The Daily Dish

July Jobs

GORDON GRAY | AUGUST 2, 2019

Last month, the economy showed a surprisingly strong 224,000 jobs gain in payrolls. Gains were broadly distributed, though retail continued to shed workers for the fifth straight month. The unemployment rate ticked up to 3.7 percent, and the labor force participation rate inched up to 62.9 percent, reflecting an increase in the labor force of 335,000 potential workers. Average hourly earnings were up 6 cents for a 3.1 percent year-over-year gain, while production and non-supervisory workers saw a 4-cent gain for the month for a yearly gain of 3.4 percent. By educational attainment, unemployment incrementally increased or was unchanged for most workers, though workers with less than a high school diploma saw their unemployment decline slightly. In sum: The June jobs report defied consensus predictions and showed strong labor market growth.

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

- The Producer Price Index for final demand increased 0.1 percent in June;
- The Consumer Price Index increased 0.1 percent in June;
- Real average hourly earnings increased 2 cents from May to June;
- Orders for durable goods increased 2.0 percent in June;
- New home sales increased 7.0 percent in June;
- The Price Index of U.S. imports decreased 0.9 percent in June;
- ISM Non-Manufacturing Index decreased to 51.2 percent in July;
- ISM Manufacturing decreased to 51.2 percent in July;
- Consumer Confidence Index increased from 124.3 to 135.7 in July;
- ADP reported private sector employment increased by 156,000 jobs in July.

Gordon's Guesstimate: July Jobs
By Gordon Gray, AAF's Director of Fiscal Policy

Last month, over 300,000 Americans joined the labor force, nearly twice what population growth suggested is possible. June's employment figures defied many predictions and showed that the current, record economic expansion still has room to draw in workers who have been sitting on the sidelines. Earnings have improved over the course of the recovery, and reported labor shortages and improved earnings among non-supervisory workers suggest the labor market is tightening. The labor force is still smaller than it was at the end of last year, however, and given demographic trends, we will likely not return to the levels of labor force participation seen prior to the Great Recession.

Discerning whether there's still slack in a labor market with 3.7 percent unemployment is a fine problem to have, but directionally we can see that the pace of job growth has slowed apace with the overall economy. The pop from 2017's fiscal largesse is diminishing, and it turns out trade wars are both costly and not easily winnable. The budget deal largely took a number of downside risks off the table, but it is not a significant new jolt to the economy. Low-2 percent 3rd quarter GDP growth seems like a safe bet.

But these are neither surprising nor deeply troubling trends. Just two days ago, the Federal Reserve blessed the health of the labor market and the overall macroeconomy. That the Fed may have nevertheless thrown a 25 basis point rate cut to financial markets doesn't indicate too much concern over labor market conditions. The upshot is that we should expect to see a bumpy slowing in the pace of job creation.

What do all of these crosscutting pressures suggest for July? This guesstimator predicts that when July's employment figures come out later this morning, they will show employment grew by 155,000 jobs, unemployment ticked down to 3.6 percent, and earnings grew by 9 cents or 3.25 percent year over year.