

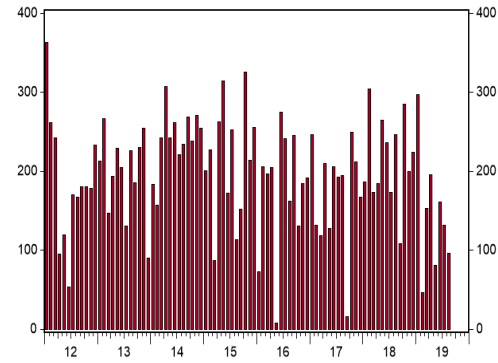
# August Employment Report

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- Nonfarm payrolls rose 130,000 in August, lagging the consensus expected 160,000. Including revisions to June/July, nonfarm payrolls were up 110,000.
- Private sector payrolls rose 96,000 in August, while revisions to the two prior months subtracted 35,000. The largest increases in August were for professional & business services (+37,000, including temps) and health care & social assistance (+37,000). Manufacturing rose 3,000 while government increased 34,000.
- The unemployment rate remained at 3.7% in August.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in August and are up 3.2% versus a year ago.

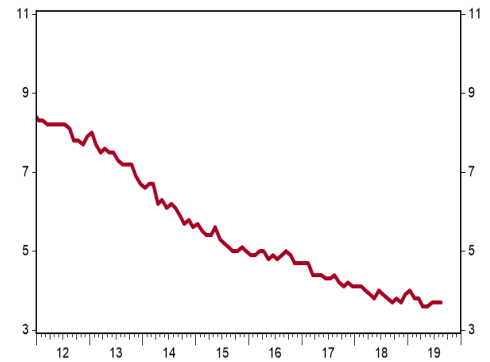
**Implications:** Some investors and analysts are stressed out because nonfarm payrolls increased “only” 130,000 in August and were revised down for prior months. But there is an important reason to be skeptical of the payroll headline and the details of the report were downright strong. The reason to be skeptical of the payroll headline is that August payrolls have lagged consensus expectations for eight of the past nine years. Meanwhile, look at the details. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 590,000, the largest gain in 18 months. In spite of the increase in employment the jobless rate remained at 3.7% only because the labor force increased 571,000, which is more good news. As a result of the increase in employment, the employment-to-population ratio (the share of those age 16+ who are working) hit 60.9%, the highest since 2008. The labor force participation rate increased to 63.2%, tying the highest level since 2013. In addition, data on hours and wages suggest plenty of demand for labor. The number of hours worked increased 0.4% in August and are up 1.2% from a year ago. Average hourly earnings increased 0.4% in August and are up 3.2% in the past year. Combining the figures on hours and wages, total wages are up 4.5% from a year ago, which means consumers have plenty of purchasing power. Yes, it’d be better if payrolls grew faster but, given demographics (particularly aging Baby Boomers), anything north of 100,000 per month will tend to push down the jobless rate over time and it’s hard to see the jobless rate going substantially lower than the current 3.7%. In terms of monetary policy, recent stories in the financial press suggest the Federal Reserve is likely to cut rates by 25 basis points at the next meeting on September 18. We don’t think a rate cut is needed, believe today’s report shows why a rate cut isn’t needed, but also think a rate cut is the most likely outcome.

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



Source: Bureau of Labor Statistics/Haver Analytics

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



Source: Bureau of Labor Statistics/Haver Analytics

<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Aug-19</b>	<b>Jul-19</b>	<b>Jun-19</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>3.7</b>	3.7	3.7	3.7	3.7	3.8
<b>Civilian Employment (monthly change in thousands)</b>	<b>590</b>	283	247	373	155	190
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>130</b>	159	178	156	150	173
<b>Construction</b>	<b>14</b>	-2	19	10	14	15
<b>Manufacturing</b>	<b>3</b>	4	10	6	3	12
<b>Retail Trade</b>	<b>-11</b>	-5	-12	-9	-12	-7
<b>Finance, Insurance and Real Estate</b>	<b>15</b>	20	3	13	11	9
<b>Professional and Business Services</b>	<b>37</b>	36	43	39	35	37
<b>Education and Health Services</b>	<b>32</b>	71	48	50	55	48
<b>Leisure and Hospitality</b>	<b>12</b>	-3	4	4	11	26
<b>Government</b>	<b>34</b>	28	17	26	14	8
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	0.3%	0.3%	4.2%	3.3%	3.2%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.4</b>	34.3	34.4	34.4	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.4%</b>	-0.2%	0.1%	1.1%	1.3%	1.2%

Source: Bureau of Labor Statistics \*3, 6 and 12 month figures are % change annualized