

03.Sep.2021

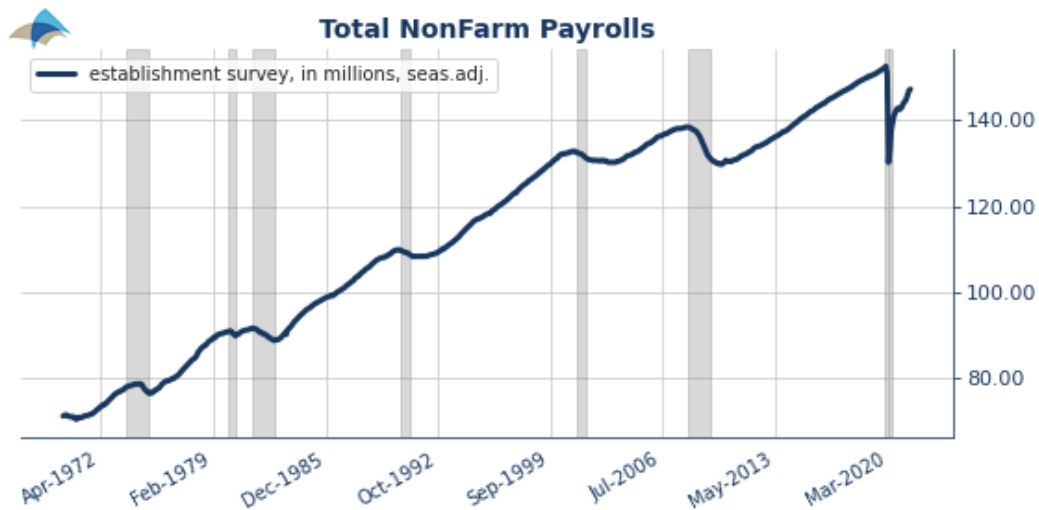
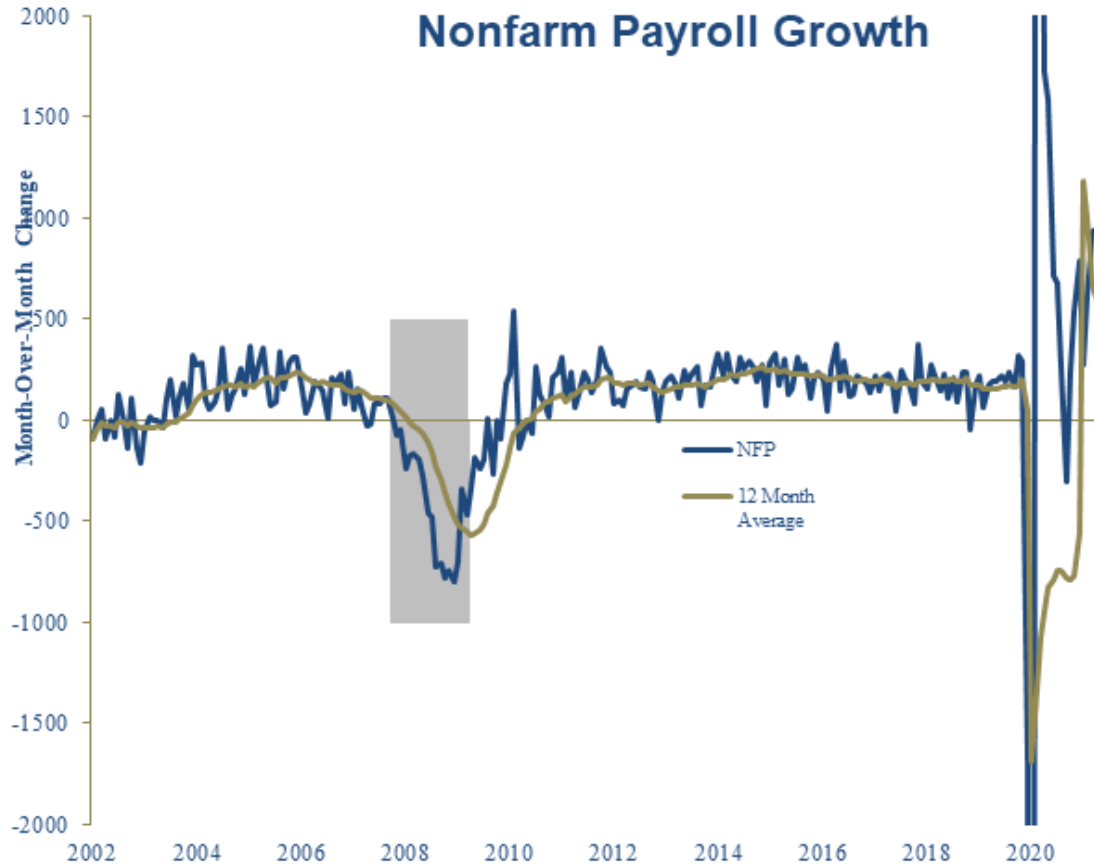
### **Employment: Sharply Lower, Details Less Bad**

**Bottom Line:** Payroll employment rose much less than expected as leisure, and hospitality hiring was nearly flat, likely impacted by the delta variant. The household survey showed modestly stronger gains, just over 500k new jobs, pushing the unemployment rate lower as the labor force grew by less than 200k. Aggregate hours earnings rose sharply more than expected, mostly due to the composition of the job gains skewing away from the lower-paying leisure and hospitality sector.

