US Macroeconomics

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Slip Slidin' Away

August nonfarm payrolls rose only 142k while the prior two months were revised down by a net -86k. **The current spate of downward revisions are separate from last month's preliminary estimate of the 2024 annual revisions**. The BLS announced that the level of March 2024 employment may be overstated by 818k, which was the second largest on record. When this revision becomes final in the January 2025 employment report, released next February, the figure could be closer to 1 million. The trend in revisions generally reflects the underlying momentum in the economy. Consequently, the alteration in previously reported job gains is troubling.

In today's report, **the highly cyclical manufacturing sector lost 24k jobs, the second decline in three months**. While construction rose 34k, the sector is poised for a meaningful pullback in hiring due to weakening housing starts, permits, homebuilders' sentiment and mortgage applications.

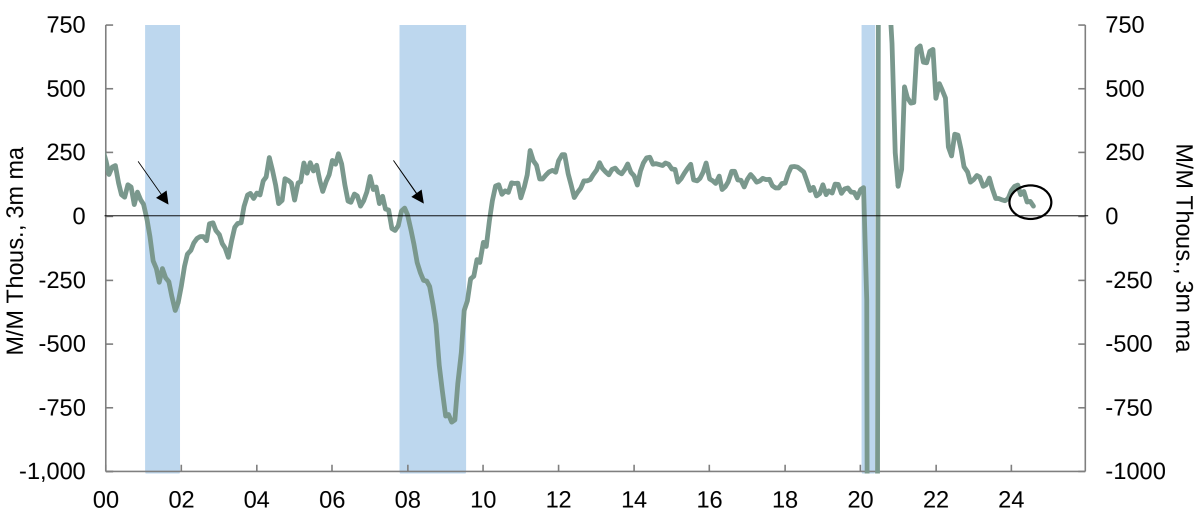
In the services sector, **retail trade (-11k) fell for the third month in a row, an ominous sign for retail sales** which are released on September 17, one day before the FOMC meeting concludes. Temporary help services, a leading indicator of future labor demand fell 3k, the sixth drop in the last seven months.

Healthcare and social assistance was up 44k and government jobs increased 24k. Overall private employment rose 118k last month after increasing only 74k in July and 97k in June. However, **when healthcare-related jobs are excluded, private jobs were up only 74k after rising 28k and 15k in June and July, respectively**. As shown below, the three-month moving average of this component advanced just 39k last month, and the trend continues to weaken. With the likelihood of further downward revisions, core job readings could soon be negative.

The unemployment rate edged down one-tenth to 4.2% (4.22) from 4.3% (4.25%), but the broader U-6 rate went up a tenth to 7.9%, its highest non-pandemic reading since January 2019. However, the labor market was robust five years ago whereas today it is deteriorating.

The best news in the August employment report came from wages and hours. Average hourly earnings advanced a better than expected 0.4% M/M while the overall workweek rose a tenth to 34.3 hours. When combined with the increase in private employment, these data point to a solid gain for wages and salaries in the August personal income and spending report (released on September 27).

Private NFP ex Healthcare and Social Assistance



Source: BLS, Haver, SMBC Nikko

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