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The Daily Dish

July Jobs

GORDON GRAY | AUGUST 3, 2018

Once again the U.S. labor market created more jobs – 213,000 – than the demographics would suggest, and the numbers for April and May were revised up by 37,000 jobs. On the household survey side, there was a sharp jump in the labor force (601,000) and number of unemployed (499,000) leading to an increase in the unemployment rate to 4.0 percent. The bottom line, however, is that the employment-population ratio was unchanged. Across all education levels, unemployment ticked up slightly. Similarly, unemployment was a bit higher for all ethnicities except Hispanics (down by 0.3 to 4.6 percent). The most dramatic jump was the 0.6 percentage point rise in African-American unemployment. Job growth was widespread across both the goods and services sectors, with the largest gains in professional and business services and education and health services.

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

- The Producer Price Index for final demand increased 0.3 percent in June;
- The Consumer Price Index increased 0.1 percent in June;
- Real average hourly earnings increased 1 cent from May to June;
- Orders for durable goods increased 1.0 percent in June;
- New home sales decreased 5.3 percent in June;
- The Price Index of U.S. imports decreased 0.4 percent in June;
- ISM Non-Manufacturing Index increased to 59.1 percent in June;
- ISM Manufacturing decreased to 58.1 percent in July;
- Consumer Confidence Index increased from 127.1 to 127.4 in July;
- ADP reported private sector employment increased by 219,000 jobs in July.

Eakinomics: July Jobs

Guest authored by Gordon Gray, Director of Fiscal Policy
2018 is more than half way over, but for observers examining the U.S. labor market, the past 6 months provide a wealth of data for reflecting on the current labor market. Since December of 2017, over 1.2 million new jobs have been added to American payrolls; 1.5 million works have joined the labor force; and workers have seen their hourly earnings increase by 34 cents. A review of these and other data suggests a very strong labor market with no obvious signs of letting up.

There remains policy risk on the trade front that could weigh on payrolls, but the impact of that very real concern will be difficult to identify in real time (if ever). Accordingly, observers are left with little reason to expect the labor market to exhibit any significant deviation from the past 6 months' performance.

There are always hiccups, surprises, and other gremlins lurking in noisy monthly data – witness last month's increase in the labor force by over 600,000, the 5th largest such jump in over a decade – but I expect July to look a lot like the prior 6 months. I expect that payrolls will show a 205,000 increase, unemployment will tick down to 3.9 percent (with rounding), and workers will see a 6-cent bump in their average hourly earnings.