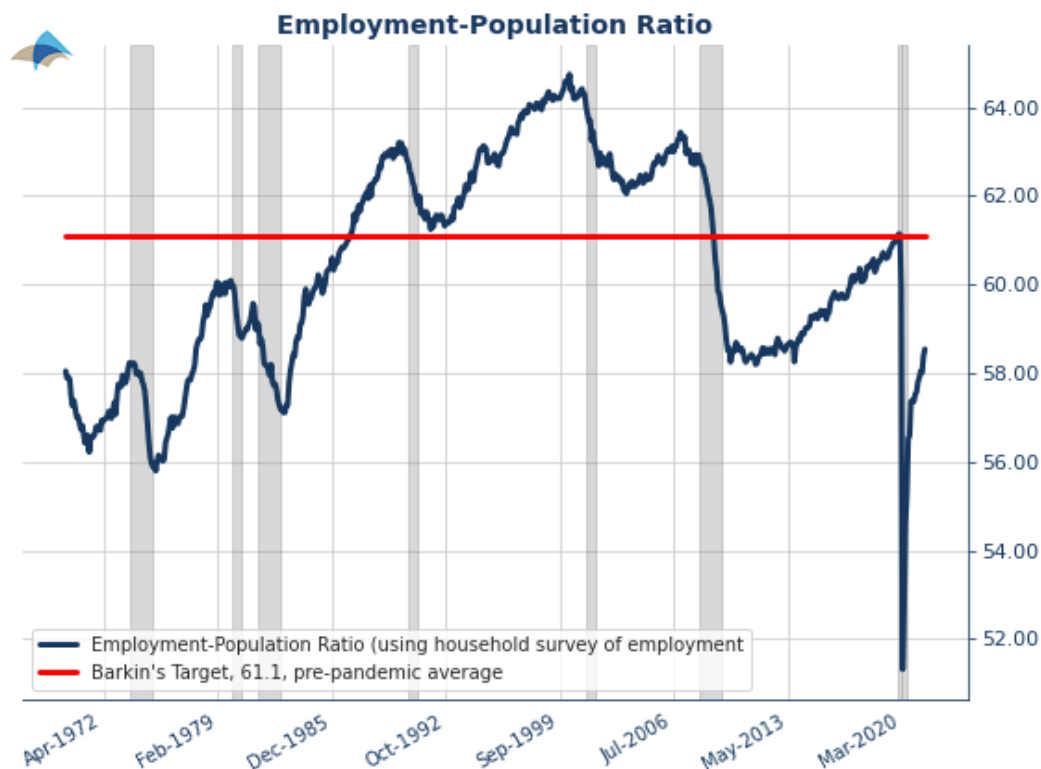
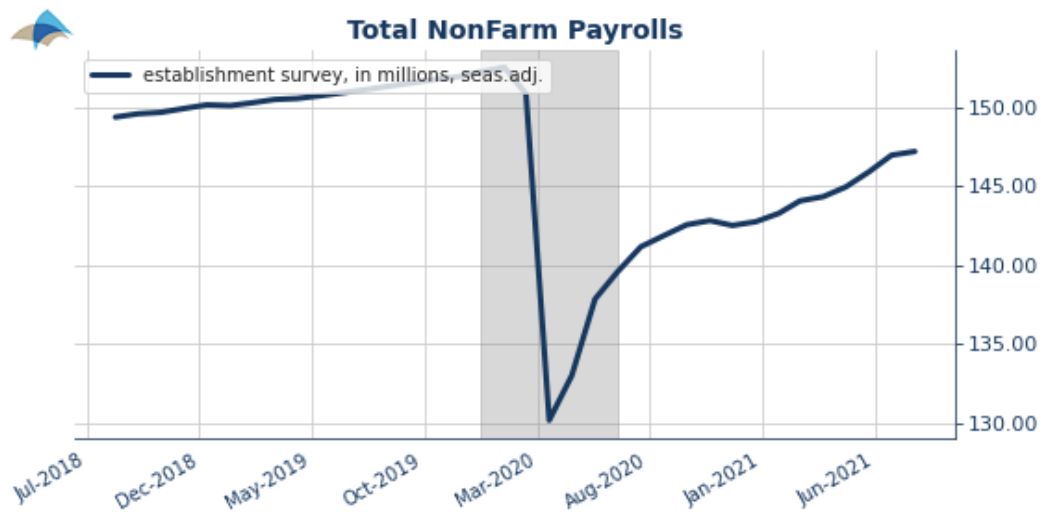
Leisure and hospitality were led lower than expected by a surprise decline in the restaurant segment. Private education jobs were higher, but public education jobs were notably lower after two solid months. Some of the downside surprise (potentially as much as 100 - 200k jobs) is likely due to difficult seasonal adjustments in public school hiring. Many schools started earlier in August, pushing hiring to July and even June (both were very strong months averaging 225k). This shift was unrelated to Covid, which also could have skewed the data as schools hired more staff to handle sanitation and Covid logistics before schools opened.

Overall, this was disappointing but not as bad as the headline, with modest upward revisions and difficult seasonal adjustments in public education jobs. Looking through the volatility, payroll gains have still averaged 750k over the last three months, the unemployment rate has dropped 0.6% to 5.2%, and average hourly earnings have accelerated to a 5.7% annualized. **At the risk of splitting hairs, this is probably enough to push the Fed's first taper announcement to the November meeting from September.**

	Cons.	Actual	Prior
<b>Non Farm Payroll</b>	<b>733k</b>	<b>235k</b>	<b>1053k</b>
<b>U-rate</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.4%</b>
<b>Hourly Earnings</b>	<b>0.3%</b>	<b>0.6%</b>	<b>0.4%</b>



- looking at just the last two years:



