August Office Employment Softens; Fed Move Still Possible

September 2, 2016

August's nonfarm payroll report was somewhat soft, with the headline figure showing a gain of 151,000 jobs versus consensus for an increase of 180,000 jobs. Excluding government workers, payrolls rose by 126,000. The change in total nonfarm payroll employment for June was revised down from +292,000 to +271,000, while the change for July was revised up from +255,000 to +275,000; on balance, employment gains in June and July combined were 1,000 less than previously reported.

Office employment rose by a lackluster 41,000 (*Table 1* and *Chart 1 on the following page*)—roughly half the gain of the prior month, led by weakness in the professional and business services segment, and specifically, a decline in jobs in the employment services category. Today's report was somewhat disappointing, particularly given the decline in the length of the average workweek as well as the hourly earnings growth of just 2.4% year on year--the slowest annual pace of growth in five months. As shown in *Chart 2 on the following page,* compensation trends do not appear to be in danger of overheating. Even with the unemployment rate remaining at 4.9%, weak productivity growth is likely to cap employers' ability to lift wages dramatically, which may be one reason the Fed can continue to adopt a wait-and-see attitude with regard to monetary policy. Signs of inflationary pressure appear absent for now.

Table 1. **Monthly Change in Office-Using Payrolls by Category (000s, SA)**

Monthly Changes in Employment by Sector (000s, SA)

	July 2015 - July 2016 (average)	July 2016 revised (revised)	August 2016
Total Office	62.5	95.0	41.0
Information	2.1	-4.0	4.0
Financial Activities	14.2	19.0	15.0
Finance and Insurance	9.5	11.7	14.4
Commercial Banking*	-0.4	0.2	-0.4
Real Estate and Rental and Leasing	4.7	6.8	0.6
Rental and Leasing Services*	0.9	2.9	-4.7
Professional/Business Services	46.2	80.0	22.0
Legal Services*	0.4	1.0	0.0
Accounting*	3.4	4.8	0.7
Architectural/Engineering Services*	2.6	5.7	2.3
Computer Systems Design/Related Services*	7.2	9.1	6.1
Temporary Help Services*	2.7	12.5	-3.1
Services to Buildings/Dwellings *	4.8	5.4	1.1
Additional:			
Nonresidential Building Construction	1.0	2.7	-7.8
Nonresidential Specialty Trade Contractors	5.6	6.9	-2.9

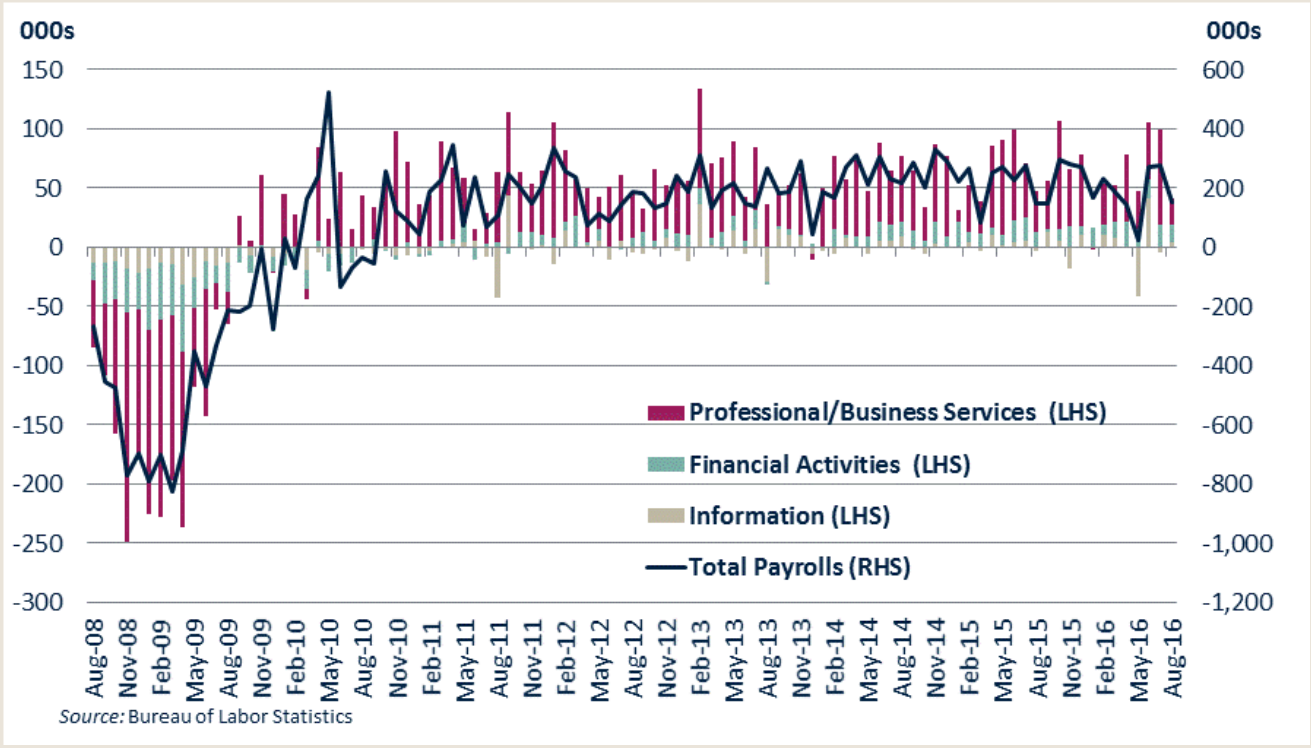
*Listings do not include all sub-sectors, so numbers shown will not sum to total sector figure.

