

## Employment: Job Losses Reflect Sector Changes

*Non-farm employment fell 467,000 with widespread declines in many sectors especially for the ongoing structural change in manufacturing. The job losses are consistent with our expectations for modest economic growth without job growth the rest of this year. Higher unemployment rates and slower wage gains limit consumer income growth.*

### Employment Declines Signal a Bottoming

- Job declines continue in construction and services at a slower pace in the second quarter. Within the private sector, job gains were reported for healthcare & education. The persistent problem is weakness in manufacturing.
- The index of hours worked contracted at a 7.9 percent rate in the second quarter which suggests negative GDP in the second quarter, and raises issues for the third as well.

### Unemployment Up, Wage Growth Continued to Slow

- Rising unemployment rates are consistent with slower wage growth, and thereby weakness in personal income and ultimately, consumer spending.
- The diffusion index suggests that the job losses remain widespread. Unfortunately, the gains in employment are likely to be focused on just a few sectors while most workers still face prolonged unemployment and financial stress.

