



U6 Fix

A Hot July

GORDON GRAY | AUGUST 5, 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. Not only is this report completely inconsistent with recession, but it will also no doubt spur continued and perhaps steeper tightening by the U.S. central bank.

The Bureau of Labor Statistics (BLS) reported that employers added 528,000 to their payrolls in July, with 471,000 joining the private sector, while government rolls grew by 57,000. Private-sector gains were broadly dispersed, though despite the larger overall payroll gains, the diffusion index was down slightly from last month. Goods-producing industries added 69,000 employers. The service sector gained 333,000 workers. The education and health services industry led the gains with 122,000 new workers, followed by a 96,000-worker gain in leisure and hospitality. No major industry group saw a net employment decline this month. Employment gains in May and June were revised up by a combined 28,000 workers. As of this print, the labor market has recovered slightly (32,000) more than the 22 million jobs lost in March and April of 2020.

BLS reported that the unemployment rate in July was 3.5 percent, which matches the rate last seen just prior to the onset of the pandemic. The labor force lost 63,000 workers, and the participation rate declined to 62.1 percent. The labor force is 623,000 Americans short of the level observed in February of 2020, while the labor force participation rate stands at 1 percentage point below the average that prevailed for the year prior to February 2020. If the labor force participation rate was at a similar level, the current labor force would be 2.6 million workers stronger.

The unemployment rate dropped for all but one race; it dropped for two education levels, rose for one, and remained constant for one. By race, it rose for Blacks by 0.2 points. Asians and Hispanics saw a 0.4-point drop, while Whites dropped 0.2 points. By education, it rose

for those with less than a high school diploma by 0.1 points. It dropped for those with a bachelor's degree or higher and those with some college or associate degree by 0.1 points and 0.3 points, respectively. For high school graduates, it remained constant.

Average hourly earnings increased by 15 cents, reflecting a 5.22 percent yearly gain and an acceleration in the monthly rate of change to 0.47 percent, and is the seventh straight month of yearly growth above 5 percent. Average hourly earnings for production and non-supervisory workers increased by 11 cents, for a 6.2 percent gain over the year.

Data junkies, here's your fix: The July U-6 (the broadest measure of unemployment) remained at 6.7 percent, still the lowest rate on record.