

02.Sep.2022

Employment: Solid Gains But Hints of Deceleration

Bottom Line: Job gains were moderately stronger than expected in August, up 315k, but negative revisions to previously reported subtracted over 100k jobs from the overall tally. The unemployment rate rose 0.2% to 3.7% as the household survey showed an increase in the labor force of nearly 800k with just over 440k new jobs. Average hourly earnings rose slightly less than expected, and both earnings and hours worked were decelerating slightly on a trend basis. Finally, job gains were spread across every primary sector, roughly as expected, except for the education sector, which was slightly better than our expectations given the difficult seasonal adjustment with more schools starting earlier in August.

Overall, this was a solid labor report, but it offered hints of deceleration. Given the Fed's focus on the strength of the labor market as a critical factor behind sustained inflation, this will offer some comfort that labor is cooling. Still, it won't likely be enough to change their near-term policy decisions.



Contingent Macro Advisors 2022 source: BLS via FRED

Payroll Employment rose by 315k in August, compared with market expectations for an increase of 265k. The prior 2 months were revised, lower in July by 2k and lower in June by 105k.

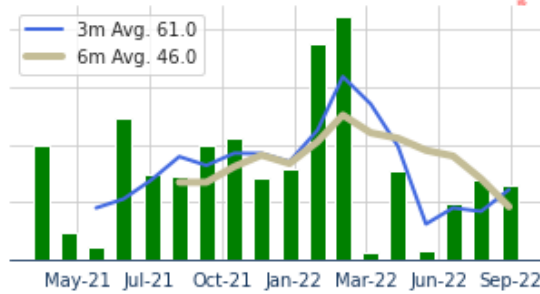
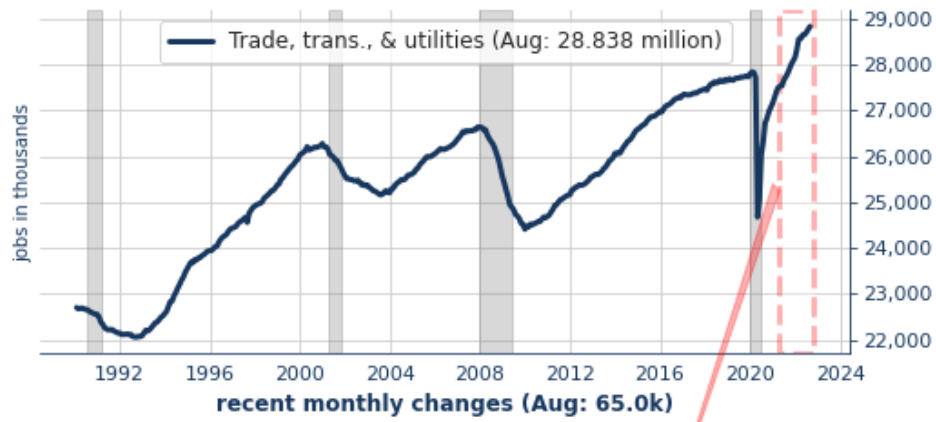
Government jobs ROSE by 7k. Consequently, **private sector jobs ROSE by 308k**. Private education jobs rose by 6k. State and Local education jobs fell by -19k.

Overall employment is now 4.0% ABOVE its year-ago level. Over the past 12 months, 5,840k jobs have been created.

In August, the job gains were in:

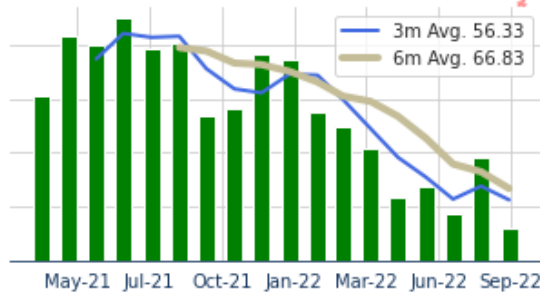
- Trade, Transportation & Utilities (+21k with 44k of those in Retail Trade),
- Professional & Business Services (+68k with the addition of 11.6k in Temp Help Services),
- Education & Health Services (+62k),
- Leisure & Hospitality (+31k),
- Manufacturing (+22k),
- Financial Activities (+17k),
- Construction (+16k), and
- Information (+7k).

