The Daily Dish

June Jobs

GORDON GRAY | JULY 5, 2019

The BLS reported that firms added 75,000 jobs to payrolls in the month of May, while figures for March and April were revised downward by a total of 75,000. The unemployment rate was unchanged from April and remained at 3.6 percent, and the labor force participation rate was also unchanged at 62.8 percent, though the labor force saw a net gain of 176,000, reversing a four-month losing streak. Average hourly earnings were up 6 cents for a 3.1 percent year-over-year gain, while production and non-supervisory workers saw a larger, 7-cent earnings pick-up for the month.

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

- The Producer Price Index for final demand increased 0.2 percent in April;
- The Consumer Price Index increased 0.3 percent in April;
- Real average hourly earnings decreased 1 cent from March to April;
- Orders for durable goods decreased 2.1 percent in April;
- New home sales decreased 6.9 percent in April;
- The Price Index of U.S. imports increased 0.2 percent in April;
- ISM Non-Manufacturing Index increased to 56.9 percent in May;
- ISM Manufacturing decreased to 52.1 percent in May;
- Consumer Confidence Index increased from 129.2 to 134.1 in May;
- ADP reported private sector employment increased by 27,000 jobs in May.

Gordon's Guesstimate: June Jobs

By Gordon Gray, AAF's Director of Fiscal Policy

I'd like to think that some of the fireworks, Bud heavy, and jet fuel (fun fact: M1A2 tanks are turbine powered) expended yesterday were in celebration of the maturity of the current U.S. economic expansion. When the Department of Commerce reports the advance estimate of second-quarter growth later this month, it will mark the longest economic expansion in U.S. history.

What does a tight labor market in a slowing (but not contracting!) economy look like? Presumably, you see payroll growth slow, but earnings pick up. You see unemployment stabilize, as employment growth is sufficient to offset the contribution to the labor force from population growth. That's a fine place to be. Maybe you see smaller firms such as franchises struggle to fill open jobs. You'd expect to see some sectoral softness, as in retail. All this is what a sound labor market looks like in a mature economic expansion.

A review of recent data suggests we are in precisely this situation. Through May of this year, employment growth is down an average of 66,000 jobs a month compared to last year. Last month's payroll growth of 75,000 was disappointing but not inconsistent with this view. The labor force grew by about the same as population growth, and household employment grew sufficiently to keep unemployment at near-historic lows. Top-line earnings growth remained healthy, but admittedly softened. Meanwhile, earnings growth for non-supervisory workers exceeded the top-line figures for a fifth-straight month. Retail employment is a real concern as a reflection of possible weakness in household spending, but declining retail employment is less concerning if those roles in the economy are being fulfilled elsewhere. There are increasing risks to all of these elements, but risks don't flash recession or a collapse in indicators either.

For the month of June, I expect an employment report to reflect this outlook. I expect payrolls to have added 120,00 workers in June, unemployment to stay at 3.6 percent, and earnings to have increased by 5 cents for a yearly gain of 3.2 percent.