

# August Employment Situation

	JULY		JULY	
	SURVEY	ACTUAL	PRIOR	REVISED
US Employees on Nonfarm Payroll	160k	103k	164	159k
Change in Private Payrolls	150k	96k	148k	131k
Change in Manufacturing Payrolls	5k	3k	16k	4k
US Unemployment Rate Total	3.7%	3.7%	3.7%	--
US Average Hourly Earnings	.03%	.04%	.03%	--
US Average Hourly Earnings YoY	3.0%	3.2%	3.2%	3.3%
US Average Weekly Hours	34.4	34.4	34.3	--
US Labor Force Participation Rate	63%	63.2%	63%	--

Source: Bureau of Labor Statistics, Bloomberg

## HEADLINES

Nonfarm payroll employment rose 130,000 in August, well below the 160,000 expected by most economists. There were revisions amounting to a reduction of 20,000 jobs over the last two months. However, the unemployment rate held steady at 3.7%, almost a 50-year low, and earnings rose on both a monthly and annual basis by more than anticipated. The labor force participation rate rose by 0.2% to 63.2%. Temporary workers related to the 2020 Census accounted for 25,000 workers.

## WHY DO I CARE?

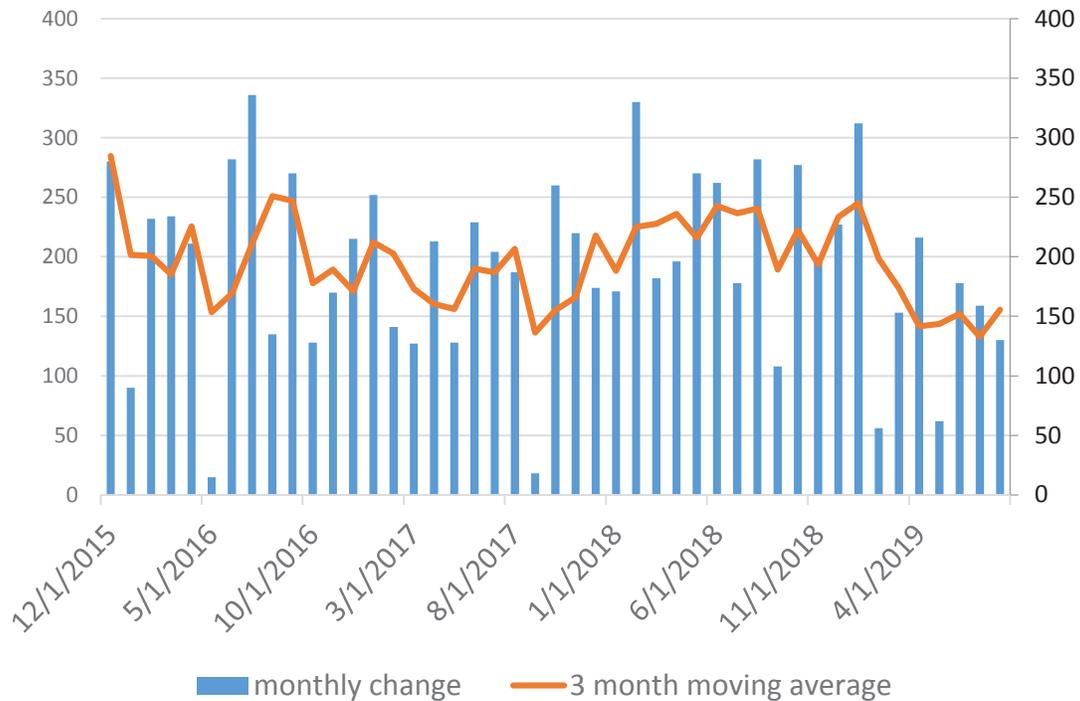
This report kicks off the government's economic reports for August and is closely watched. It is a "lagging" report and confirms things that we already know, namely that jobs in the manufacturing sector are not growing very quickly. This report may give the Federal Reserve a justification for lowering the federal funds rate later this month.

## WAS THERE A BIG SURPRISE?

There are some surprises and the report is mixed. The headline number is disappointing. However, there are elements of the report that belie the headline. For example, wages continue to steadily rise at a good pace. Hours worked increased, indicating that rather than hiring new workers companies may be increasing overtime. And finally, the household survey data is showing much stronger growth than the establishment data which is an anomaly that will not persist indefinitely.

Household survey data is conducted among households to determine whether people who want to work are in fact able to get jobs. This is what generates the unemployment rate. Because it is a survey, it is subject to inaccuracies. However, it picks up things like those starting new businesses that may not be seen in the establishment data, which looks at payroll filings with the tax authorities. The establishment report is more comprehensive and therefore considered to be more accurate, but may miss people who are working but not in a position where they need to file with the IRS. The survey data showed a 590k increase in those employed.

## Changes to nonfarm payroll employment



Source: Bureau of Labor Statistics, Bloomberg, CataMetrics Management, LLC

The weakness in the jobs report bears watching, but it may not be as bad as it seems. This report is decidedly mixed, and while it's likely that it will not deter the Fed from lowering rates, it should not be viewed as a definite harbinger of a recession.

**The next employment report comes out on Friday, October 4, 2019.**

## HOW DOES THE GOVERNMENT GET THIS DATA?

Household Survey Data asks people if they are working, worked last month, are looking for work, etc. This forms the basis of the civilian labor force and the unemployment rate. If someone is not working and not looking for work, the survey does not consider them part of the labor force. If they want to work, (and are not in the military or in an institution such as prison), they are counted as part of the labor force. Dividing the number of people looking for and available for work but not working at the time of the survey by the number of people in the workforce gives the unemployment rate. Taking those either looking for work or working and dividing it by the entire adult non-institutional population (16 years and older) who are either employed or unemployed gives the Labor Force Participation Rate. The unemployment rate can go down by fewer people looking for work (decrease in the numerator) or more people working (increase in the denominator).

Establishment Survey Data is based on tax and withholdings filings. If you are paying payroll taxes, you are on the Nonfarm Payroll list. Hours worked and hourly earnings both come from this survey. It is considered more accurate (has a smaller margin of error) because it looks at a much larger sample of people, but it does not include self-employed people, who are not listed on payroll employment records (temporary employees), agricultural workers and household workers.

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*From the desk of Erik L. Olsen*