

# Flash Comment

## US: positive employment report

- **Private employment expanded by 67,000 in August, primarily in the service sector. Net revisions added a further 66,000.**
- **Aggregate private hours worked held stable but a gain in average earnings leaves income growth at a healthy pace.**
- **The unemployment rate increased 0.1pp, all due to an increase in the workforce.**

### Details

Total nonfarm payrolls declined by 54k in August, dragged down by a 114k decline in census employment. Excluding census, nonfarm payrolls increased by 60k and private employment gained 67k. On top of this, net revisions to June and July amount to +123k, although only about half of this (+66k) was in the private sector. This leaves the three-month average gain in monthly private employment at 78,000, which is still a good deal above the zero mark that we expect is the Fed's threshold for further QE.

The private service-providing sector accounts for +67k of the increase in August, while the manufacturing sector reduced employment by 27k and construction added 19k. With the employment index in the Manufacturing ISM report rising to the highest level since December 1983, we would expect the manufacturing sector to start hiring again in September. At the current level, the ISM Employment Index corresponds to a monthly increase of 50,000 in manufacturing employment,

Another positive was the gain in temporary help services, which is usually a leading indicator for private employment. Temporary employment increased by 17,000 in August after shedding 1,000 staff in July.

Private hours worked were slightly disappointing in August, though. The average private workweek and aggregate private hours worked were flat on the month. However, the impact on total income is offset by a continued increase in average hourly earnings, which rose 0.3% m/m in August and are up 1.7% annualised over the past three months. Hence, the labour income proxy continues to grow at a 4.5% AR, which should leave room for households to expand consumption, given that the savings rate has likely peaked.

The unemployment rate increased to 9.6%, from 9.5%, driven by a 550,000 increase in the labour force, as household employment increased by 290,000 and the change in unemployment was 261,000.

### Assessment and outlook

We continue to suspect that the tightening of financial conditions and increasing uncertainty during late spring and early summer made businesses more reluctant to hire and expand production. We believe that the job market will gradually accelerate into 2011, but it will likely happen at modest pace. Financial conditions have eased, the credit multiplier is starting to work and personal spending growth should not slow further, hence we expect a soft landing in the economy. With a stretched level of productivity, we believe that even moderate growth will be sufficient for businesses to increase the pace hiring.

### Employment (August)

	Act	Con	DB	Prv (Rev)
Payrolls	-54	-105	-130	-131 (-221)
- census	-114			
- private	67	40	20	71 (31)
Net rev	+123			
- private	+66			
Unemp.	9.6%	9.6%	9.6%	9.5%

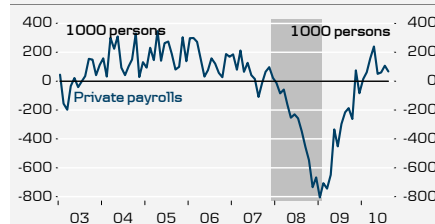
Source: Bloomberg, Danske Markets

### Unemployment rate slightly higher



Source: Reuters Ecowin, Danske Markets

### Private payrolls holding up



Source: Reuters Ecowin, Danske Markets

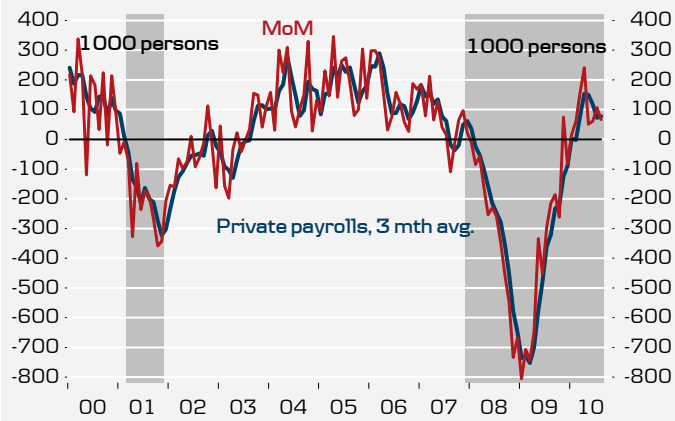
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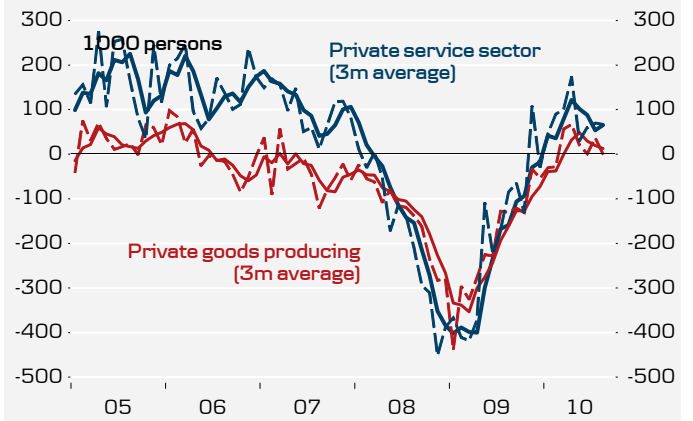
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Growth in private payrolls stabilising



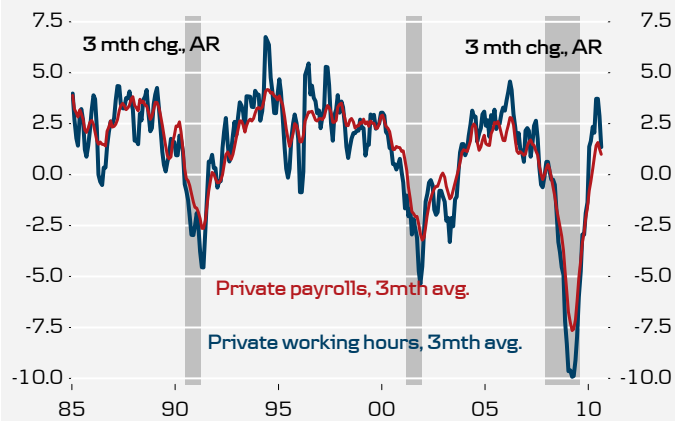
Source: Reuters Ecowin, Danske Markets

Private service-producing sector looking better



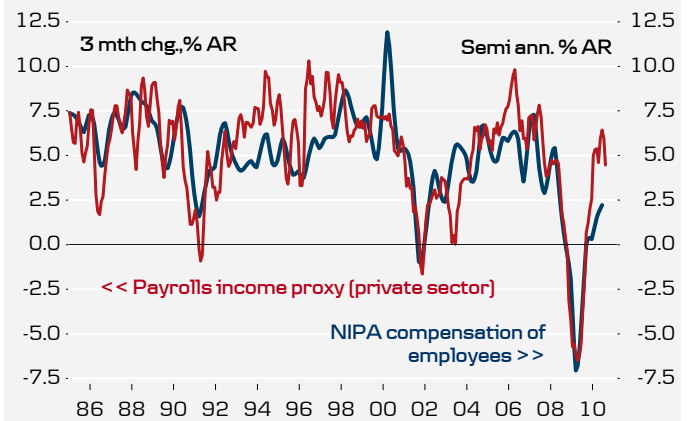
Source: Reuters Ecowin, Danske Markets

Private working hours has lost some pace...



Source: Reuters Ecowin, Danske Markets

...but gain in earnings leaves growth in our income proxy healthy



Source: Reuters Ecowin, Danske Markets

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This research report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The authors of this research report are Signe Roed-Frederiksen, Senior Analyst and Peter Possing Andersen, Senior Analyst.

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