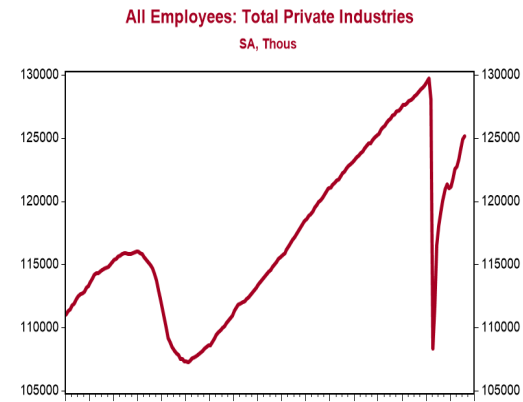


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist

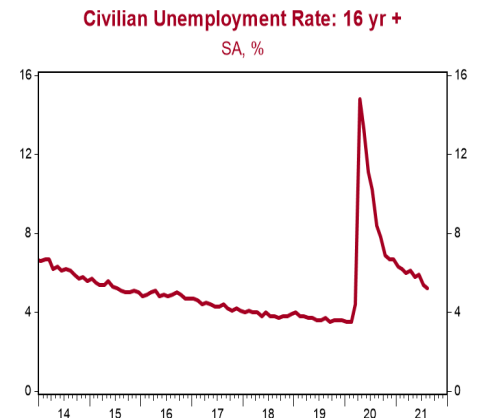
August Employment Report

- Nonfarm payrolls increased 235,000 in August, substantially lagging the consensus expected 733,000.
- Private sector payrolls rose 243,000 in August. The largest increases were for professional & business services (+74,000, including temps) and transportation & warehousing (+53,000). Manufacturing rose 37,000 while restaurants & bars declined 42,000 and government declined 8,000.
- The unemployment rate dropped to 5.2% in August from 5.4% in July.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.6% in August and are up 4.3% versus a year ago. Aggregate hours worked rose 0.2% in August and are up 5.1% from a year ago.

Implications: Plenty of demand for labor in August but not that many new jobs, at least as far as the payroll survey was concerned. Nonfarm payrolls rose 235,000 in August, substantially below the consensus expected 733,000, well below the forecast of every economics group, and the slowest growth since January. However, the details of the report do not suggest persistent weakness in the job market. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 509,000 in August. As a result, the unemployment rate declined to 5.2%, the lowest levels since the COVID pandemic started. Moreover, the weakness in payrolls in August was largely concentrated in restaurants & bars, where payrolls declined 42,000 in August versus a gain of 290,000 in July. That one category accounted for most of the slowdown in job growth in August and was likely affected by a combination of the Delta variant as well as difficulty getting the unemployed to take jobs while college-age workers are going back to school. Manufacturing rose a solid 37,000 in August, which was higher than expected considering all the problems in the auto sector with supply-chain issues, with computer chips, in particular. Average hourly earnings did not show any lack of demand for labor, up 0.6% in August, up 4.3% from a year ago, and up 7.8% in the eighteen months since February 2020 (the last pre-COVID month). Total hours worked also increased a respectable 0.2% in August, are up 5.1% versus a year ago, although still down 2.7% versus February 2020. Combining hourly pay and the total number of hours worked shows that regular worker paychecks, in total, are up 4.9% versus February 2020. Still, the economy has a long way to go before a full recovery. We are still 5.3 million payrolls short of where we were in February 2020; down 5.6 million for civilian employment. The labor participation rate is at 61.7% versus 63.3% pre-COVID; the employment-population ratio – the share of adults who are working – is 58.5% versus 61.1% pre-COVID. We project that it will take until about mid-2022 to recover all the jobs lost during COVID, even assuming we get a surge in jobs in the next few months as fewer unemployed workers have access to excess unemployment benefits. The early September withdrawal of excess benefits should spur a rush by the unemployed to fill many of the record-high 10.1 million job openings around the country. The US labor market has a long way to go for a full recovery, but it is on track in spite of the relatively slow payroll growth in August. Look for a rebound in the pace of job growth in September.



Source: Bureau of Labor Statistics/Haver Analytics



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Employment Report <i>All Data Seasonally Adjusted</i>	Aug-21	Jul-21	Jun-21	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.2	5.4	5.9	5.5	5.7	6.3
Civilian Employment (monthly change in thousands)	509	1,043	-18	511	486	504
Nonfarm Payrolls (monthly change in thousands)	235	1053	962	750	653	503
Construction	-3	6	-2	0	10	16
Manufacturing	37	52	32	40	29	29
Retail Trade	-29	-8	89	17	22	27
Finance, Insurance and Real Estate	16	24	0	13	12	14
Professional and Business Services	74	79	70	74	45	91
Education and Health Services	35	88	72	65	61	48
Leisure and Hospitality	0	415	397	271	281	188
Government	-8	255	154	134	94	-2
Avg. Hourly Earnings: Total Private*	0.6%	0.4%	0.4%	5.7%	4.9%	4.3%
Avg. Weekly Hours: Total Private	34.7	34.7	34.7	34.7	34.8	34.8
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.6%	0.4%	4.9%	6.1%	5.1%

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