Trade, trans., & utilities



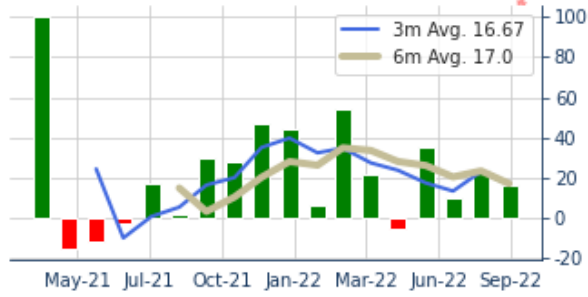
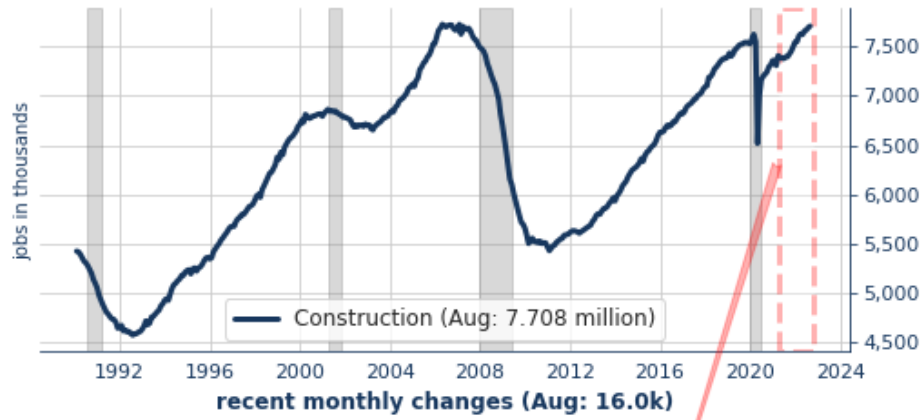
Contingent Macro Advisors 2022 source: US BLS

Leisure & hospitality



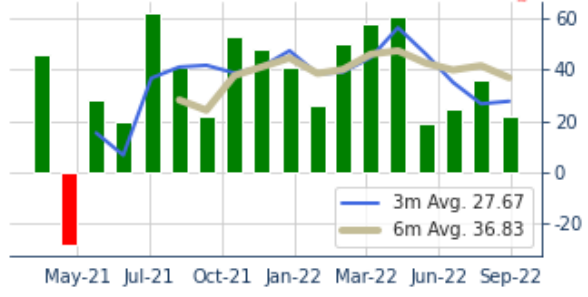
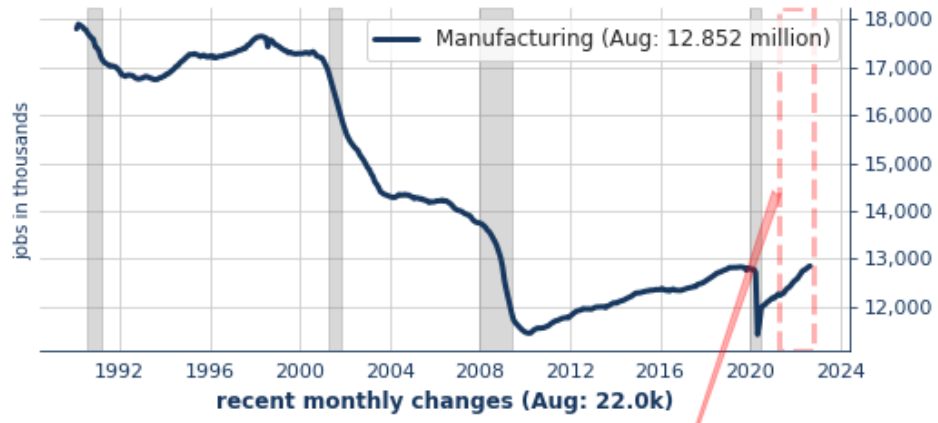
Contingent Macro Advisors 2022 source: US BLS

