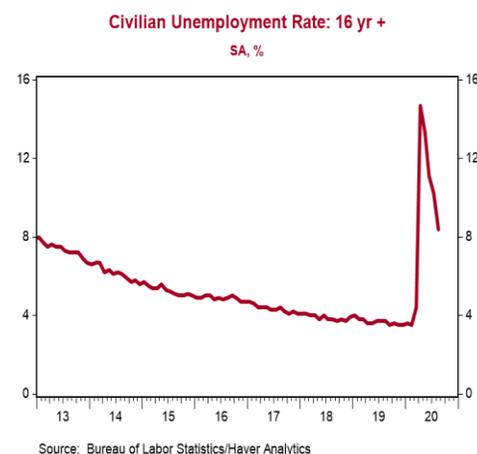
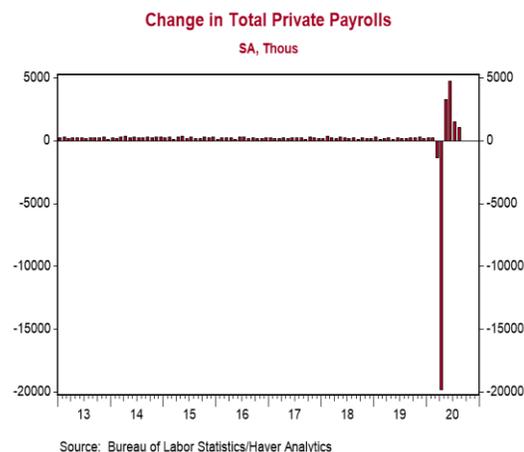


August Employment Report

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

- Nonfarm payrolls rose 1.371 million in August, very close to the consensus expected gain of 1.350 million.
- Private sector payrolls rose 1.027 million in August. The largest increases were for retail (249,000), professional & business services (197,000, including temps), education & health services (147,000), and restaurants & bars (134,000). Manufacturing rose 29,000 while government increased 344,000.
- The unemployment rate dropped to 8.4% in August from 10.2% in July.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in August and are up 4.7% versus a year ago. Aggregate hours worked rose 1.2% in August but are down 6.8% from a year ago.

Implications: The job market continues to rapidly recover from the COVID-19 disaster. Nonfarm payrolls rose 1.371 million in August, very close to the consensus expected 1.35 million. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups rose 3.756 million. After peaking in February, nonfarm payrolls plummeted by 22.2 million in March and April. In the past four months, payrolls have grown 10.6 million, making up 48% of the jobs lost earlier in the year. Over the same timeframe, civilian employment has recovered 55% of the jobs lost earlier this year. Government jobs grew 344,000 in August, but that was mostly related to the Census, which means these jobs are temporary. In the private sector, retailers and restaurants & bars continued to rebound quickly in August, gaining 249,000 and 134,000 jobs, respectively. Retail jobs have now recovered 73% of the losses in March/April, while restaurants & bars have recovered 59%. The best news in today’s report was the drop in the unemployment rate to 8.4%, which is still a very high level but well below the peak of 14.7% in April. Another piece of good news was the 0.4% increase in average hourly earnings, while the number of hours worked rose 1.2%. Earlier this year, these two figures moved in opposite directions. At first, layoffs of lower paid workers meant earnings for the remaining workforce were rising even though total hours fell. Then, as hours rebounded and lower-paid workers were rehired it made average earnings decline. Now they’ve risen in tandem two months in a row. Multiplying hours by earnings shows that total earnings rose 1.6% in August. That said, total earnings are still down 2.5% versus a year ago, which means workers have less purchasing power generated by actual production, versus purchasing power coming from government benefits. The road to a full recovery will be a long one. It’s not just a matter of getting back to the level of jobs we had in February because, in the absence of the shutdowns related to COVID-19, jobs would have been rising since then. We think a full recovery means getting back to an unemployment rate of 3.5%, which is where it was before COVID-19. And that looks like it won’t happen for at least a couple more years. That said, there should be no doubt we are headed in the right direction.



Employment Report <i>All Data Seasonally Adjusted</i>	Aug-20	Jul-20	Jun-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	8.4	10.2	11.1	9.9	10.4	6.9
Civilian Employment (monthly change in thousands)	3,756	1,350	4,940	3,349	-1,912	-843
Nonfarm Payrolls (monthly change in thousands)	1371	1734	4781	2629	-1925	-854
Construction	16	27	159	67	-71	-25
Manufacturing	29	41	333	134	-120	-60
Retail Trade	249	236	858	448	-109	-50
Finance, Insurance and Real Estate	36	13	20	23	-32	-10
Professional and Business Services	197	153	311	220	-246	-109
Education and Health Services	147	222	567	312	-243	-94
Leisure and Hospitality	174	621	1979	925	-690	-320
Government	344	253	52	216	-139	-60
Avg. Hourly Earnings: Total Private*	0.4%	0.1%	-1.3%	-3.1%	6.8%	4.7%
Avg. Weekly Hours: Total Private	34.6	34.5	34.6	34.6	34.5	34.4
Index of Aggregate Weekly Hours: Total Private*	1.2%	1.0%	3.9%	27.0%	-14.8%	-6.8%

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