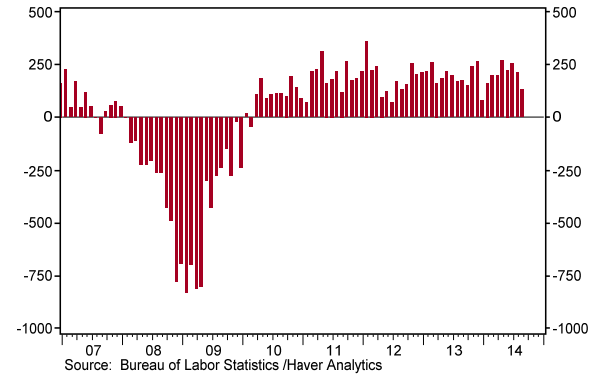


August Employment Report

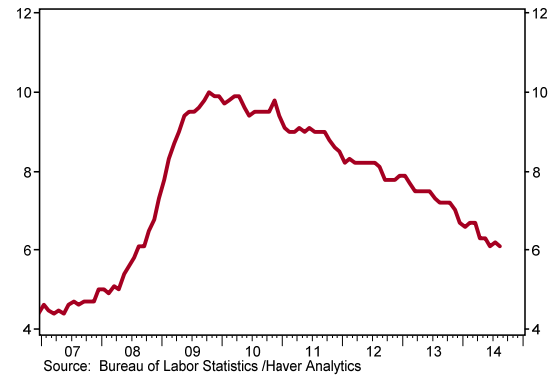
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- Nonfarm payrolls increased 142,000 in August (114,000 including downward revisions to prior months), well short of the consensus expected 230,000.
- Private sector payrolls increased 134,000 in August. Including revisions to prior months, private payrolls increased 139,000. The largest gains were for professional & business services (+47,000, including temps), health care (+34,000), and construction (+20,000). Manufacturing payrolls were unchanged while government rose 8,000.
- The unemployment rate ticked down to 6.1% in August from 6.2% in July.
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – increased 0.2% in August and are up 2.1% versus a year ago.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Implications: Remember back in 2011 when the first jobs report for August showed zero payroll growth? Commentators on both right and left said the economy was going back into recession. But revisions over the next two months took that number up to 104,000. The same thing happened in August 2012 and August 2013: a weak initial report followed by big upward revisions. That’s why the First Trust economic group had a weaker forecast than anyone else and why we came closer than anyone else to today’s tepid payroll numbers. Payrolls grew 142,000 in August, well below the consensus expected 230,000, but we anticipate substantial upward revisions over the next couple of months. Meanwhile, the unemployment rate ticked down slightly, to 6.1%, as expected. The decline in the unemployment rate was due to a 64,000 drop in the labor force while civilian employment, an alternative measure of jobs that includes small business start-ups, grew 16,000. The drop in the labor force pushed the participation rate back down to 62.8%, tying the lowest level since the late 1970s. The survey on the labor force is volatile from month to month, so it’s important to look at longer term trends. In the past year, the labor force is up 524,000 while civilian employment is up 2.2 million, driving the jobless rate down to 6.1% from 7.2% a year ago. The aging of the Baby Boomers will keep putting downward pressure on the participation rate but, even so, we expect the participation rate to remain roughly flat to slightly up in the next year as improvement in job opportunities temporarily offsets population aging. If you listen carefully, you should notice the deafening silence from those who obsess about part-time workers. That extremely volatile series was down 370,000 in August and down 400,000 from a year ago. Perhaps the best news in today’s report was that average hourly earnings and total hours worked continued to increase and are both up 2.1% from a year ago. As a result, total cash earnings are up 4.2% from a year ago, more than enough for consumers to keep increasing spending. The bottom line is that it’s important not to read too much into the August report. Recent years have seen big upward revisions in subsequent months and we think this time will be no different. In the past year, nonfarm payrolls are up 207,000 per month while civilian employment is up 182,000 per month. We expect the employment data to accelerate in the year ahead as payrolls continue to show healthy gains.

Employment Report <i>All Data Seasonally Adjusted</i>	Aug-14	Jul-14	Jun-14	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.1	6.2	6.1	6.1	6.3	6.6
Civilian Employment (monthly change in thousands)	16	131	407	185	184	182
Nonfarm Payrolls (monthly change in thousands)	142	212	267	207	226	207
Construction	20	31	8	20	20	19
Manufacturing	0	28	21	16	13	14
Retail Trade	-8	21	35	16	22	21
Finance, Insurance and Real Estate	7	10	19	12	9	6
Professional and Business Services	47	36	70	51	55	53
Education and Health Services	37	33	48	39	42	31
Leisure and Hospitality	15	12	21	16	26	29
Government	8	-1	7	5	7	4
Avg. Hourly Earnings: Total Private*	0.2%	0.1%	0.3%	2.5%	2.0%	2.1%
Avg. Weekly Hours: Total Private	34.5	34.5	34.5	34.5	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.2%	0.2%	2.0%	3.4%	2.1%

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