Construction



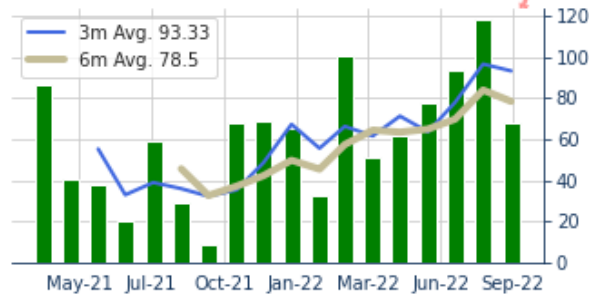
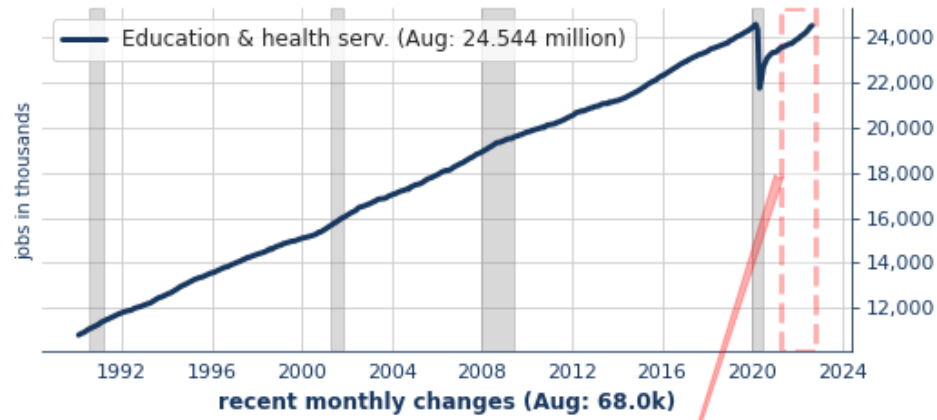
Contingent Macro Advisors 2022 source: US BLS

Manufacturing



Contingent Macro Advisors 2022 source: US BLS

Education & health serv.



Contingent Macro Advisors 2022 source: US BLS

| Change in US Employment - Major Sectors in 000s | Aug-22 | Jul-22 | 3m. avg. | 6m. avg. | 12m. avg. | 2021 | 5y |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Total nonfarm (152.7Mil. jobs total) | 315.00 | 526.00 | 378.00 | 381.00 | 486.70 | 561.92 | 97.20 |
| Trade, trans., & utilities (28.8Mil.) | 65.00 | 69.00 | 61.00 | 46.00 | 85.90 | 83.75 | 24.00 |
| Education & health serv. (24.5Mil.) | 68.00 | 118.00 | 93.30 | 78.50 | 68.00 | 49.08 | 21.50 |
| Prof. & business serv. (22.4Mil.) | 68.00 | 84.00 | 80.70 | 74.20 | 94.30 | 94.33 | 31.00 |
| Government (22.2Mil.) | 7.00 | 49.00 | 1.00 | 11.80 | 11.50 | 37.50 | -1.30 |
| Leisure & hospitality (15.8Mil.) | 31.00 | 95.00 | 56.30 | 66.80 | 109.60 | 196.33 | -6.40 |
| Manufacturing (12.9Mil.) | 22.00 | 36.00 | 27.70 | 36.80 | 38.40 | 30.42 | 6.40 |
| Financial activities (9.0Mil.) | 17.00 | 13.00 | 11.70 | 14.50 | 16.70 | 11.83 | 8.50 |
| Construction (7.7Mil.) | 16.00 | 24.00 | 16.70 | 17.00 | 25.90 | 15.75 | 11.80 |
| Other serv. (5.7Mil.) | 7.00 | 16.00 | 6.30 | 9.50 | 16.90 | 23.75 | -1.20 |
| Information (3.0Mil.) | 7.00 | 16.00 | 16.30 | 19.00 | 13.80 | 16.17 | 3.60 |
| Mining & logging (0.6Mil.) | 7.00 | 6.00 | 7.00 | 6.80 | 5.60 | 3.00 | -0.70 |

