The Daily Dish

Re-visiting July Jobs

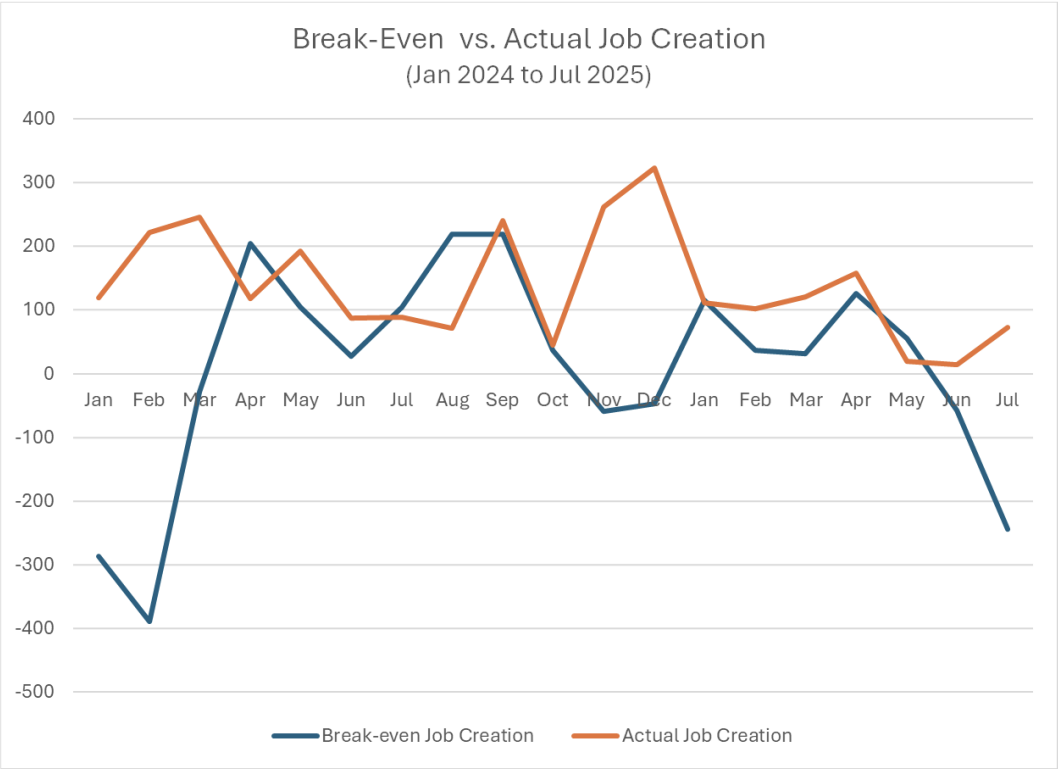
DOUGLAS HOLTZ-EAKIN | AUGUST 4, 2025

The July Employment Report from the Bureau of Labor Statistics (BLS) on Friday was a doozy. First there was the shock of the numbers themselves: a rather mundane 73,000 jobs created and an unemployment rate of 4.2 percent that was overwhelmed by the revision of June's job creation down from 147,000 to a mere 14,000. May was also downgraded significantly to 19,000 jobs.

Second was the infantile and disingenuous act of the president firing BLS Commissioner Erika McEntarfer for having the temerity to release bad news on his watch. This is, of course, standard change-the-subject tactics by this White House intended to change the subject to the process of the employment data and away from the substance.

