Employment has grown steadily over the past three months. In July, nonfarm payrolls increased by 113,000, which was less than the average monthly increase for 2005 (165,000), but in line with the 112,000 average monthly gain for 2006:IIQ.

Service-providing industries drove the increase in employment, adding 115,000 jobs.

The strongest gains were in professional and business services (43,000), education and health services (24,000), and leisure and hospitality (42,000). Manufacturing created most of the drag on employment growth, decreasing by 15,000 jobs in July and largely offsetting its 22,000 increase in June.

The civilian unemployment rate increased from 4.6% to 4.8% in July. The labor force increased by 213,000, while the participation rate remained unchanged. The employment-to-population ratio remained largely unchanged at 63.0%.

Weakness in the housing market may be filtering through to the labor market. Housing-related employment growth—comprised of 10 construction, retail and wholesale, finance, and service industries that are sensitive to housing market trends—has slowed dramatically in the last two months.