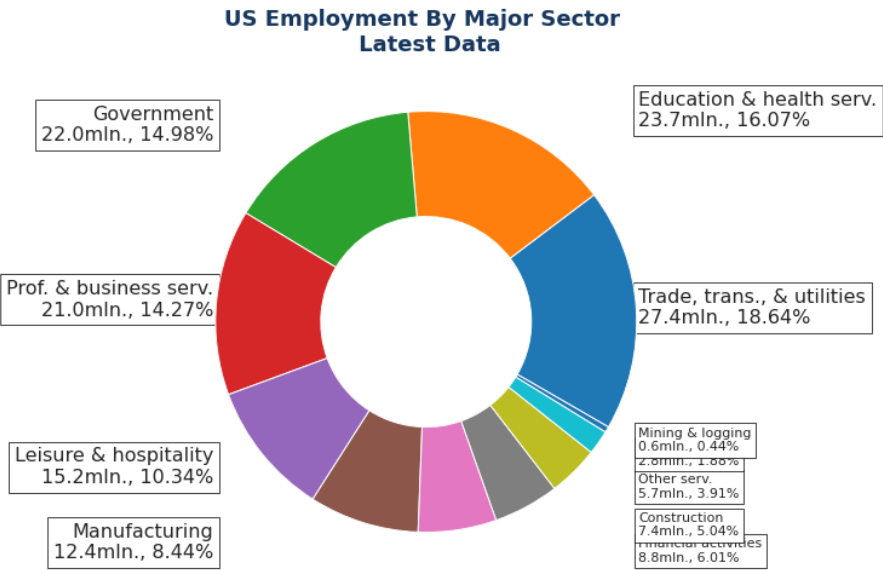
**Payroll Employment** rose by 235k in August, compared with market expectations for an increase of 870k. The prior 2 months were revised, higher in July by 110k and higher in June by 24k.

**Government** jobs FELL by 8k. Consequently, **private sector jobs ROSE by 243k**. Private education jobs rose by 40k. State and Local education jobs fell by -26k. Overall employment is now 4.3% ABOVE its year-ago level.

Over the past 12 months, 6,041k jobs have been created. In August, the job gains were in

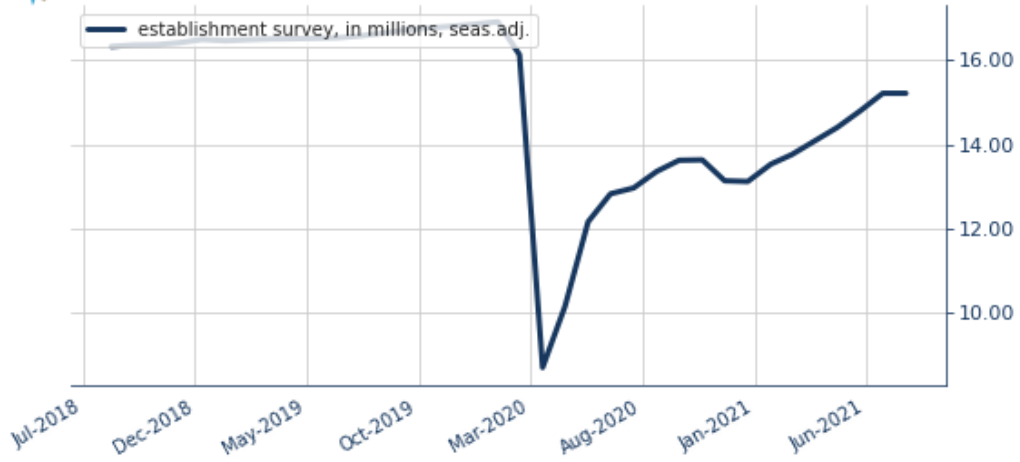
- Trade, Transportation & Utilities (+53k with -29k of those in Retail Trade),
- Professional & Business Services (+74k with a slip of 5.8k in Temp Help Services),
- Manufacturing (+37k),
- Manufacturing (+37k),
- Information (+17k),
- Financial Activities (+16k),

Jobs were shed in Education & Health Services (-5k), and Government (-8k).