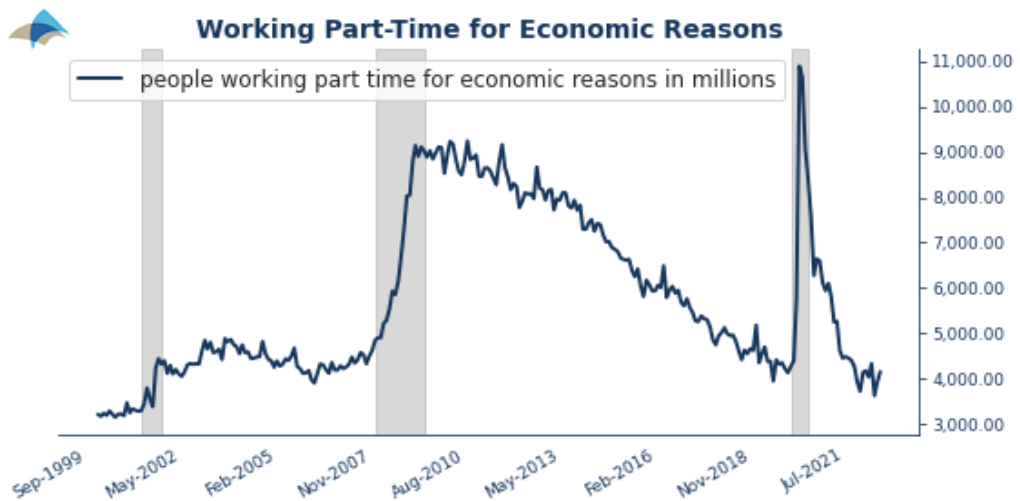
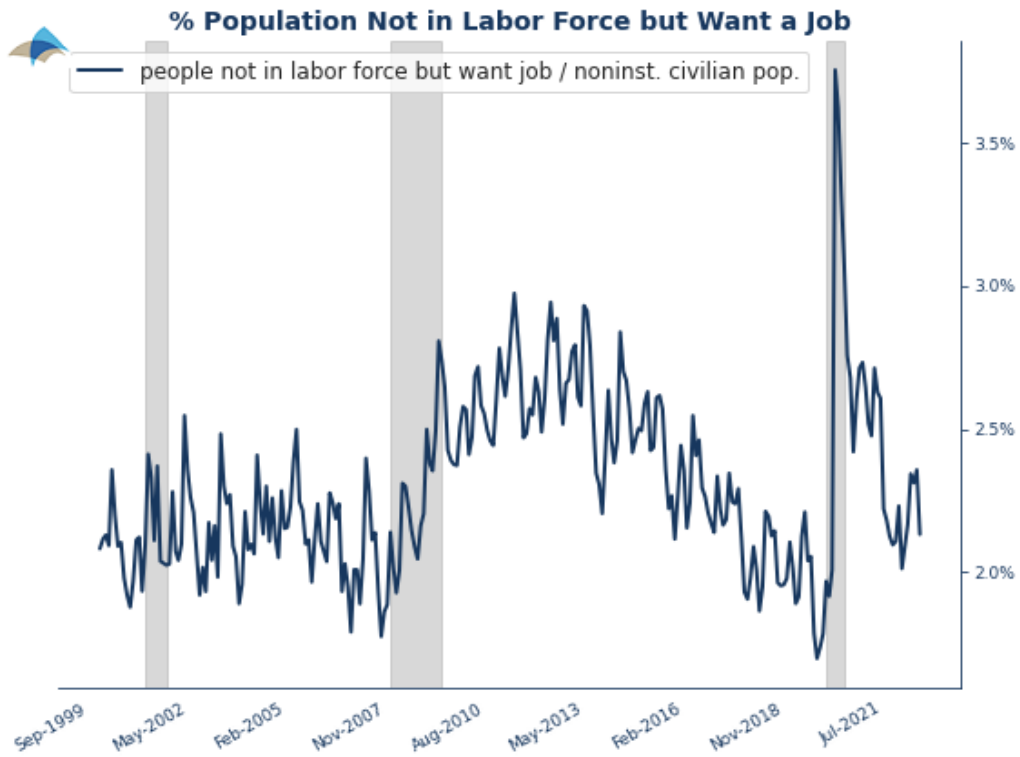
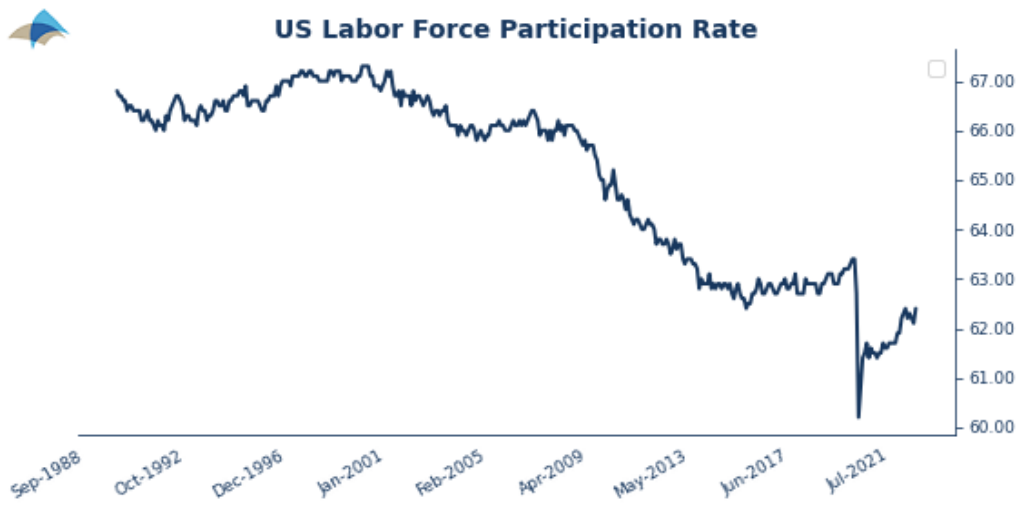
Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

