The Daily Dish

August Jobs

GORDON GRAY | SEPTEMBER 1, 2017

Happy Labor Friday! In July, the U.S. economy added 209,000 jobs, and employment growth was broadly distributed across industries. Revisions to the May and June reports netted to an increase of 2,000 jobs. The unemployment rate fell back to 4.3 percent after having gone to 4.4 percent in June. The labor force participation rate inched up to 62.9 percent.

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

• The Producer Price Index for final demand decreased 0.1 percent in July;
• The Consumer Price Index increased 0.1 percent in July;
• Real average hourly earnings increased 2 cents from June to July;
• Orders for durable goods fell 6.8 percent in July;
• New home sales fell 9.4 percent in July;
• The Price Index of U.S. imports increased 0.1 percent in July;
• ISM nonmanufacturing index decreased to 53.9 percent in July;*
• ISM manufacturing decreased to 56.3 percent in July;*
• Consumer Confidence index increased from 120.0 to 122.9 in August;
• ADP reported private sector employment increased by 237,000 jobs in August.

*ISM nonmanufacturing and ISM manufacturing still reflect July data – the manufacturing report will be released today at 10 am while the nonmanufacturing report will be next week.

Eakinomics: August Jobs

First things first, I'm betting that the economy will have created 165,000 jobs in August, the unemployment rate will tick back up to 4.4 percent, and average hourly earnings will rise by 3 cents.

The consensus forecast suggests that payrolls increased by about 180,000 in August, so this may look like a downer of a projection but it's consistent with other indicators. I'm persuaded by analyses that note that the initial August report tends to disappoint expectations. Further, prior to the last two hot employment reports, job growth was averaging about 170k a month – still healthy and reflective of residual, but not inexorable, slack in the labor market. I think that trend will be reflected in the August data. One important development that will NOT show up in this data is Hurricane Harvey – by the time it made landfall the relevant survey data had been collected.

The implications for this months' report are threefold. First, to the extent that Hurricane Harvey will not affect the August report, it will show up in September's data and likely beyond. Second, the biggest outstanding question remains when will the wage growth show up and stay? Continued payroll growth for low-wage workers and the retirement of higher earners may be weighing on wages, but each passing month of healthy job gains should take up whatever slack remains in the labor market. Last, never discount the possibility that observers can make mountains of molehills, or trends of single data points. With the Trump Administration and

Congress set to begin a major push on tax reform that will likely be highly partisan, expect supporters and detractors to put way too much stock in this report if it strongly surprises on either the upside or downside.

In the meantime, keep an eye out for the announcement at 8:30.