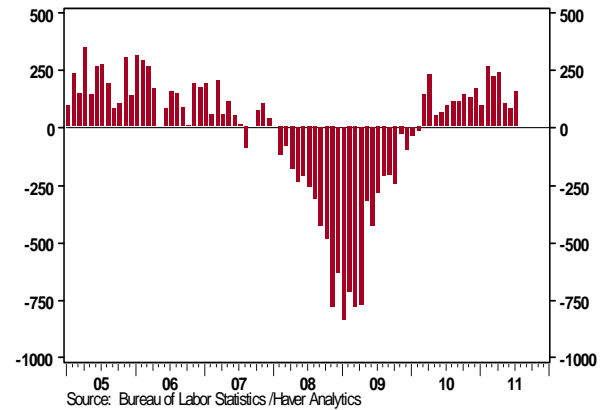
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July Employment Report

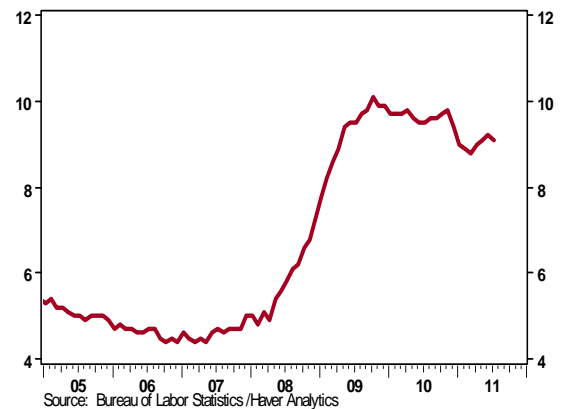
- Non-farm payrolls increased 117,000 in July and revisions to May/June added 56,000, generating a net gain of 173,000, more than doubling the consensus expected gain of 85,000.
- Private sector payrolls increased 154,000 in July. Revisions to May/June added 49,000, bringing the net gain to 203,000. July gains were led by professional & business services (+34,000), health care (+31,000), retail (+26,000) and manufacturing (+24,000). Government payrolls declined 37,000.
- The unemployment rate declined to 9.1% in July (9.092% unrounded) from 9.2% in June (9.182% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – increased 0.4% in July and are up 2.6% versus a year ago.

Implications: Private-sector payrolls rebounded sharply in today’s report, rising 203,000 including upward revisions to May and June. Part of the rebound is due to the auto sector, with jobs at automakers and autos/parts sellers increasing 17,000 in July. Hiring was solid elsewhere in the manufacturing sector, and at retailers, and private health companies. In the past year private payrolls have increased 150,000 per month. We think this trend will accelerate in the second half as the economy recovers from Japan-related disruptions. Another strong part of today’s report was that average hourly wages increased 0.4% in July and are up at a 3.5% annual rate in the past three months. Some short-sellers may focus on the fact that payrolls declined 1.23 million when not seasonally-adjusted. But that’s a highly misleading number. The drop is almost all due to state/local public school teachers, which fell 1.26 million. Not seasonally-adjusted *private-sector payrolls* fell only 4,000, which for July is stronger than in nine of the past eleven years. The only legitimately negative part of today’s report was that household employment, an alternative measure of jobs, declined 38,000 and is up only 63,000 per month in the past year. Usually this measure of jobs leads payrolls in recoveries. It may be lagging this time as smaller firms are more likely to remain credit constrained than their larger counterparts. In other recent news, new claims for unemployment benefits dipped 1,000 last week to 400,000. The four-week moving average fell to 408,000 versus 440,000 in May. Continuing claims for regular state benefits increased 10,000 to 3.73 million.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-11	Jun-11	May-11	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.1	9.2	9.1	9.1	9.0	9.3
Civilian Employment (monthly change in thousands)	-38	-445	105	-126	-5	63
Nonfarm Payrolls (monthly change in thousands)	117	46	53	72	144	105
Construction	8	-5	3	2	9	3
Manufacturing	24	11	7	14	21	14
Retail Trade	26	11	3	13	16	13
Finance, Insurance and Real Estate	-4	-18	13	-3	-1	-1
Professional and Business Services	34	4	44	27	40	43
Education and Health Services	38	12	21	24	31	34
Leisure and Hospitality	17	33	-25	8	26	18
Government	-37	-34	-46	-39	-32	-46
Avg. Hourly Earnings: Total Private*	0.4%	0.0%	0.4%	3.5%	2.4%	2.3%
Avg. Weekly Hours: Total Private	34.3	34.3	34.4	34.3	34.3	34.3
Index of Aggregate Weekly Hours: Total Private*	0.1%	-0.2%	0.1%	0.0%	2.6%	2.0%

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