The July employment report underscored continued strength in the late spring and summer labor market. While new virus variants, policy challenges, and stubborn growth in the labor force may pose risks in the future, the story for summer labor markets is undeniably positive. Employers in July added 943,000 jobs, with private-sector payrolls gaining 703,000 jobs, while the unemployment rate fell to 5.4 percent. The labor force participation rate increased by one-tenth of a percentage point to 61.7 percent.

Here is a brief summary of the major economic indicators since the last jobs numbers:

- The Producer Price Index for final demand increased 1.0 percent in July;
- The Consumer Price Index increased 0.5 percent in July;
- Real average hourly earnings decreased one cent from June to July;
- Orders for durable goods (including defense and aircraft) decreased 0.1 percent in July;
- New home sales increased 1.0 percent in July;
- The Price Index of U.S. imports increased 0.3 percent in July;
- ISM Services Index increased 4.0 percentage points to 64.1 percent in July;
- ISM Manufacturing Index increased 0.4 percentage points to 59.9 percent in August;
- Consumer Confidence Index decreased 11.3 points from 125.1 to 113.8 in August;
- ADP reported private sector employment increased by 374,000 jobs in August.

**Gordon’s Guesstimate: August Jobs**

Over the course of this year, employment growth averaged about 600,000 jobs per month before accelerating to over 800,000 per month over the last three months. Early in the year, Congress enacted two additional rounds of fiscal support, while the Federal Reserve has kept monetary policy highly accommodative. Lack of demand wasn’t the challenge last winter – the virus and associated constraints were. Hiring throttled up as vaccinations increased and restrictions receded. But restrictions are creeping back in as new virus variants pose further risks, though the health risks remain overwhelmingly to the unvaccinated.

To be sure, there are myriad considerations that animate the labor market. Job openings have been setting new records every month – the demand for labor is high. Supply has lagged. There has been a robust debate, for instance, over the degree to which enhanced unemployment insurance (UI) benefits have held back hiring. To be sure, according to the Federal Reserve’s Beige Book, market participants are reporting that UI is holding back hiring. But these are qualitative observations, and preliminary evidence gleaned from the states that ended this program early point in the opposite direction, though this is based on too few observations to be definitive at this point. Child care concerns have been similarly posited as holding back hiring. There’s some evidence that this did not hold back workers from reentering the labor market, however.

Heading into August, hospitalizations had increased apace with restrictions. There’s another risk to the economy...
posed by inflationary pressures. Indeed, recent consumer sentiment indices have taken a nosedive. The University of Michigan’s Index of Consumer Sentiment fairly plummeted from July in one of the largest declines in its history. The Conference Board’s Consumer Confidence Survey fell to its lowest level since February, when the economy and the public health outlook was substantially different than today. The ADP payroll data offer something of a coin toss. Indeed, this month’s report reflects an increase from last month, which ultimately proved to be the largest job gain since last August. Or taken at face value, it could suggest a downshift in hiring.

The sweep of these data, coinciding with renewed COVID-19 challenges, suggest the latter over the former, but not to a substantial disappointment. This guesstimator is assuming an employment gain of 625,000, with a reduction in the U-3 to 5.2 percent and an hourly earnings gain of 12 cents.