

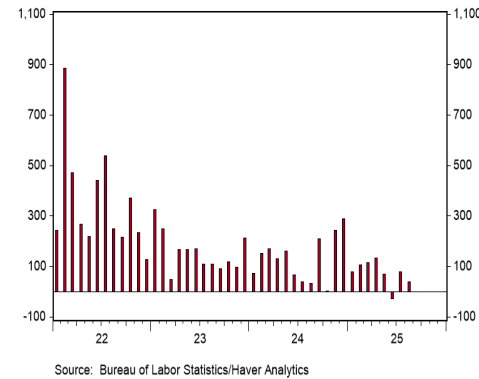
## August Employment Report

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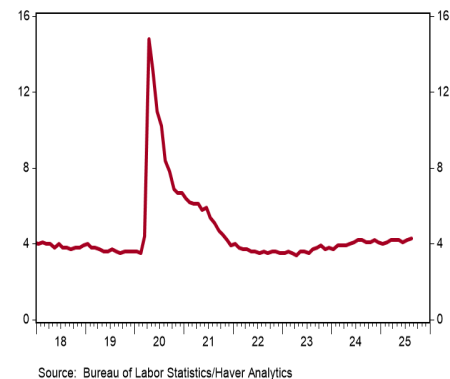
- Nonfarm payrolls increased 22,000 in August, well below the consensus expected 77,000. Payroll gains for June and July were revised down by a total of 21,000, resulting in a net gain, including revisions, of 1,000.
- Private sector payrolls rose 38,000 in August but were revised down by 36,000 in prior months. The largest gain in August was health care & social assistance (47,000). Manufacturing declined 12,000 while government declined 16,000.
- The unemployment rate ticked up to 4.3% in August versus 4.2% in July.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in August and are up 3.7% versus a year ago. Aggregate hours remained unchanged in August but are up 0.7% from a year ago.

**Implications:** Today's labor market report was hotly anticipated following President Trump's firing of the BLS head after July's weak data and large downward revisions, and August data are likely to add to the drama. Nonfarm payrolls increased 22,000 in August, lagging the consensus expected 77,000. Worse, payroll gains for prior months were revised down by 21,000, meaning the net gain was only 1,000. Notably, June data now shows nonfarm payrolls dropped 13,000 following these revisions, the first decline since 2020. While the White House is likely going to continue pointing the finger at political manipulation, new policies that strictly enforce immigration laws, as well as uncertainty around trade policy and tariffs are likely weighing-down the job numbers. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (including COVID lockdowns and re-openings). This measure of "core payrolls" declined 36,000 in August, the fourth straight monthly drop, and is down 143,000 versus four months ago. One piece of good news is that civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 288,000 in August. However, the labor force grew an even faster 436,000, which pushed the unemployment rate up slightly to 4.3% in August. Taken all together, while it's clear the labor market is weakening, recent numbers are consistent with a slowing but still growing economy. Stricter immigration enforcement is likely a major part of the story, with a shift from essentially open borders having a major impact on labor supply. The household survey shows that the foreign-born population (age 16+) has dropped 1.9 million since January while foreign-born employment is down nearly 1.0 million. At the same time, native-born employment has grown 1.9 million. In other words, recent softness in the labor market could reflect fewer illegal immigrants while native-born (and, potentially, legal immigrants) increase jobs and hours worked. On the inflation front, average hourly earnings rose 0.3% in August and are up 3.7% versus a year ago. However, these earnings are up only 3.5% annualized in the past six months, which along with recent weak headline jobs numbers gives the Federal Reserve all the ammunition it needs to re-start rate cuts later this month. Finally, the Trump Administration is making progress reducing federal payrolls, which when we exclude the Post Office and Census workers are down 85,000 versus January, the largest seven-month drop on record going back to at least 1990. In time, we think a smaller government should pay dividends in the form of faster economic growth.

All Employees: Total Private Industries  
Change - Period to Period SA, Thous



Civilian Unemployment Rate: 16 yr +  
SA, %



Employment Report All Data Seasonally Adjusted	Aug-25	Jul-25	Jun-25	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>4.3</b>	4.2	4.1	4.2	4.2	4.2
<b>Civilian Employment (monthly change in thousands)</b>	<b>288</b>	-260	93	40	15	164
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>22</b>	79	-13	29	64	122
Construction	-7	-1	-2	-3	-1	5
Manufacturing	-12	-2	-17	-10	-7	-7
Retail Trade	11	7	-5	4	3	7
Finance, Insurance and Real Estate	-3	9	-6	0	3	7
Professional and Business Services	-17	-10	-24	-17	-10	-5
Education and Health Services	46	77	51	58	66	72
Leisure and Hospitality	28	6	-5	10	20	19
Government	-16	2	14	0	-3	12
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	0.3%	0.2%	3.4%	3.5%	3.7%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.2</b>	34.2	34.2	34.2	34.3	34.2
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.0%</b>	0.1%	-0.3%	-1.0%	0.5%	0.7%

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