



The Daily Dish

## August Jobs

CURTIS ARNDT, GORDON GRAY | SEPTEMBER 2, 2016

Happy Labor Friday! The July jobs report was all positives featuring an impressive top-line job growth of 255,000 new payroll jobs. The labor force participation rate ticked up to 62.8 percent, a 407,000 increase in the labor force for July. As a result of the growth in both jobs and labor force participation, the unemployment rate remained unchanged. The long-awaited earnings growth was most notable with average hourly earnings increasing by 8 cents, an annual rate of 3.8 percent. Here is a brief summary of the major economic indicators since the last jobs number:

- The price index of U.S. imports increased 0.1 percent in July;
- The Producer Price Index for final demand decreased 0.4 percent in July;
- The Consumer Price Index did not change in July;
- Real average hourly earnings increased 4 cents from June to July;
- Orders for durable goods increased 4.4 percent;
- Consumer Confidence index increased from 96.7 to 101.1;
- New home sales increased 12.4 percent in July;
- ISM manufacturing index decreased to 49.4 percent in August;
- ADP reported private sector employment increased by 177,000 jobs in August.

***Eakinomics: August Jobs*** (Guest Authored by Gordon Gray, Director of Fiscal Policy)

If trends from June and July hold true in to (day's jobs report, the Fed will have a tougher argument for keeping its powder dry at this month's meeting. June's top-line employment figures were revised upwards, while July was an all-around strong month. Prior to these two months, the pace of job creation was about 1.3 percent on an annual basis, while the last two months saw annualized growth about a percentage point higher. These stronger jobs figures hopefully reflect the jumping off point needed to realize **2 percent** annual growth in a year that's been humming along at about **1 percent**. Consumer confidence also hit a 12 month high in August. That said, other indicators signal that August won't necessarily post garish numbers. **Continuing unemployment** claims ticked up, while ADP reported **private payroll growth of 177,000**, which, while strong, is down off of July's 194,000.

The consensus view on August payroll growth is pegged at about 175,000, which also happens to be the average over the first and second quarter of 2016. I think August will beat that trend and that estimate and post a 200,000 increase. The unemployment rate will remain unchanged at 4.9 percent as more workers continue to enter the labor force. If these predictions hold up, the Fed will have an easier case to make for announcing a rate increase on September 21<sup>st</sup>.

Check the actual numbers at 8:30 when the Department of Labor release is made public.