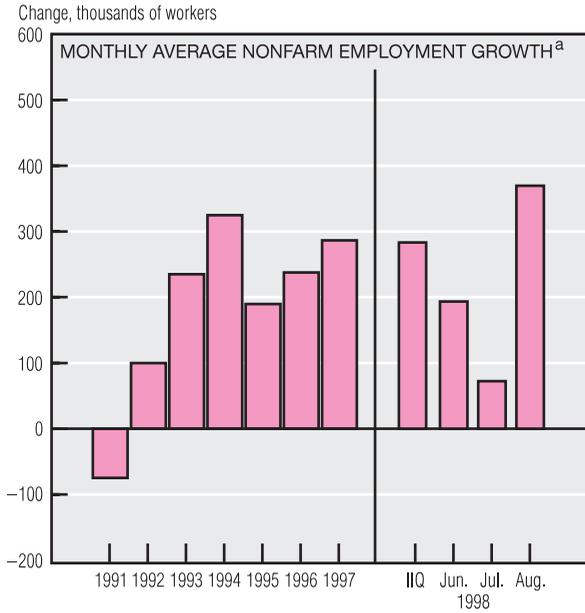
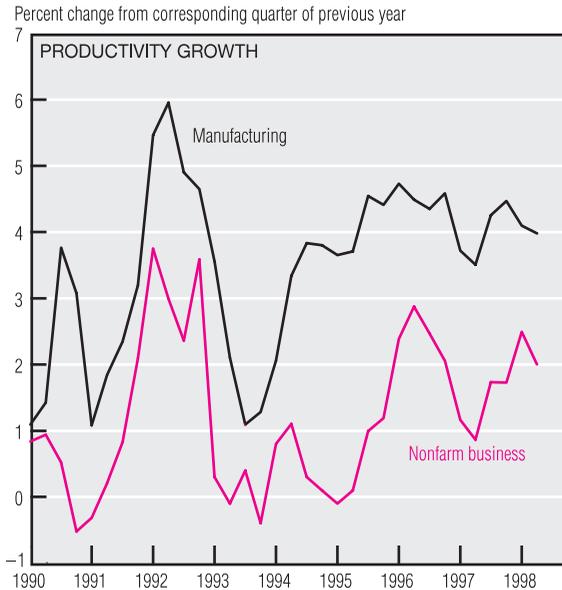


Labor Markets



	Monthly average change (thousands of employees)				
	1995	1996	1997	1998	
				Year to August date	
Payroll employment	185	233	282	237	365
Goods-producing	8	31	42	4	109
Manufacturing	-1	3	21	-15	95
Motor vehicles	2	0	3	-2	117
Construction	10	28	20	22	16
Service-producing	178	202	240	233	256
Services	112	117	142	115	135
Government	9	9	20	26	57
Household employment	32	232	240	49	101
	Average for period				
Civilian unemployment rate (%)	5.6	5.4	5.0	4.5	4.5
Diffusion index (3 month)	57.8	64.0	65.8	62.5	58.0



a. Seasonally adjusted.
 b. Vertical line indicates break in data series due to survey redesign.
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

August's nonfarm employment growth was exceptional (365,000), partly because of workers' return after the General Motors strike. Despite this headline statistic, however, there is increasing evidence that labor market growth is slowing. Removing the effects of the GM strike, the goods-producing sector has added only 4,000 jobs over the last eight months. In recent months, the number of industries showing employment growth has declined markedly. The current diffusion

index for nonfarm payrolls shows that only 58% of detailed industries experienced employment gains over a three-month period, versus 72% as recently as December 1997.

Interestingly, the household survey (used to calculate the unemployment rate) registered the slowing more immediately. While the payroll employment series has continued to show growth in most months, household employment has not shown any statistically significant employment gain for the

last several months. The household survey's weaker measured employment growth halted the downward trend in the unemployment rate. Unemployment fell to 4.3% in May and has since risen to 4.5%. Typically, the payroll and household series do not deviate for many months, but no firm explanation for this deviation has yet been offered.

Productivity growth has also slowed. In the latest quarter, the increase was only 0.1% for nonfarm businesses.