The Unemployment Rate ROSE by 0.2 percentage points in August to 3.7%, compared with market expectations for a no change to 3.5%. Household employment rose by 442k while the labor force increased by 786k, resulting in an increase in the number of unemployed of 344k.

The Labor Force Participation Rate ROSE by 0.3 percentage points to 62.4%. The Employment-Population Ratio ROSE by 0.1 percentage points to 60.1%.

The number of people Working Part-Time for Economic Reasons ROSE by 187k to 4,075k. while Long-Term Unemployment ROSE by 70k to 1,137k (accounting for 18.9% of the unemployed), while the Mean Duration of Unemployment ROSE by 0.2 weeks to 22.3 weeks. There are now 6.0 million people officially unemployed. In addition, there are another 5,549k people who say they want a job but are not currently looking for one. Finally, another 4,075k people are working part-time because of slack economic conditions.







Mean Duration of Unemployment



| | Aug-22 | Jul-22 | Jun-22 | May-22 | Average for | | | | | | |
|--|--------|--------|--------|--------|--------------|------------|---------------|-------|-------|------------|-----------|
| | | | | | Three Months | Six Months | Twelve Months | 2020 | 2019 | Five Years | Ten Years |
| Unemployment Rate | 3.7% | 3.5% | 3.6% | 3.6% | 3.6% | 3.6% | 3.9% | 8.1% | 3.7% | 5.0% | 6.1% |
| Civilian Labor Force (mln.) | 164.7 | 164.0 | 164.0 | 164.4 | 164.2 | 164.3 | 163.4 | 164.6 | 163.1 | | |
| Change (thousands) | 786 | -63 | -353 | 330 | 123 | 126 | 270 | 124 | 218 | 138 | 96 |
| Household Employment (mln.) | 158.7 | 158.3 | 158.1 | 158.4 | 158.4 | 158.4 | 157.0 | 149.9 | 158.8 | | |
| Change (thousands) | 442 | 179 | -315 | 321 | 102 | 168 | 464 | 167 | 239 | 186 | 173 |
| Unemployed (mln.) | 6.0 | 5.7 | 5.9 | 6.0 | 5.9 | 5.9 | 6.4 | 10.8 | 5.9 | 7.4 | 9.0 |
| Change (thousands) | 344 | -242 | -38 | 9 | 21 | -43 | -194 | -43 | -21 | -48 | -77 |
| Not in the Labor Force (mln.) | 99.4 | 100.1 | 99.8 | 99.3 | 99.8 | 99.5 | 99.7 | 100.6 | 95.5 | 96.5 | 93.6 |
| Currently wants a job (mln.) | 5.5 | 5.9 | 5.7 | 5.7 | 5.7 | 5.7 | 5.7 | 7.3 | 4.8 | 5.7 | 6.0 |
| Adjusted Unemployment Rate | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 7.2% | 10.8% | 6.3% | 7.8% | 9.1% |
| Not at work due to weather ('01) | 0.0 | 33.0 | 12.0 | 18.0 | 15.0 | 38.2 | 69.4 | 111.0 | 112.0 | 137.8 | 144.6 |
| Mean Duration (in weeks) | 22.3 | 22.1 | 22.3 | 22.5 | 22.2 | 23.1 | 25.2 | 23.7 | 21.0 | 23.5 | 29.3 |
| Long-Term Unemployed (000's) | 1,137 | 1,067 | 1,336 | 1,356 | 1,180 | 1,301 | 1,700 | 3,979 | 1,196 | 1,974 | 2,901 |
| Part-Time for Economic Reason (000's) | 4,075 | 3,888 | 3,694 | 4,235 | 3,886 | 4,006 | 4,045 | 6,036 | 4,073 | 5,004 | 6,133 |