Source: Bureau of Labor Statistics

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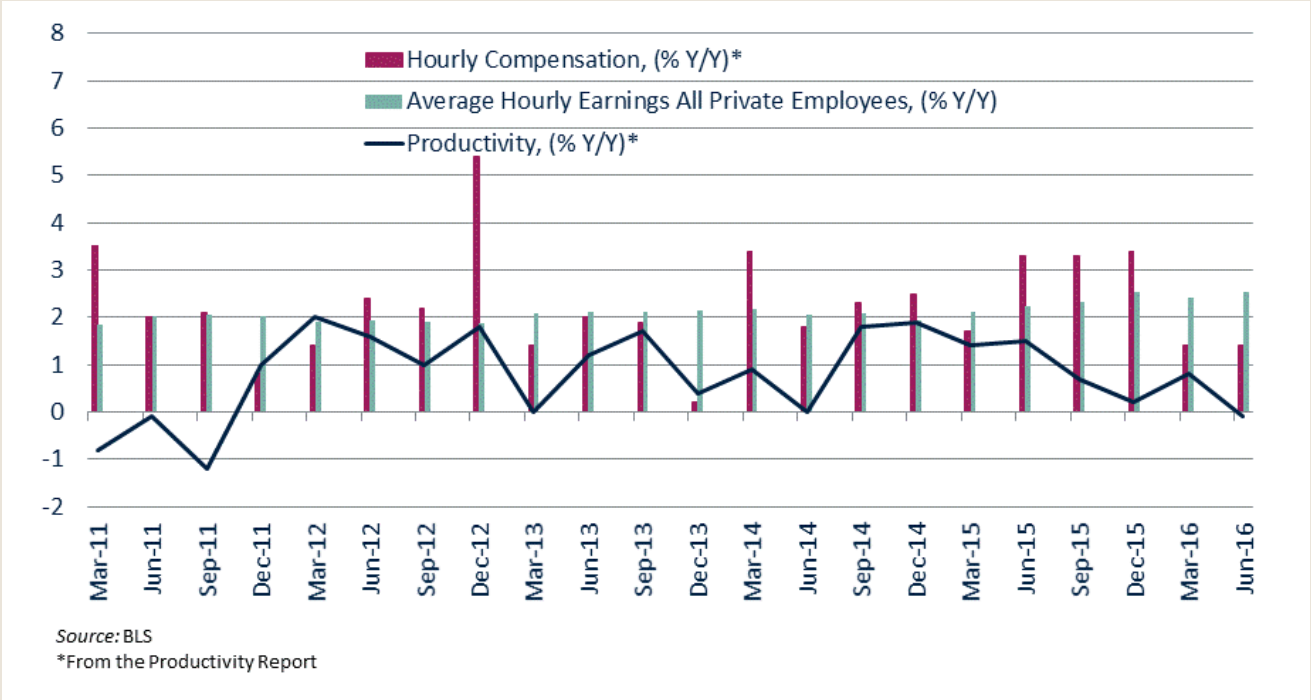


Chart 1. **Office-Using Employment and Total Payrolls, August 2008 – August 2016 (Seasonally-Adjusted, 000s)**



Source: Bureau of Labor Statistics

Chart 2. **Annual Changes in Compensation and Productivity (Seasonally-Adjusted Data)**



Source: BLS
*From the Productivity Report

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