Nonfarm payroll employment grew by 39,000 jobs in August. Estimates for July employment growth were revised upward to 67,000, far higher than the previously estimated growth of 6,000 jobs. The revised July increase is well above the average monthly gain of 12,000 jobs in 2002:IIQ and the average monthly loss of 63,000 jobs in 2002:IQ, suggesting further improvement in the labor situation.

The service-producing sector showed an increase in jobs, and the goods-producing sector posted a decrease. Although construction and mining reported a combined gain of 35,000 jobs, both durable and non-durable manufacturing declined. The goods-producing sector showed an average monthly loss of 63,000 jobs from January through July 2002. Services, government, and finance, insurance, and real estate gained jobs in August. Between January and July, monthly employment growth in wholesale and retail averaged zero, but this sector lost 63,000 jobs in August. Help supply services showed a net gain of 51,000 jobs in August, reinforcing the steady employment recovery.

Between July and August, the unemployment rate dropped 0.2 percentage point to 5.7%, the lowest level since March of this year. The ratio of employment to population increased 0.2 percentage point to 62.8%, continuing the month-to-month volatility that has been evident since January 2002.

During the recession that began in 2001:IQ, employment changes in goods-and service-producing industries have followed patterns similar to those of the 1990 recession. For service-producing sectors, the dip into negative employment change lasted less than four quarters during both recessions. The most recent data suggest continued progress toward resuming employment growth in the goods-producing sector.