The Daily Dish

July Jobs

GORDON GRAY | AUGUST 5, 2022

The June jobs report reflected continued tightness in the labor market, replete with historically low rates of unemployment, broad employment growth, and robust wage growth. The report should have disabused some of the more alarmist recession watchers but will be less conciliating for those looking for signs of tempering inflationary pressures. Employers in June added 372,000 jobs, with private-sector payrolls gaining 381,000 jobs, while the unemployment rate remained at 3.6 percent. The labor force participation rate fell to 62.2 percent.

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

- The Producer Price Index for final demand increased 1.1 percent in June;
- The Consumer Price Index increased 1.3 percent in June;
- Real average hourly earnings decreased 11 cents from May to June;
- Orders for durable goods (including defense and aircraft) increased 1.9 percent in June;
- New home sales decreased 8.1 percent in June;
- The Price Index of U.S. imports increased 0.2 percent in June;
- ISM Services Index increased 1.4 percentage points to 56.7 percent in July;
- ISM Manufacturing Index decreased 0.2 percentage points to 52.8 percent in July;
- Consumer Confidence Index decreased 2.7 points from 98.4 to 95.7 in July.

GORDON’S GUESSTIMATE: JULY JOBS

Federal statistical agencies such as the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS), and the Energy Information Agency (EIA) are constantly measuring the levels, pace, and distribution of U.S. economic activity. These measurements are performed on a large scale, often filtered through sophisticated statistical processes, and conducted by some of the finest practitioners in the business. But despite the vast array of temperature checks, absolutely no one can say with certainty if the U.S. labor market is running hot or cold at this moment.

Sampling tens of thousands of businesses and individuals on a monthly basis and distilling those responses into a coherent picture of the labor market is a remarkable achievement that is nevertheless the mission of BLS. But as many know, the monthly report is more of a report on the labor situation in a given week in a given month. The report’s reference periods precede the date of the release by about two weeks. Good science demands that as more data is collected, it should be assimilated, so these monthly reports are revised in the proceeding two months. Which is to say, by the time policymakers can get the best read on the labor market that the nation’s labor analysts can provide, it’s about 10 weeks removed.

Divining solutions from imperfect information is the lot of sincere policymakers, including those on the Federal Reserve Board. Tomorrow, they and others will get a decent snapshot of U.S. labor markets in the middle of June. They will also have even less frequent data, such as quarterly GDP, and more frequent data such as weekly unemployment insurance claims.

These statistics often tell very different stories. Looking at recent quarterly GDP data, arguably the most comprehensive assessment of U.S. economic activity, would suggest the U.S. economy is, if not technically in recession, at least recession-adjacent. Relying on the jobs reports, one could tell a very different story, one reflective of historically low unemployment and a pace of hiring that smacks of the good ol' days (choose your fighter depending on your generation). Both stories reflect statistical realities.

What does this necessarily muddled picture of the economy suggest for this morning's report? The U.S. labor market appears to be cooling off, relative to recent heights, and there are clear indications of concomitant slowing in the pace of economic activity. But there's simply not evidence of a labor market in the distress typically associated with recession. Rather, there have been gradual increases in initial unemployment insurance claims and decline in historically high job openings, among other indicators.

It could be that the United States later observes that it is in recession – but the current data, for all their faults, don't strongly support that observation. This estimator is expecting an employment gain of 285,000 jobs, no change in the unemployment rate, and a nominal hourly earnings gain of 12 cents.