



The Daily Dish

August Jobs

GORDON GRAY | SEPTEMBER 2, 2022

The July jobs report came in hot, with roughly double the payroll growth most forecasts were assuming. All measures of unemployment are at or near historic lows, while nominal wage gains are accelerating. Employers in July added 528,000 jobs, with private-sector payrolls gaining 471,000 jobs, while the unemployment rate fell to 3.5 percent. The labor force participation rate fell to 62.1 percent.

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

- The Producer Price Index for final demand decreased 0.5 percent in July;
- The Consumer Price Index was unchanged in July;
- Real average hourly earnings increased five cents from June to July;
- Orders for durable goods (including defense and aircraft) were unchanged July;
- New home sales decreased 12.6 percent in July;
- The Price Index of U.S. imports decreased 1.4 percent in July;
- ISM Services Index increased 1.4 percentage points to 56.7 percent in July;
- ISM Manufacturing Index was unchanged at 52.8 percent in August;
- Consumer Confidence Index increased 7.9 points from 95.3 to 103.2 in August;
- ADP reported private sector employment increased by 132,000 jobs in August.

GORDON'S GUESSTIMATE: AUGUST JOBS

In March 2022, the Federal Reserve began serially increasing its target federal funds rate after two years of highly expansionary monetary policy. And sure enough, the pace of hiring slowed, painting a nice simple picture of an economy that can be throttled up and down

from a conference room in Washington, D.C. From March to July, the pace of hiring was down about 30 percent from the average monthly payroll gains that prevailed over the prior year. As inflation persisted or increased, the federal reserve accelerated its interest rate increases. And the job market hummed along, though at a somewhat diminished clip.

The last month, the Bureau of Labor Statistics observed that the labor market was seasonally warm in July, when payrolls grew by over half a million workers and the unemployment rate fell to its pre-pandemic low. The Federal Reserve was not amused, with Chairman Powell going full [Clubber Lang](#) at Jackson Hole and presaging “pain” in the offing.

There could well be economic distress in the future and indeed Chairman Powell’s remarks were conspicuously devoid of any references to a “soft landing.” The major indicators point to another strong employment report. Job openings *increased* in July, the most recent initial unemployment insurance claims dipped, and industry surveys such as the ISM manufacturing index improved. There may be pain in the future, but it’s not in the data right now.

One indicator is a bit of a wild card, as ever, but for a novel reason. Automatic Data Processing, Inc. (ADP) has revamped its methodology for its [employment report](#) and is also now producing a weekly employment measure. Under its new methodology, the payroll firm estimated that U.S. firms added 132,000 jobs in August, following an estimated payroll gain in July of 270,000 jobs - about 200,000 jobs shy of the private-sector BLS print. It could well be that in subsequent prints (like this morning’s) the July jobs number is revised downwardly, and the numbers converge, but that would be a steep markdown.

The current data continue to point toward strong employment growth in August. This estimator is expecting an employment gain of 320,000 jobs, no change in the unemployment rate, and a nominal hourly earnings gain of 13 cents.