Nonfarm payrolls increased by 144,000 jobs in August following lackluster net gains in June and July, which were revised upward by a total of 59,000 jobs to 169,000. So far, payroll employment has increased by 1.4 million jobs since the beginning of the year—just over half of the 2.7 million jobs lost between March 2001 and August 2003.

Service-providing industries added 108,000 net jobs in August. Although this sector has improved from last month, when it posted its smallest employment increase since December 2003, it is still below the average monthly job gain of 151,000 experienced since the beginning of this year. Within this sector, professional and business services and education and health services posted the most significant net job gains (32,000 and 45,000, respectively). Government added 24,000 net jobs in August, the largest gain in this subsector in over a year. Meanwhile, manufacturing gained 22,000 net jobs in August because durable manufacturing had the largest increase (36,000) in more than four years. The unemployment rate inched downward 0.1 percentage point to 5.4%—the lowest level since the economic recovery began in November 2001.

The diffusion index of employment gauges the share of industries where employment rose. Reflecting stronger employment growth rates earlier this year as well as the recent lackluster performance, the six-month diffusion index rose to 72% in August, while the three-month diffusion index declined substantially—from nearly 75% in May to about 58% in August.