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

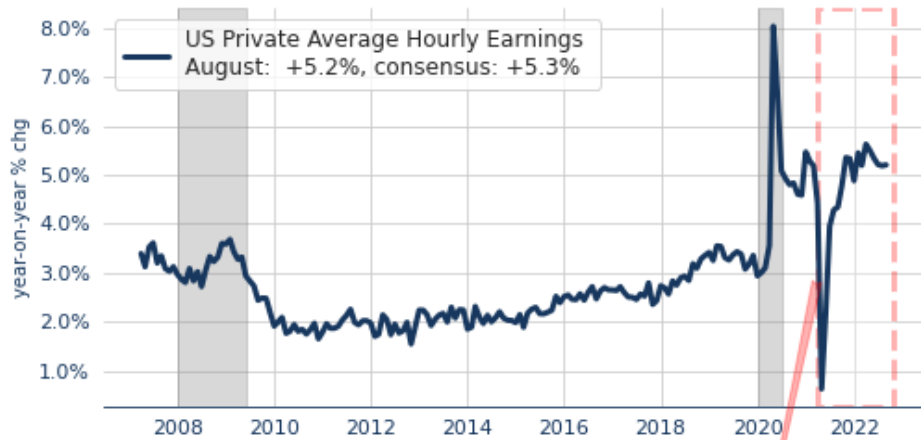
The Index of Aggregate Hours FELL by 0.1%, combining the solid gain in private payroll employment and the shorter workweek.

Hourly Earnings ROSE by 0.3% in August, below market expectations of 0.4%. Hourly earnings are now 5.2% ABOVE their year-ago level.

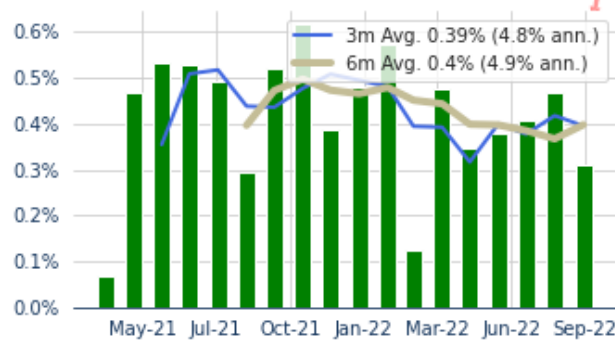
Weekly Earnings also ROSE by 0.0%, the result of the change in hourly earnings and a shorter workweek. Weekly earnings are now 4.6% ABOVE their year-ago level.

The Average Workweek FELL by 0.1 to 34.5 hours, BELOW the market consensus at 34.7 hours.

