

Total employment decreased for the eighth straight month in August, and the June and July losses were revised downward. The unemployment rate jumped to a new high for this cycle, removing any lingering questions about the severity and likely duration of the economic slump.

Employment fell by 84,000 in August. Losses in the prior two months were revised up by a total of 58,000 jobs. Total employment has decreased by a total of 605,000 jobs or 76,000 jobs per month since its peak last December. Private sector employment has decreased for nine straight months by a total of 772,000 jobs. Private sector employment has decreased for nine consecutive months during the post-war period only in conjunction with recessions.

The rate of job loss in construction moderated to 8,000 in August, compared with an average decline of 38,000 during the preceding twelve months. But the loss of manufacturing jobs intensified to 71,000 – the largest one-month loss since July 2003. Professional and business services shed 53,000 jobs. The only major sector to post a sizable employment gain was education and health services, where the job count increased by 55,000. Employment in temporary help services decreased for the twentieth consecutive month by the largest amount since the 2001 recession. Temporary help employment has led other measures of economic activity in the past, because of the ease with which temporary staff can be added or reduced.

The unemployment rate increased by 0.4 percentage points to 6.1% in August after rising 0.2 percentage points 5.7% in July to 1.7 percentage points above the cycle low of 4.4% in March 2007. The rate is 1.3 percentage points above the low during the preceding twelve months, a development that has occurred only during periods of recession.

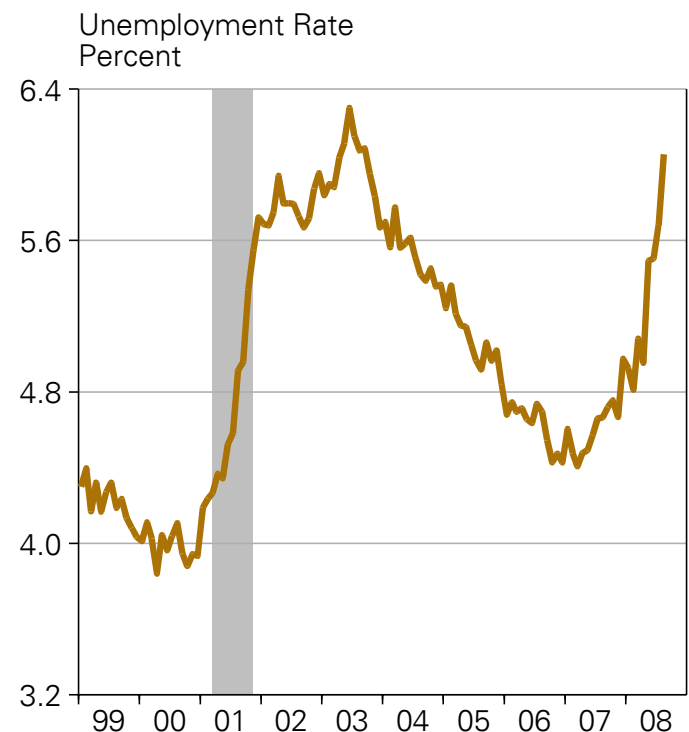
The length of the workweek for all production and non-supervisory workers was unchanged at 33.7 hours – a notch above the all-time of 33.6 hours. The manufacturing workweek slipped to 40.9 hours, and overtime fell to a weekly average of 3.7 hours. The index of aggregate weekly hours decreased for the fifth straight month. The

The large decrease in employment and rise in the unemployment rate in August confirms the economy is in recession.

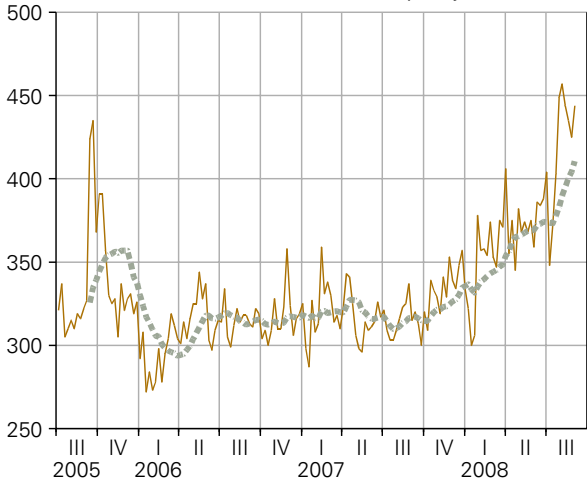
July-August average is 1.3% below the second quarter average by 1.3% at an annualized rate.

The August employment report goes a long way toward answering questions about the recent pattern in jobless claims, which shot up about 400,000 per week after the benefit period was extended at the end of June. After receding for a few weeks, claims jumped back up to 444,000 at the end of August, signaling that the recent increase reflected more than just reapplications by previously laid-off workers seeking the additional benefits.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100



Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA