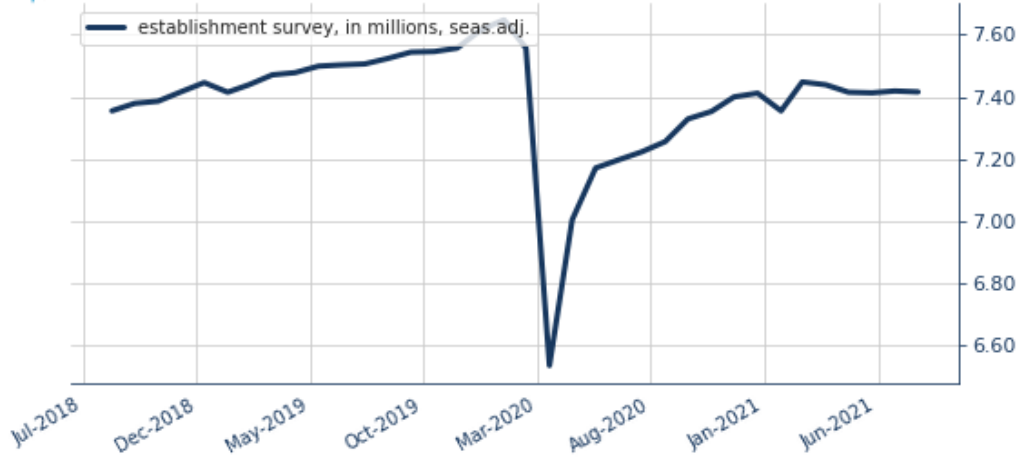




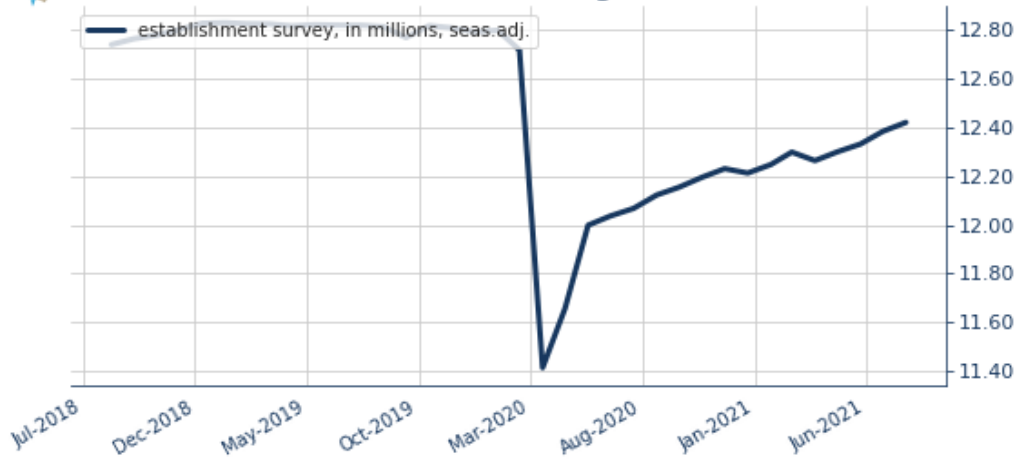
### Leisure & hospitality



### Construction

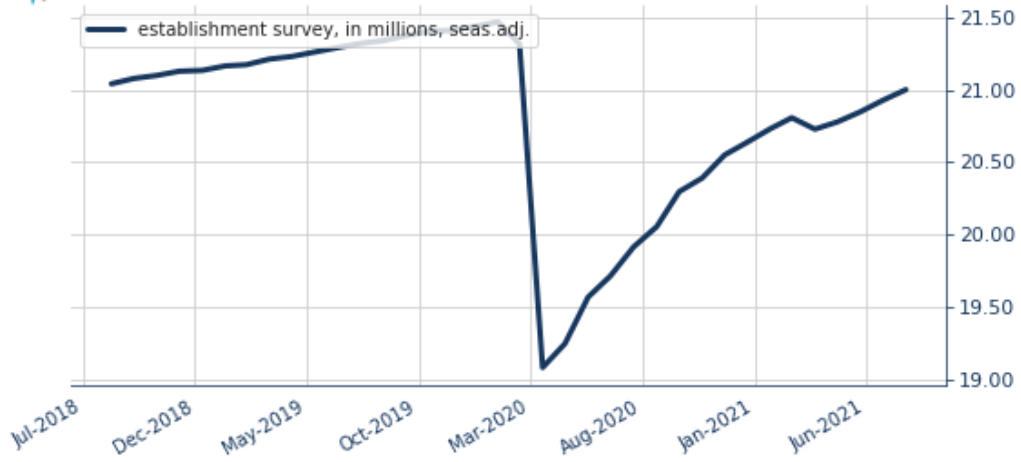


### Manufacturing

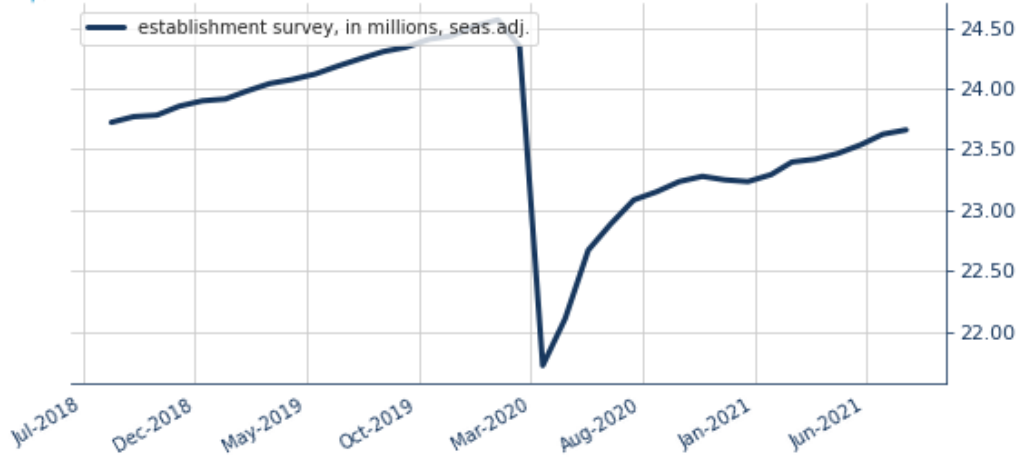




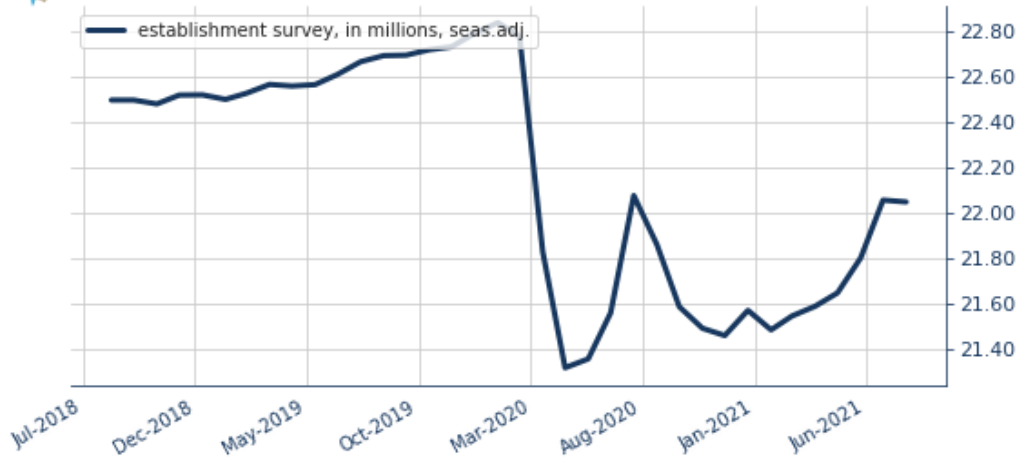
### Prof. & business serv.



