August Payroll Report

Monthly U.S. Employment Data	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
NonFarm Total	+186	+144	+24	+271	+275	+151
Private	+167	+147	-1	+238	+225	+126
Goods-Based	-7	-12	-45	-5	+11	-24
Manufacturing	-29	+5	-17	+8	+6	-14
Construction	+37	-6	-18	-6	+11	-6
Private-Service	+174	+159	+44	+243	+214	+150
Retail	+42	-2	+0	+22	+11	+15
Temp	-2	+10	-15	+16	+13	-3
Educ. & Health	+46	+47	+46	+52	+44	+39
Government	+19	-3	+25	+33	+50	+25
Workweek	34.4	34.4	34.4	34.4	34.4	34.3
Hrly Earn. (m/m)	0.2%	0.3%	0.2%	0.1%	0.3%	0.1%
Hrly Earn. (SA y/y)	2.3%	2.5%	2.5%	2.6%	2.7%	2.4%
Agg. Hrs Worked	0.1%	0.2%	0.0%	0.2%	0.2%	-0.2%
Agg. Emp. Income	0.4%	0.4%	0.3%	0.3%	0.5%	-0.1%
Unemploy Rate (%)	5.00	4.98	4.69	4.90	4.90	4.88
Household Emp.	+246	-316	+26	+67	+0	+420

Summary

The economy added 151,000 jobs in August. The weakness in the job market was widespread throughout the economy. The July numbers were revised up significantly to 275,000. The unemployment rate stayed at 4.9 percent. Wages rose 0.1 percent for the month or 2.4 percent form a year ago.

Analysis

Considering the difficulty in seasonal adjustment problems in August, the slowdown in job gains in August should not be overemphasized. The overall trend after the soft May and June is still healthy.

However, the details in the job report are worrisome. The underemployment rate edged up to 6.05 percent from 5.94 percent as people working part time for economic reasons increased. High paying jobs like manufacturing, construction and energy as well as professional and business service jobs fell, while low paying jobs including bar and restaurants as well as social works increased. This is one of the reasons the average hourly earnings inched up only 0.1 percent from July or 2.4 percent from a year ago.

The disappointing details in the report in conjunction with the weak real GDP numbers during the first half is troublesome. True, Atlanta Fed estimates the third quarter real GDP to increase 3.2 percent, but could be revised down. The fact that business investment has been weak and economic support is coming primarily from consumers is another worry.

With the lackluster report in payroll employment, the probability of a hike at the September FOMC meeting has decreased even though there is still better than 50-50 chance. At the last meeting, the FOMC was evenly split and was paying more attention to the quality of the data which was not good in August. In addition, there are still uncertainties including political, economic and global. The 2 percent inflation target is unlikely to be met in the near future. Under the circumstances, there is no rush. The Committee may decide to wait a while longer.