

Three takeaways from mixed August jobs report

By Kevin G. Hall
khall@mcclatchydc.com

Employers added a disappointing 173,000 jobs in August, falling short of expectations. The blow was softened by the equally unexpected drop of the unemployment rate to 5.1 percent.

That's the best reading on unemployment since March 2008, but there were plenty of mixed signals within [the report released Friday by the Bureau of Labor Statistics](#).

Here are three important takeaways from jobs report and what it signals ahead for the U.S. economy.

Outlook for U.S. workers improving

Although the headline number on hiring missed, the months of June and July were revised upwards by a combined 44,000 after additional data came in. Those were already strong months, so it raises the likelihood that August's first take might not stand.

"The job market is rocking and rolling," said Mark Zandi, chief economist for forecaster Moody's Analytics. "Ignore the weak job gain in August, it will be revised substantially higher in coming months. The economy is generating over 200,000 jobs per month."

Here's why Zandi's upbeat. Full-time employment, as measured in the survey of households, was 122,024,000 in August. That's a record, above the previous peak in November 2007 of 121,875,000.

The two-tenths of a percentage point drop in the unemployment rate is also a good sign. Over the past 12 months, the rate has dropped by a full percentage point to a seven-year low, and 1.5 million people are no longer counted as unemployed.

And wages are creeping up. Average hourly earnings rose at 0.3 percent in August, and have risen 2.2 percent over the past year. That's higher than the rate of inflation, giving workers a bit more purchasing power.

Global slowdown is being felt

Hiring in August was spread widely across all sectors except manufacturing, which shed 17,000 jobs. That sector faces dual headwinds, turmoil in China and a broader slowdown in the global economy.

China's devaluation of its currency and Europe's ongoing debt crisis have made the U.S. dollar stronger against most global currencies, and makes U.S. manufactured products more expensive abroad. It also makes goods manufactured abroad and imported into the United States cheaper.

"Financial concerns in the global equity markets, driven in particular by worries about growth in China ... could partly explain the lower manufacturing hiring rates," said Chad Moutray, chief economist for the National Association of Manufacturers. "There could also be some seasonal factors, given that it was August, a traditionally slower month."

The unusually low price of oil and gasoline have been a windfall for U.S. consumers, who now have more to spend. It seems to have helped hiring in the leisure and hospitality sector, which has been solid this year and added another 33,000 jobs in August.

Healthcare hiring, a big sector in an aging nation, added more than 40,000 jobs in August. State and local

governments added 31,000 jobs as teachers began the school year.

Federal Reserve seems poised to move

The Federal Reserve has signaled it would like to raise its benchmark interest rate this month, the first time in almost a decade. When that happens, lending costs for consumers and businesses will slowly begin to creep up after years of record low rates.

Friday's report does little to argue the economy can't take a rate hike, and many economists think the Fed's only hesitation now is whether financial markets calm down. They've been jittery on fears that the world's second largest economy, China, is in worse shape than advertised.

"There is no way the Fed can point to the labor market as a rationale to delay the start of rates normalization," Neil Dutta, head of U.S. economics for Renaissance Macro Research, said in a note to investors.

Kevin G. Hall: [202-383-6038](tel:202-383-6038), [@KevinGHall](https://twitter.com/KevinGHall)

AUGUST BY THE NUMBERS FROM BLS

Professional and business services, up 33,000

Manufacturing, down 17,000

Leisure and hospitality, up 33,000

Health care, up 40,500

Construction, up 3,000

Temporary help services, up 10,700

Transportation and warehousing, up 7,300

Retail, up 11,200

Financial services, up 19,000

Government jobs, up 33,000