

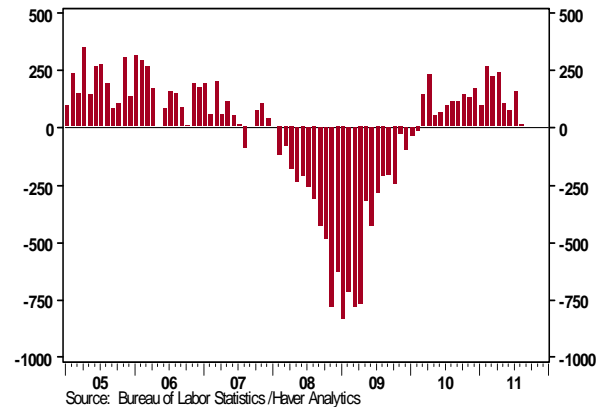
**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst  
**Andrew Hull** – Economic Analyst

# August Employment Report

- Non-farm payrolls were unchanged in August but down 58,000 including revisions to June/July. The consensus expected a gain of 68,000.
- Private sector payrolls increased 17,000 in August. Revisions to June/July subtracted 3,000, bringing the net gain to 14,000. August gains were led by health care (+29,700) and professional & business services (+28,000). The biggest decline was in telecommunications (-47,300), due to the Verizon strike.
- The unemployment rate remained unchanged at 9.1% in August (9.094% unrounded) from 9.1% in July (9.092% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – fell 0.4% in August but are up 1.9% versus a year ago.

**Implications:** The employment report for August was ugly but does not indicate a recession. Private-sector payrolls increased only 14,000 including revisions to June and July and wages fell. Average hourly earnings declined 0.1% and the length of the workweek dipped by 0.1 to 34.2 hours. Controlling for a Verizon strike, now over, that temporarily sidelined 46,000 workers, private payrolls would have been up 60,000 including revisions. We think August’s weakness was largely due to financial turmoil in Europe and large swings in the stock market. This has brought much uncertainty to the hiring arena. In the past year private sector payrolls have still increased 142,000 per month, and this trend will accelerate in the second half of the year as the economy continues to recover, and businesses realize a “double dip” is not going to happen. The biggest positive news in today’s report was that civilian employment, an alternative measure of jobs that includes start ups, increased 331,000 in August. In other recent news, despite Hurricane Irene, same-store chain store sales were up 4.6% in August compared to a year ago, no different than in July and much better than if the US were entering recession. Also, autos and light trucks were sold at a 12.1 million annual rate in August, as the consensus expected, down 0.8% from July but up 5% versus a year ago.

**Change in Total Private Payrolls**  
SA, Thous



**Civilian Unemployment Rate: 16 yr +**  
SA, %



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Aug-11</b>	<b>Jul-11</b>	<b>Jun-11</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>9.1</b>	9.1	9.2	9.1	9.1	9.2
<b>Civilian Employment (monthly change in thousands)</b>	<b>331</b>	-38	-445	-51	9	68
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>0</b>	85	20	35	95	105
<b>Construction</b>	<b>-5</b>	7	-7	-2	1	0
<b>Manufacturing</b>	<b>-3</b>	36	14	16	17	17
<b>Retail Trade</b>	<b>-8</b>	26	12	10	15	13
<b>Finance, Insurance and Real Estate</b>	<b>3</b>	-7	-16	-7	0	-1
<b>Professional and Business Services</b>	<b>28</b>	28	0	19	37	42
<b>Education and Health Services</b>	<b>34</b>	46	18	33	32	34
<b>Leisure and Hospitality</b>	<b>2</b>	12	27	14	15	14
<b>Government</b>	<b>-17</b>	-71	-55	-48	-40	-38
<b>Avg. Hourly Earnings: Total Private*</b>	<b>-0.1%</b>	0.5%	0.0%	1.2%	1.8%	1.9%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.2</b>	34.3	34.3	34.3	34.3	34.3
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>-0.2%</b>	0.1%	-0.2%	-1.3%	1.1%	1.6%

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