The Daily Dish

June Jobs

GORDON GRAY | JULY 6, 2018

In May the U.S. labor market created 223,000 jobs – without an increase in labor force participation, which fell from 62.8 to 62.7 percent. Average hourly earnings were up 2.7 percent from May 2017, and up from April 2018 at an annual rate above 3.5 percent. The unemployment rate came in at 3.8 percent (the lowest since April 2000), but some of the details were even more striking. The unemployment rate for African Americans fell by 0.7 percent to 5.9 percent – the lowest ever measured. Asian unemployment also fell 0.7 percent to 2.1 percent. Teenage unemployment fell 0.1 percent, and female unemployment was down by 0.2 percent. Hispanic unemployment ticked up by 0.1 percent.

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

- The Producer Price Index for final demand increased 0.5 percent in May;
- The Consumer Price Index increased 0.2 percent in May;
- Real average hourly earnings increased 1 cent from April to May;
- Orders for durable goods decreased 0.6 percent in May;
- New home sales increased 6.7 percent in May;
- The Price Index of U.S. imports increased 0.6 percent in May;
- ISM Manufacturing increased to 60.2 percent in June;
- Consumer Confidence Index decreased from 128.8 to 126.4 in June;
- ADP reported private sector employment increased by 177,000 jobs in June;
- ISM Non-Manufacturing Index increased to 59.1 percent in June.

Eakinomics: June Jobs

Guest authored by Gordon Gray, AAF's Director of Fiscal Policy
November of 2007 was the last time year-over-year (YoY) average hourly earnings growth exceeded 3 percent (it was 3.1) before the beginning of the Great Recession. Unemployment was 4.7 percent, a rate that the U.S. economy wouldn't see for another 8 and a half years. YoY earnings growth has topped 3 percent since November 2007, but at that point the U.S. economy was losing hundreds of thousands of jobs a month. The environment is considerably different now. The United States hasn't seen a monthly employment decline in just under 8 years. All we're missing is sustained, robust earnings growth.

For workers and market observers, last month doesn't provide much insight from which to infer about future wage growth. Indeed, last month's report was as opaque as a Twizzler factory, with surprisingly high employment growth of over 220,000 and a healthy earnings gain of 2.7 percent YoY, but without any uptick in labor force participation. Such has been the story to some extent of the last two years. Average earnings growth over the last 12 months, on a YoY basis, was identical to the preceding 12-month period.

The economy is strong, and monthly indicators since the May report have been strong, exemplified by the strong June reports for both the ISM manufacturing and non-manufacturing indices. Something's gotta give.

Accordingly, I expect the June employment number to settle down to 155,000 and the unemployment rate to stay put, but I expect earnings to tick up 11 cents. An 11 cent pick-up in earnings would be strong, reflecting a 3 percent annual increase, but not aberrantly so. Policy risks, particularly on the trade front, may jeopardize the ability of the U.S. economy to sustain strong earnings growth, but for now, I'm expecting a strong employment report.