



U6 Fix

And the Hits Just Keep on Coming

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The July employment report was a strong opening for the third quarter. The labor market created 157,000 jobs – with upward revisions of 59,000 in May and June. The top-line number is a bit below expectations, but consistent with population growth. Over the past three months, job creation has averaged 224,000 jobs.

Job growth was widespread across both the goods (manufacturing was up 37,000) and services (with professional and business services up 51,000) sectors.

The second key indicator is average hourly earnings, which ticked up by 7 cents, or up a solid 2.7 percent over the past year.

The overall unemployment rate fell by 0.1 to 3.9 percent, even as the labor force participation rate and employment-population rate rose by 0.1, respectively. Across all education levels unemployment fell, with a sharp decline in the least educated (less than high school) to 5.1 percent – an indicator of the strong labor market. Teen unemployment inexplicably jumped by 0.5 to 13.1 percent.

Unemployment rates for women (down 0.1), Hispanics (down 0.1), Asians (down 0.1) and African-Americans (up 0.1) were little changed.

Data junkies here's your fix: the July U-6 (the broadest measure of unemployment) fell a sharp 0.3 to 7.5, largely due to a decline in the number of people working part time for economic reasons.

The bottom line: This is yet another very strong report, with jobs growth in line with population growth and wage growth picking up. It is not so strong, however, to push the Fed to accelerate its normalization of monetary policy.