### Education & health serv.



### Government





<b>maintenance</b>	9	9	12	0	253	-248	10	11	7	-3	0
<b>Performing arts &amp; spectator sports</b>	5	8	20	16	137	-252	11	14	10	-17	-2
<b>Museums, historical sites, &amp; similar institutions</b>	0	3	4	0	17	-49	3	2	1	-4	-0

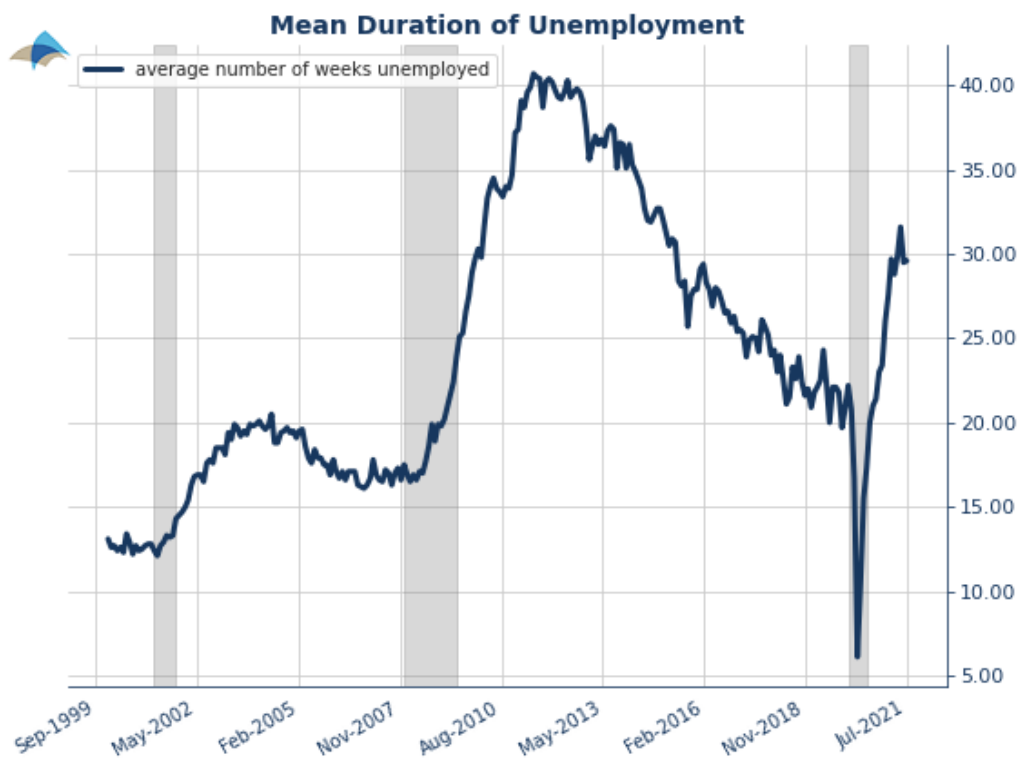
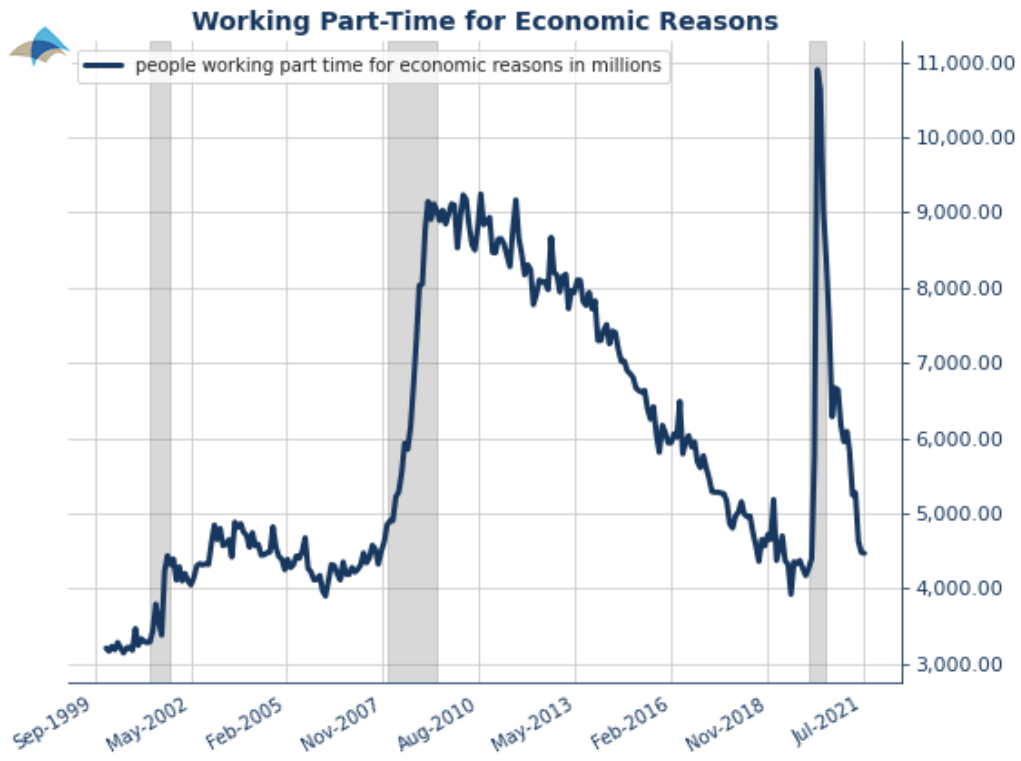
--

**The Unemployment Rate** FELL by 0.2 percentage points in August to 5.2%, compared with market expectations for a small increase to 5.7%. Household employment rose by 509k while the labor force increased by 190k, resulting in a decrease in the number of unemployed of 318k.

**The Labor Force Participation Rate** was UNCHANGED at 61.7%. **The Employment-Population Ratio** ROSE by 0.1 percentage points to 58.5%.

