New York • London • Boston
DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

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Employment: Too Mild

August payroll employment rises a less-than-expected 96,000 (Consensus and Decision Economics: +125,000), with the workweek unchanged, as expected.

That amounts to a very mild growth performance in the month--and the message is seriously compounded by downward revisions to July data--notably, to the average workweek, now shortening by 0.1 hour instead of holding steady--that weaken not only that month but also level shift the third quarter downward.

There is help on the income side either, with average hourly earnings just steady in August (Consensus and Decision Economics: +0.2%), and July unrevised at +0.1%--so the downgrading of July hours (aggregate hours index: -0.2% versus +0.1%) woll flow through directly to a downward revision in wage and salary income growth.

These numbers do not quite amount to a stumble into recession, but they will heighten FOMC concerns about serious current and projected underperformance relative to dual-mandate goals.

And, the picture is further confused by a 0.2-point fall in the unemployment rate (Consensus: unchanged; Decision Economics: -0.1 point) to 8.1%. That reflected the unhealthy combination of an employment decline of 119,000 and an even bigger drop in the labor force, some 368,000.

Impatient FOMC doves will be pushing for QE3--but the optics of such a flamboyant contradiction of Republican-candidate advice at a time when the political debate is evenly matched and the unemployment rate is falling are treacherous, and potentially dangerous to the Fed's independence in the long run.

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