US Private Average Hourly Earnings August: +5.2%, consensus: +5.3%

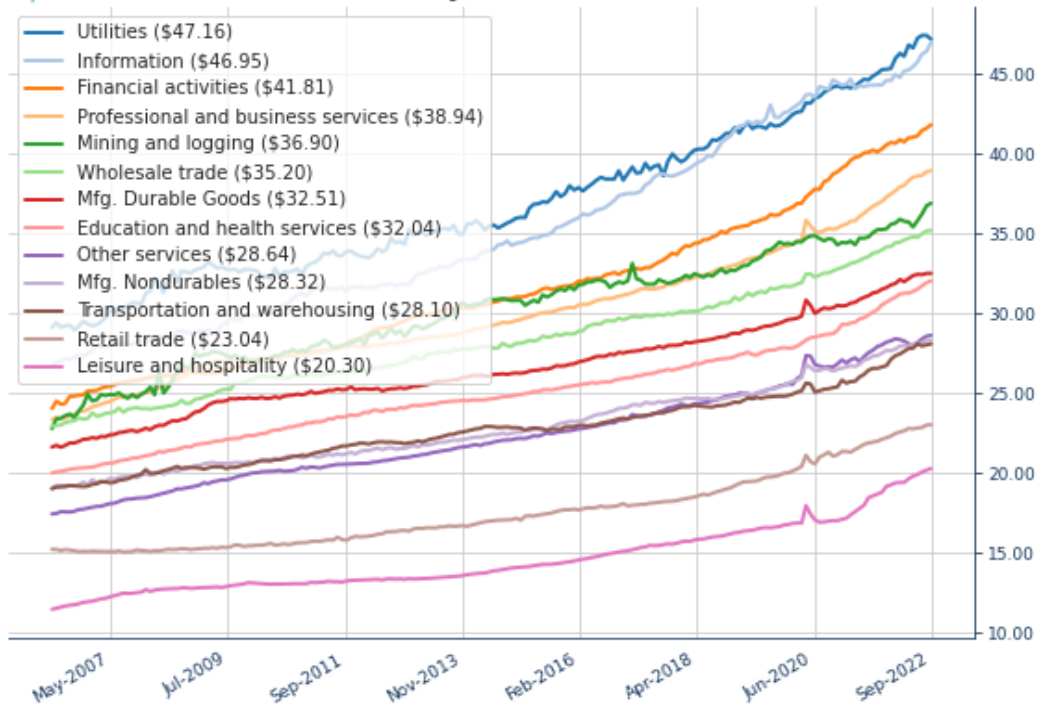


August: +0.31%, consensus: +0.4% (mom %)



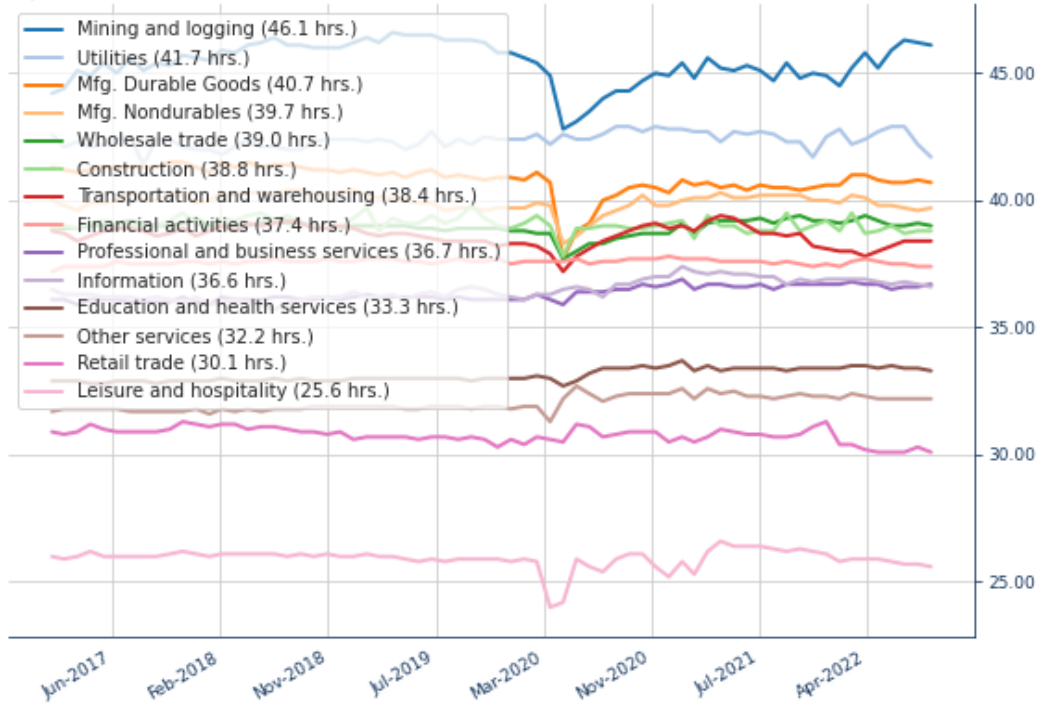
Contingent Macro Advisors 2022 source: US BLS via FRED

