



Press Release

Gordon's Guesstimate: July Jobs Report

ANDREW EVANS | AUGUST 1, 2019

Each month, AAF's Director of Fiscal Policy Gordon Gray predicts the results of the monthly employment survey. This month, Gray writes:

What do all of these crosscutting pressures suggest for July? This guesstimator predicts that when July's employment figures come out tomorrow 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.

See below for his full analysis.

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 tomorrow 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.

Never miss another insight! [Subscribe](#) to the Daily Dish, AAF's morning newsletter with commentary and analysis from Douglas Holtz-Eakin and all of AAF's experts.