**The number of people Working Part-Time for Economic Reasons** ROSE by 63k to 4,414k. while **Long-Term Unemployment** FELL by 246k to 3,179k (accounting for 37.9% of the unemployed), while **the Mean Duration of Unemployment** ROSE by 0.1 weeks to 29.6 weeks. There are now 8.4 million people officially unemployed. In addition, there are another 5,682k people who say they want a job but are not currently looking for one. Finally, another 4,414k people are working part-time because of slack economic conditions.





	Average for										
	Three	Six	Twelve						Five	Ten	
	Aug-21	Jul-21	Jun-21	May-21	Months	Months	Months	2020	2019	Years	Years
Unemployment Rate	5.2%	5.4%	5.9%	5.8%	5.5%	5.7%	6.3%	8.1%	3.7%	5.0%	6.1%
Civilian Labor Force (mln.)	161.5	161.3	161.1	160.9	161.3	161.1	160.7	164.6	163.1		
Change (thousands)	190	261	151	-53	201	221	60	121	215	137	96
Household Employment (mln.)	153.2	152.6	151.6	151.6	152.5	151.8	150.7	149.8	158.7		
Change (thousands)	509	1,043	-18	444	511	486	490	166	236	185	173
Unemployed (mln.)	8.4	8.7	9.5	9.3	8.9	9.2	10.0	10.7	5.8	7.4	9.0
Change (thousands)	-318	-782	168	-496	-311	-265	-430	-45	-21	-48	-77
Not in the Labor Force (mln.)	100.1	100.1	100.3	100.3	100.2	100.2	100.4	100.7	95.6	96.5	93.6
Currently wants a job (mln.)	5.7	6.5	6.4	6.6	6.2	6.5	6.7	7.3	4.9	5.7	6.0
Adjusted Unemployment Rate	8.4%	9.1%	9.5%	9.5%	9.0%	9.4%	10.0%	10.8%	6.3%	7.9%	9.1%
Not at work due to weather ('01	0.0	58.0	15.0	43.0	24.3	46.3	135.8	111.0	112.0	137.8	144.6
Mean Duration (in weeks)	29.6	29.5	31.6	29.9	30.2	29.9	26.8	23.4	20.8	23.3	29.2
Long-Term Unemployed (000's)	3,179	3,425	3,985	3,752	3,530	3,790	3,728	3,956	1,177	1,960	2,894
Part-Time for Economic Reason (000's)	4,414	4,351	4,544	5,231	4,436	4,920	5,562	6,082	4,119	5,035	6,149

Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.

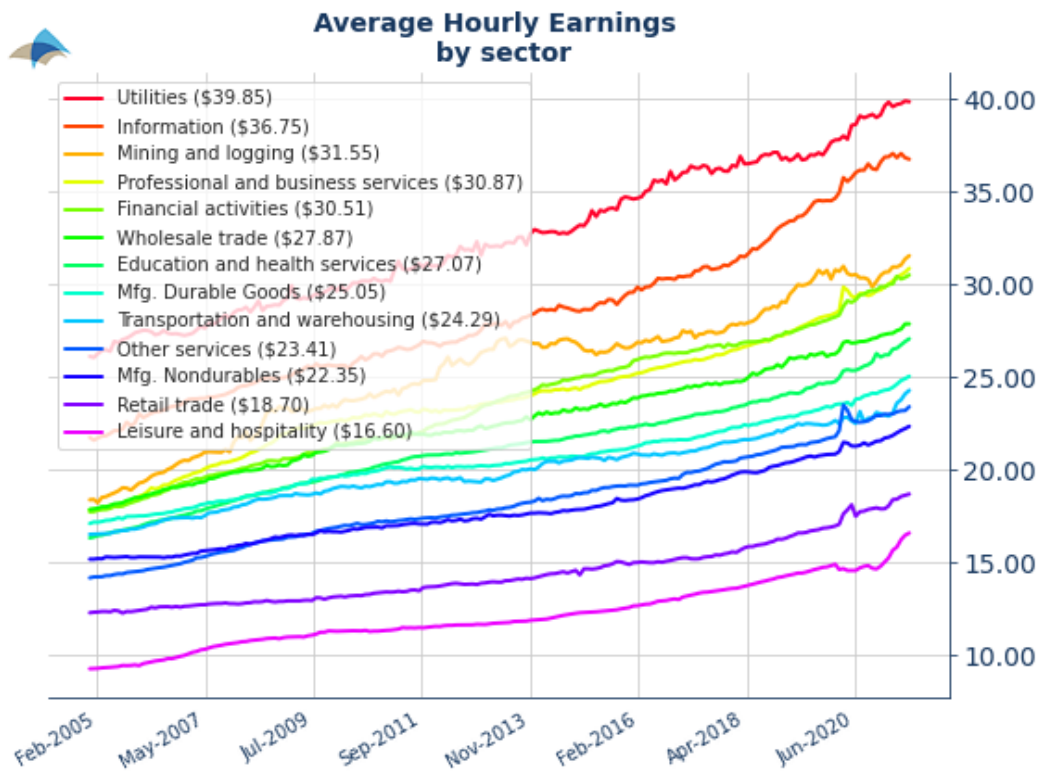
**The Index of Aggregate Hours** ROSE by 0.2%, combining the solid gain in private payroll employment and the steady workweek.

