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THE OUTLOOK

August Jobs Data Review

August data changed the complexion of the payroll data, from really bad to not nearly good enough. Private employment rose about 27k more than expected, leaving the underlying pace of employment growth far too slow to make a dent in the army of the unemployed. Aggregate hours were unchanged in August, which points to very little change in output. In fact, the 3-month pace of rise in aggregate hours slowed to 1.8% from 3.3% in Q2 and 2.4% in Q1. That does not bode well for GDP in Q3.

S/A X 1000	March	April	May	June	July	Aug
Total Employment	208	313	432	-175	-54	-54
Private Employment	158	241	51	61	107	67
Goods Producing	57	67	21	1	37	0
Construction	27	22	-29	-9	-4	19
Manufacturing	19	38	39	4	34	-27
Government	50	72	381	-236	-161	-121
Retail Trade	23	14	-6	-46	7	-5
Jobless Rate %	9.7	9.9	9.7	9.5	9.5	9.5
Avg Hrly Earnings %	0.0	0.1	0.2	0.0	0.2	0.3

That said, the short-term trend in private employment is better than it seemed before the release. Going back to July for a moment, the 3-month average pace of growth in private employment was first reported 51k. Now, the 3-month average to July is 73k, and for August it's 78k. Now, that's far from good, but adding 70k-80k a month is better than adding 50k a month.

Factories shed 27k workers after adding 34k in July. Some of that is because of GM decision not to shut down factories in July and August, with the lift to employment showing up in July. The average for the 2 months is around +30k which is pretty close to what it was before the distortion. Orders data suggest a slowdown ahead, but the August drop in factory jobs is not really an indication of weakness - just a distortion. Another distortion, from Census hiring and then layoffs, will fade in the September report, though it won't be gone.

It was private service firms that drove the improvement in overall private hiring in August. Gains in private service employment were not, however, evenly distributed. Retail, trade and transport, information services and finance all shed workers in August. ISM non-factory data show a decline in non-factory employment in August, which matches better with those sectors with falling employment than with the overall rise in private service jobs.

The y/y gain in hourly earnings hit a new cycle low, which is not all that optimistic for spending. State and local government laid off only 10k workers, which is not all that bad under the circumstances.

DATA PREVIEWS**Outlook for Merchandise Trade August 11 at 8.30am/12.30gmt**

	Feb	March	April	May	June	July e
Trade Balance \$ bln	-40.1	-40.0	-40.3	-42.0	-49.9	50.2
Exports % change	-0.1	3.8	-0.7	2.5	-1.3	0.0
Imports % change	2.8	2.9	-0.4	2.8	3.0	0.2

The big question for July trade data is whether the two-month surge in Chinese exports to the US persisted, or was just noise in the data. The big rise in imports did not rely on the usual swing factor in July - oil imports fell while imports ex-oil rose 4.7% after a 6.1% rise in May. The same is true with exports, where aircraft exports rose while overall exports fell. Boeing data show aircraft exports down modestly in July. Trade prices point to another rise in the deficit. If volumes were unchanged between June and July, prices would push the deficit to \$50.6 bln. One factor that might militate against a wider deficit is the high volume of oil imported in June, a rise of 11.4% over May. A drop there would offset upward pressure on imports.

US WEEKLY CALENDAR

DATE	TIME	INDICATOR	PERIOD	MEDIAN	HIGH	LOW	PRIOR
Sept 8	3:00	Consumer Credit	July	-\$4.7B	-1.0	-6.2	-\$1.3B
Sept 9	8:30	Initial Jobless Claims	9/4	470K	475	465	472K
Sept 9	8:30	Continuing Claims	8/28	4.445M	4.420	4.500	4.456M
Sept 9	8:30	Trade Balance	July	-\$47.2B	-44.0	-52.0	-\$49.9B
Sept 10	10:00	Wholesale Inventories	July	0.4%	0.6	0.2	0.1%
Sept 13	14:00	Treasury Statement	Aug	-\$113.0B	-121.0	-100.0	-\$103.6B
Sept 14	8:30	Retail Sales	Aug	0.4%	0.5	0.2	0.4%
Sept 14	8:30	Retail Sales ex-Auto	Aug	0.5%	0.6	0.3	0.2%
Sept 14	10:00	Business Inventories	July	0.5%	0.7	0.3	0.3%
Sept 15	8:30	Import Price Index	Aug	0.2%	0.7	-0.4	0.2%
Sept 15	8:30	Export Price Index	Aug	-0.1%	0.4	-0.3	-0.2%
Sept 15	8:30	Empire State Index	Sept	8.80	11.00	6.5	7.10
Sept 15	9:15	Industrial Production	Aug	0.2%	0.5	-0.1	1.0%
Sept 15	9:15	Capacity Utilization	Aug	74.9%	75.2	74.6	74.8%
Sept 16	8:30	PPI	Aug	0.4%	0.8	0.1	0.2%
Sept 16	8:30	PPI ex-Food & Energy	Aug	0.2%	0.3	0.1	0.3%
Sept 16	8:30	Current Account Balance	Q2	-\$124.0B	-122.0	-127.0	-\$109.0B
Sept 16	9:00	TICS Balance	July	\$36.0B	45.0	27.0	\$44.4B
Sept 16	10:00	Philadelphia Fed Index	Sept	2.0	5.0	-3.5	-7.7
Sept 17	8:30	CPI	Aug	0.3%	0.3	0.2	0.3%
Sept 17	8:30	CPI ex-Food & Energy	Aug	0.1%	0.2	0.1	0.1%
Sept 17	10:00	U Michigan Confidence	Sept	69.1	71.0	67.0	68.9

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