U6 Fix

Meh: the July Jobs Report

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MEH: THE JULY JOBS REPORT

The “meh” economy lumbers on. Leading into the report, the high-frequency data (ADP Employment Report, ISM manufacturing, ISM non-manufacturing) were mixed – an accurate forecast for the report itself. Top-line growth showed an unspectacular 215,000 jobs and the unemployment rate held steady. The labor force participation rate also remained the same at 62.6 percent, the lowest since 1977. The unemployment rate for Hispanics edged up from 6.6 to 6.8 percent, while teen unemployment fell to 16.2 percent from 18.1. This remains far too high, and reflects that minimum wage hikes may be pricing teens out of the job market.

On the other hand, there was some hope for the Achilles heel of the labor market – wage growth – which showed some signs of life. Average hourly earnings rose from $24.95 to $24.99 – an annual rate of 2.1 percent. Coupled with slightly increased hours, the upshot is a modest foundation for some real income growth.

Data junkies here’s your fix: the July U-6 (the broadest measure of unemployment) fell slightly to 10.4 percent.

The bottom line: as exciting as kissing your sister or watching paint dry. July continues a pattern of mixed labor market reports. It is strong enough to allow the Fed to begin to normalize (finally!) interest rates in September. But it becomes clear that without a switch to permanent, pro-growth reforms U.S. workers will not see the upshift needed to really change wage and income growth.