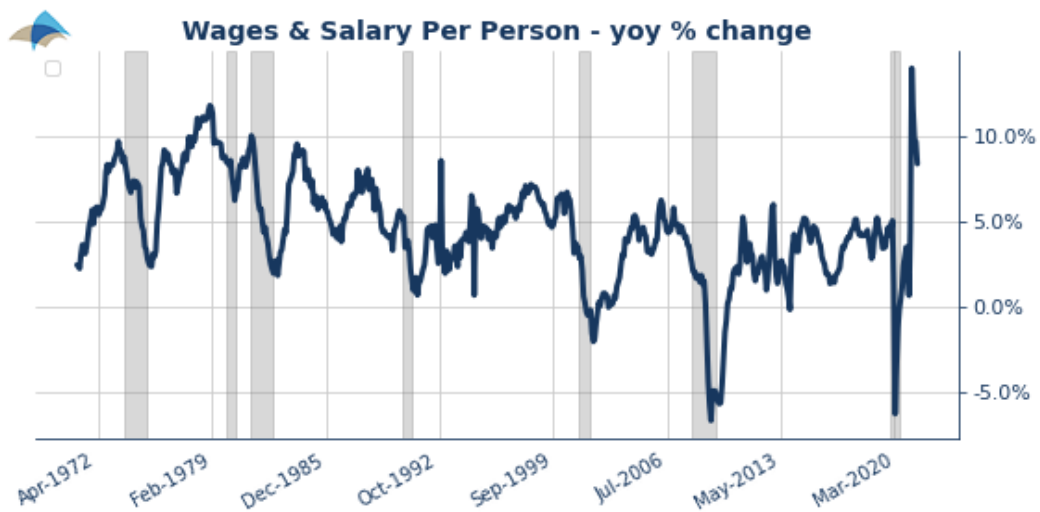
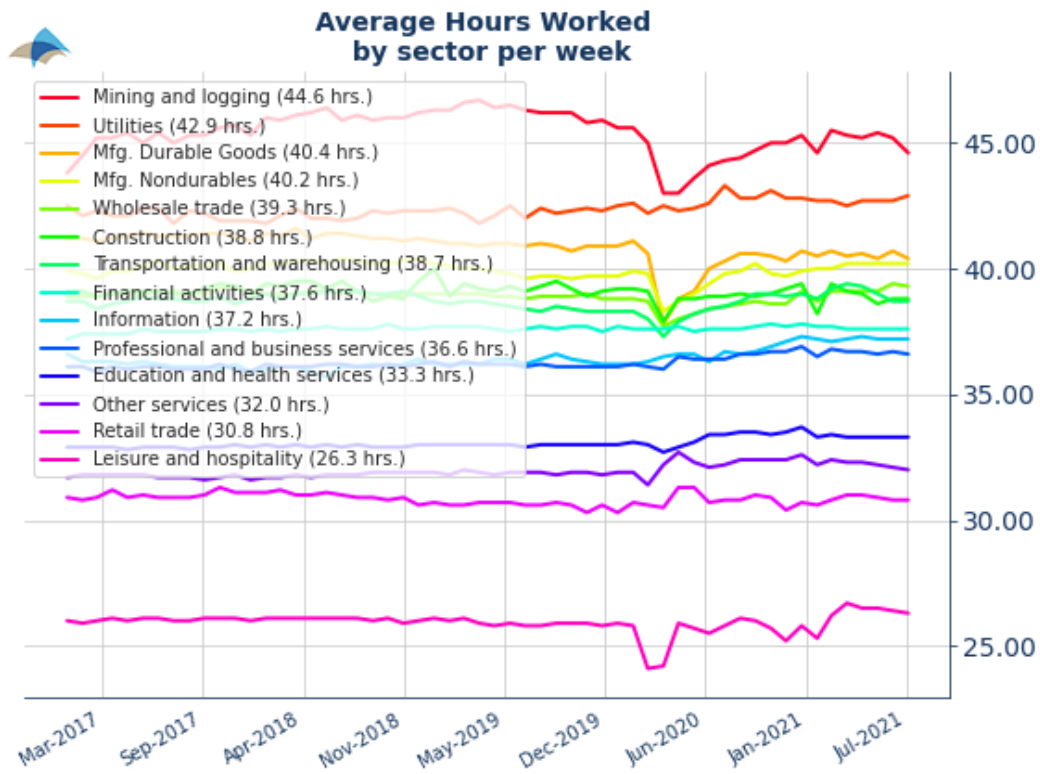
**Hourly Earnings** ROSE by 0.6% in August, above market expectations of 0.3%. Hourly earnings are now 4.3% ABOVE their year-ago level.

**Weekly Earnings** also ROSE by 0.6%, the result of the change in hourly earnings and a steady workweek. Weekly earnings are now 4.3% ABOVE their year-ago level. **The Average Workweek** was UNCHANGED at 34.7 hours, inline with the market consensus at 34.7 hours.

