U6 Fix

August: When Meh is the Safe Bet

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After a couple of months of surprisingly strong top-line job gains, the August report is very much a return to job growth seen in the first half of 2016. This report features a disappointing – at least relative to consensus estimates – 151,000 new payroll jobs. After posting wide gains across the board last month, this report returns to the past experience of more mixed indicators. Job gains were up in general, but the goods producing sector actually posted losses, with manufacturing losing 14,000 jobs. Service jobs were up 150,000, but without the more fickle cushion from temporary services, which also posted a loss. Hours distributed, showing a rebound in goods-producing employment as well as the cyclically-sensitive temporary help services.
The unemployment rate remained unchanged from July at 4.9 percent. Average hourly earnings rose by 3 cents in August, falling off of last month's 8 cent gain. Average weekly hours ticked down slightly by 0.1 to 34.4 hours. The labor force participation rate held steady, and saw an additional 176,000 entrants to the labor force.

Data junkies here's your fix: August U-6 (the broadest measure of unemployment) held at 9.7 percent, with increases in discouraged workers and those working part time for economic reasons netted out against a drop off in those marginally attached to the labor force.

The bottom line: The August was a return to the new normal, and was likely not strong enough to make a compelling case for this Fed to announce a rate hike on the 21st.