Press Release

Gordon's Guesstimate: July Jobs

PAULINA ENCK | AUGUST 3, 2023

Each month, AAF's Vice President for Economic Policy Gordon Gray predicts the results of the monthly employment survey. This month, Gray writes:

> *For July…this guesstimator is assuming a 215,000 gain in employment and expects the unemployment rate (U-3) to tick up to 3.7 percent, while average hourly earnings should see an 11-cent gain for a 4.2 percent yearly gain.*

See below for his full analysis.

Over the last three months, employers have added an average of 244,000 workers to payrolls. Over the prior three-month period, payroll growth averaged 312,000 workers. The labor market has plainly been moderating. To be sure, this is moderation from historic tightness. For example, we have since learned that the 209,000-job growth in June was paired with a slight decline in job openings that nevertheless pulled that measure down to its lowest level since April of 2021. A feature of the recent past, of course, is that the April 2021 datum of 9.3 million job openings was the highest ever recorded.

With that in mind, the major labor indicators since last month's jobs report are essentially neutral and are suggestive of a continuation of the recent trend in hiring. Initial unemployment insurance claims have fallen modestly since the last week in June. The ISM services indices for activity and manufacturing softened, but this follows on the heels of a strong June print for these indicators.

One indicator, as has been the case of late, is pointing to a large upside surprise – ADP. This measure observed a private-sector payroll gain of 324,000, which would be the largest payroll gain since January. This measure reflects, by ADP's figuring, a gain in leisure and hospitality workers of over 200,000 and a manufacturing decline of 37,000. In the more than

80 years of employment data on record, such large divergences between the monthly employment changes in these industries are rare, and have largely corresponded with times of major wars or the pandemic. In short, ADP is losing salience as a predictor for BLS' employment print.

This guesstimator is assuming a 215,000 gain in employment and expects the unemployment rate (U-3) to tick up to 3.7 percent, while average hourly earnings should see an 11-cent gain for a 4.2 percent yearly gain.