Press Release

Gordon's Guesstimate: June Jobs Report

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Each month, AAF's Director of Fiscal Policy Gordon Gray predicts the results of the monthly employment survey. This month, Gray writes:

For the month of June, I expect an employment report to reflect this outlook. I expect payrolls to have added 120,00 workers in June, unemployment to stay at 3.6 percent, and earnings to have increased by 5 cents for a yearly gain of 3.2 percent.

See below for his full analysis.

I'd like to think that some of the fireworks, Bud heavy, and jet fuel (fun fact: M1A2 tanks are turbine powered) expended tomorrow will be in celebration of the maturity of the current U.S. economic expansion. When the Department of Commerce reports the advance estimate of second-quarter growth later this month, it will mark the longest economic expansion in U.S. history.

What does a tight labor market in a slowing (but not contracting!) economy look like? Presumably, you see payroll growth slow, but earnings pick up. You see unemployment stabilize, as employment growth is sufficient to offset the contribution to the labor force from population growth. That's a fine place to be. Maybe you see smaller firms such as franchises struggle to fill open jobs. You'd expect to see some sectoral softness, as in retail. All this is what a sound labor market looks like in a mature economic expansion.

A review of recent data suggests we are in precisely this situation. Through May of this year, employment growth is down an average of 66,000 jobs a month compared to last year. Last month's payroll growth of 75,000 was disappointing but not inconsistent with this view. The labor force grew by about the same as population growth, and household employment

grew sufficiently to keep unemployment at near-historic lows. Top-line earnings growth remained healthy, but admittedly softened. Meanwhile, earnings growth for non-supervisory workers exceeded the top-line figures for a fifth-straight month. Retail employment is a real concern as a reflection of possible weakness in household spending, but declining retail employment is less concerning if those roles in the economy are being fulfilled elsewhere. There are increasing risks to all of these elements, but risks don't flash recession or a collapse in indicators either.

For the month of June, I expect an employment report to reflect this outlook. I expect payrolls to have added 120,00 workers in June, unemployment to stay at 3.6 percent, and earnings to have increased by 5 cents for a yearly gain of 3.2 percent. Now quit reading emails and go get your grill ready.

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