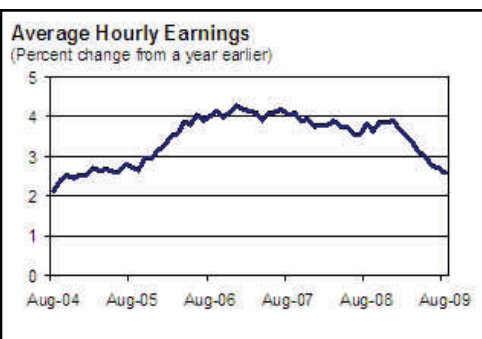
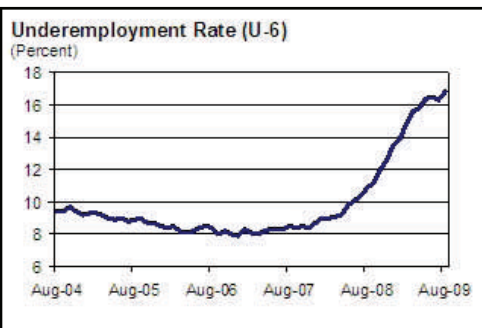
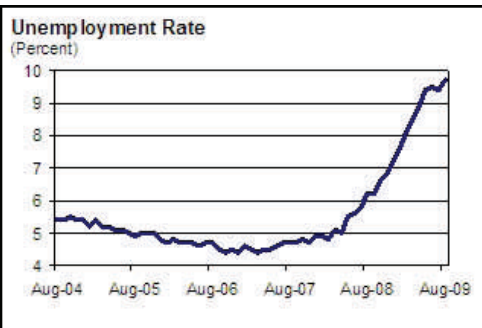
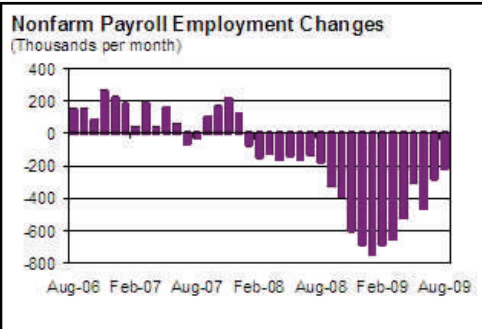


Economic Perspectives

U.S. economy shed more jobs in August September 16, 2009



SOURCE: IHS Global Insight | Bureau of Labor Statistics



The U.S. economy shed another 216,000 jobs in August pushing the unemployment rate to 9.7% — a 26 year high. The loss was the smallest since August 2008. At the same time, July’s job loss rate was revised to negative 276,000 which was more severe than previously reported. Most of the bad news in the revisions came from the state and local government sector where 54,000 more jobs were lost than were shown in the advance estimate. That sector has lost jobs all year.

The most notable change was in the private services sector where job losses totaled 62,000, the smallest decline since April 2008. During the first quarter of this year, the sector was shedding jobs at the extraordinary average rate of 358,000 per month. The manufacturing sector also continued to shed jobs at a pace slightly greater than in July. While virtually no manufacturing sector added jobs, the pace of decline has slowed over the last few months. The same pattern holds in construction where the sector lost 65,000 jobs in August, down from 73,000 in July. Predictably, the majority of losses were in commercial which was down 35,000 jobs while residential was down 23,000.

Employment in financial activities declined by 28,000 jobs in August. The sector has lost 537,000 jobs since the start of the recession in December 2007 but the rate of decline has slowed significantly in recent months.

Employment in a wide variety of sectors such as retail, professional and business services, warehousing and others have slowed their precipitous rate of decline over the last few months. That is a significant improvement from the November 2008 through April 2009 time period.

Health care employment rose by 28,000 jobs in August. The sector has added 544,000 jobs since the recession began. There was also a 200,000 job increase in social services that was not fully anticipated.

While private sector payrolls are improving, the government sector continues to worsen as state and local governments remain cash strapped. That sector lost 79,000 jobs in the last three months. Most of the cuts were in education.

Underemployment is pervasive. Persons working part time for economic reasons was little changed in August at about \$9.1 million. These persons are working part time because their hours had been cut or they were unable to find full time employment. About 2.3 million workers are marginally attached to the workforce. That is an increase of 660,000 year over year. Finally, there were about 758,000 discouraged workers — those who would like to have a job but feel none is available for them. The Bureau of Labor Statistics tracks these categories in several alternative measures of employment. If the three categories were added to the unemployed, the nation’s unemployment rate (“U6 measure”) would be 16.8% rather than 9.7%

Total hours worked in the private sector declined 0.3% in August after a 0.1% increase in July. That is bad news for household incomes which have been under pressure for most of the last year. There was some modest offset as average hourly earnings rose 0.3% for the second straight month. Hours worked have been running about 2-3% lower than in the second quarter. That is much milder than the 7.8% decline in the first quarter.

There is widespread evidence that the decline in employment is slowing and will continue to do so into 2010 before finding bottom. No leading indicator has emerged to suggest employment will start growing anytime soon. Moreover unemployment has not yet peaked. Until we start seeing sustained employment gains, unemployment will rise. We will still likely see 10% unemployment by early 2010 before it changes course.