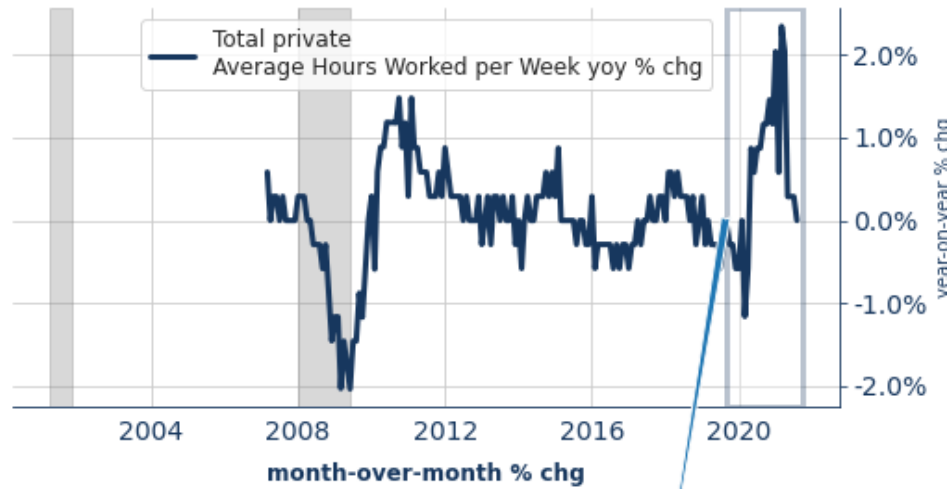
	Annualized Averages for										
	Three	Six	Twelve					Five	Ten		
	Aug-21	Jul-21	Jun-21	May-21	Months	Months	Months	2020	2019	Years	Years
<hr/>											
Average Hourly Earnings	0.56%	0.4%	0.4%	0.5%	5.7%	4.9%	4.3%	2.9%	3.4%	3.4%	2.5%
Prior Estimate		0.4%	0.4%	0.5%							
Average Weekly Earnings	0.56%	0.4%	0.1%	0.2%	4.4%	5.5%	4.3%	2.3%	3.4%	3.7%	2.7%
Average Weekly Hours											
Total Private	34.7	34.7	34.7	34.8	34.7	34.8	34.8	34.2	33.5	33.7	33.7
Prior Estimate		34.7	34.8	34.9							
Goods Producing	39.9	40.0	39.9	40.1	39.9	40.0	40.0	39.9	40.1	40.3	40.3
Manufacturing	40.3	40.5	40.3	40.4	40.4	40.4	40.3	40.0	40.4	40.6	40.7
Overtime	0.0	3.2	3.2	3.2	2.1	2.7	2.9	3.2	3.2	3.3	3.3
Service Producing	33.7	33.7	33.7	33.8	33.7	33.8	33.7	33.6	33.2	33.3	33.3
Index of Aggregate Weekly Hours											
Total Private	0.2%	0.6%	0.4%	0.2%	4.9%	6.1%	5.1%	0.8%	1.8%	0.1%	1.0%
Prior Estimate		0.6%	0.6%	0.2%							
Goods Producing	-0.1%	0.6%	-0.3%	0.1%	0.9%	3.8%	3.3%	-0.8%	3.6%	0.3%	1.0%
Manufacturing	-0.1%	0.9%	0.0%	0.3%	3.2%	2.9%	3.4%	-1.2%	2.4%	-0.5%	0.2%
Service Producing	0.3%	0.7%	0.4%	0.2%	5.8%	6.8%	5.9%	1.3%	1.5%	0.0%	0.9%

Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.

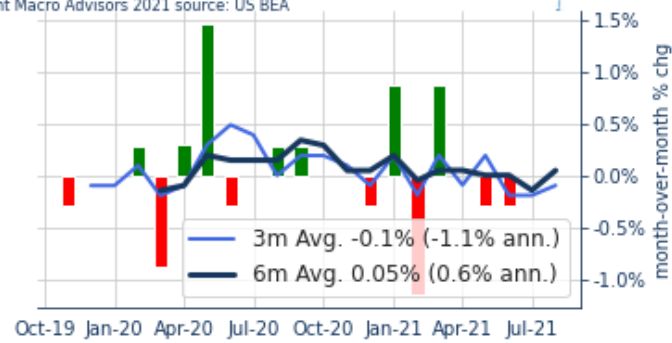




## Total private Average Hours Worked per Week



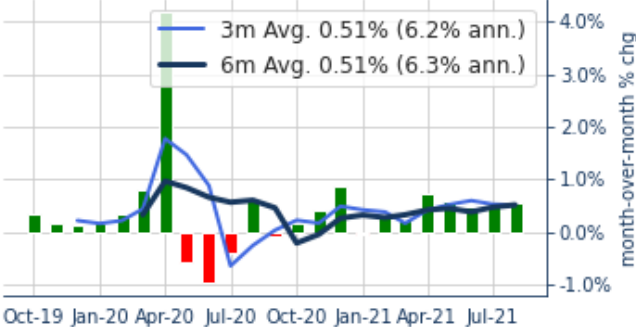
Contingent Macro Advisors 2021 source: US BEA



# Total private Average Hourly Earnings



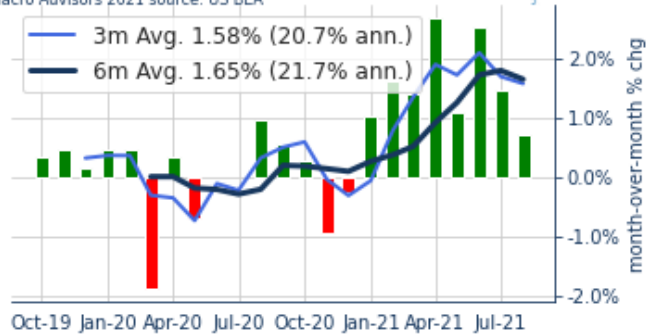
Contingent Macro Advisors 2021 source: US BEA



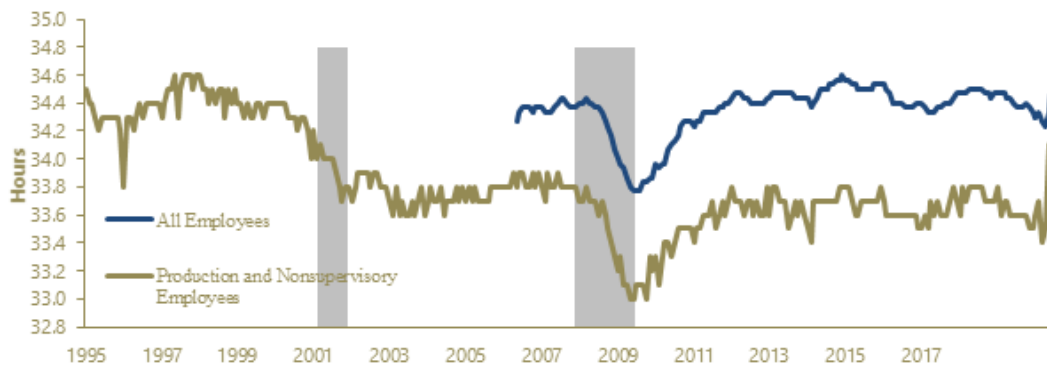
## Leisure and hospitality Average Hourly Earnings



Contingent Macro Advisors 2021 source: US BEA



## Average Weekly Hours (3 Month Average)



## Index of Aggregate Hours