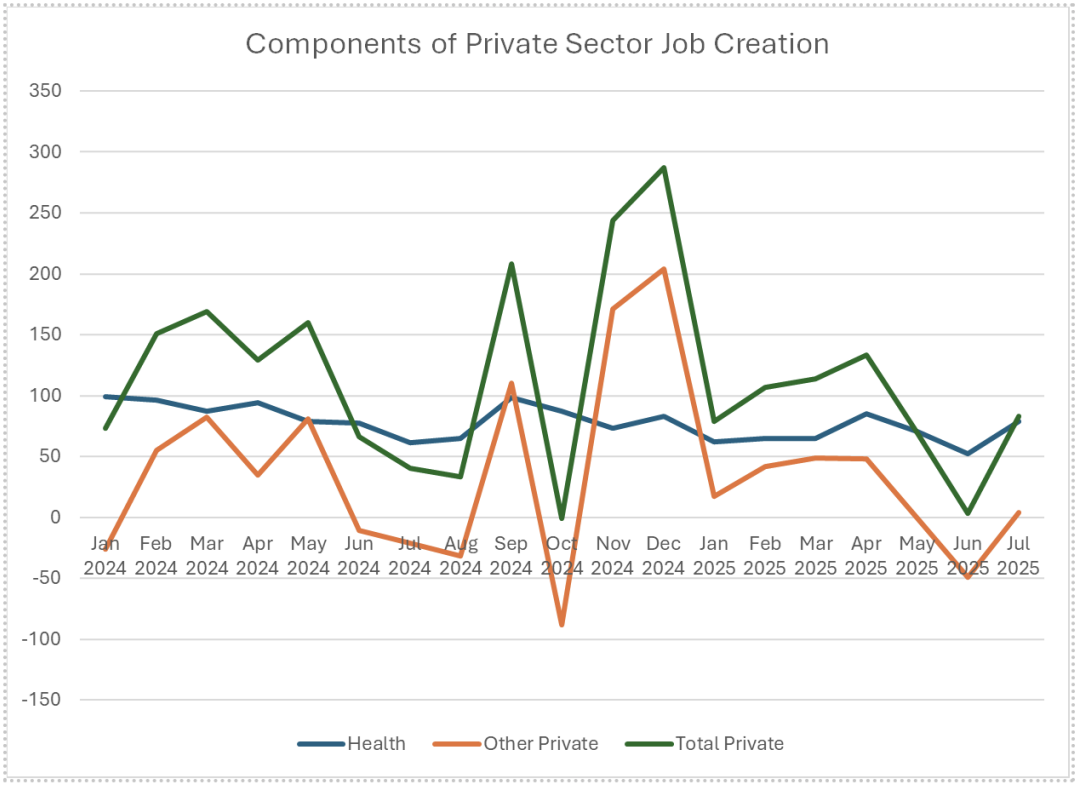
There are, at least, two interesting aspects of the substance of employment growth. The orange line in the graph below is the actual month- to- month job creation since January 2024 and one can see the tailing off at the right. The second line is the "break-even" number of jobs need to be created to keep the same fraction of the labor force employed. That is, it is the number needed to keep the unemployment rate from rising. (In this example, the break-even rate is proxied by the number of jobs matching a three-month moving average of labor force growth.)

The important message is that the break-even rate has plummeted recently, which is a direct result of the administration's tight immigration policies and deportation efforts. Federal Reserve Chairman Jerome Powell noted this phenomenon in his most recent press conference. The upshot is that one should not think of 73,000 jobs as such a failure – the break-even rate has dropped even more.



The second important lesson in the data – shown in the graph below – is that in the private sector only education and health are creating jobs. Everything else is dead in the water. The non-education, non-health private sector has lost 46,000 jobs over the past three months. It is very hard to characterize the labor market in any positive terms.

The bottom line is that the most recent inflation report showed inflation rising. The most recent employment report shows a labor market at a standstill. This is what analysts feared when President Trump initiated his $350 billion tax on U.S. families or businesses in the name of changing global trade patterns. It is also exactly what became clear, ironically on August 1, which is Liberation Day redux.


Components of Private Sector Job Creation
350
300
250
200
150
100
50
0
-50
-100
-150
Jan 2024
Feb 2024
Mar 2024
Apr 2024
May 2024
Jun 2024
Jul 2024
Aug 2024
Sep 2024
Oct 2024
Nov 2024
Dec 2024
Jan 2025
Feb 2025
Mar 2025
Apr 2025
May 2025
Jun 2025
Jul 2025
Health
Other Private
Total Private