Average Hourly Earnings by sector

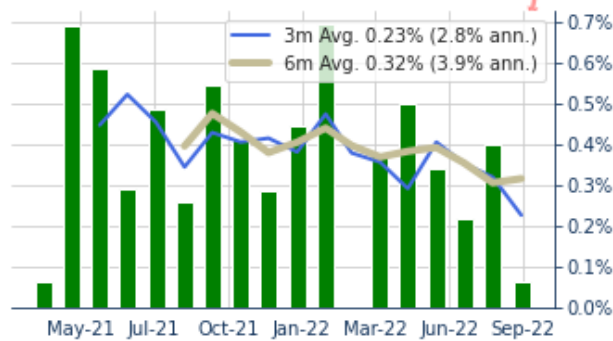




Average Hours Worked by sector per week



Avg Hrly Earnings - Goods-producing



Avg Hrlly Earnings - Manufacturing



Contingent Macro Advisors 2022 source: US BLS via FRED

| | Aug-22 | Jul-22 | Jun-22 | May-22 | Annualized Averages for | | | | | | |
|--|--------|--------|--------|--------|-------------------------|------------|---------------|-------|------|------------|-----------|
| | | | | | Three Months | Six Months | Twelve Months | 2020 | 2019 | Five Years | Ten Years |
| Average Hourly Earnings | 0.31% | 0.5% | 0.4% | 0.4% | 4.8% | 4.9% | 5.2% | 2.9% | 3.4% | 3.5% | 2.6% |
| <i>Prior Estimate</i> | | 0.5% | 0.4% | 0.4% | | | | | | | |
| Average Weekly Earnings | 0.02% | 0.8% | 0.1% | 0.4% | 3.6% | 3.7% | 4.6% | 2.3% | 3.4% | 3.7% | 2.7% |
| Average Weekly Hours | | | | | | | | | | | |
| Total Private | 34.5 | 34.6 | 34.5 | 34.6 | 34.5 | 34.6 | 34.7 | 34.2 | 33.5 | 33.7 | 33.7 |
| <i>Prior Estimate</i> | | 34.6 | 34.6 | 34.7 | | | | | | | |
| Goods Producing | 39.9 | 40.0 | 39.9 | 40.0 | 39.9 | 40.0 | 40.0 | 39.9 | 40.1 | 40.2 | 40.3 |
| Manufacturing | 40.3 | 40.4 | 40.3 | 40.4 | 40.3 | 40.4 | 40.4 | 40.1 | 40.4 | 40.6 | 40.7 |
| Overtime | 0.0 | 3.3 | 3.2 | 3.3 | 2.2 | 2.8 | 3.0 | 3.2 | 3.2 | 3.3 | 3.4 |
| Service Producing | 33.4 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.6 | 33.7 | 33.2 | 33.3 | 33.3 |
| Index of Aggregate Weekly Hours | | | | | | | | | | | |
| Total Private | -0.1% | 0.6% | 0.0% | 0.3% | 2.2% | 2.2% | 4.0% | 0.7% | 1.8% | 0.1% | 0.9% |
| <i>Prior Estimate</i> | | 0.4% | 0.3% | 0.3% | | | | | | | |
| Goods Producing | 0.0% | 0.5% | 0.0% | 0.3% | 2.1% | 1.0% | 4.1% | -0.6% | 3.3% | 0.1% | 0.9% |
| Manufacturing | 0.0% | 0.4% | 0.0% | -0.1% | 1.7% | 1.5% | 3.4% | -1.2% | 2.3% | -0.5% | 0.2% |
| Service Producing | -0.1% | 0.3% | 0.3% | 0.3% | 2.4% | 2.3% | 3.7% | 1.3% | 1.4% | 0.1% | 1.0% |

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