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July Employment Report

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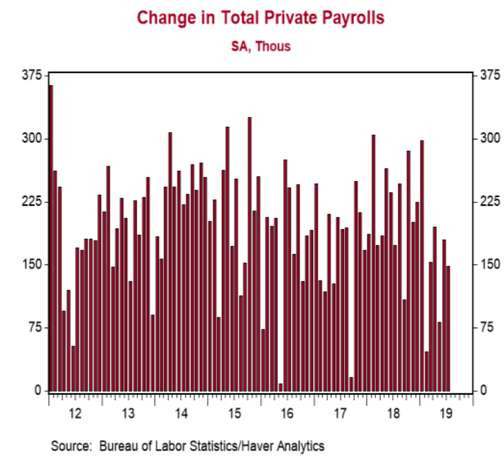
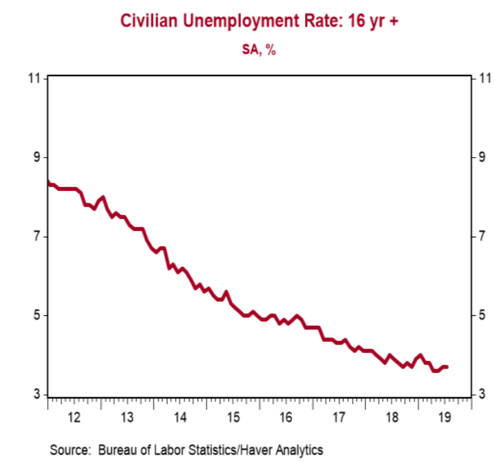
- Nonfarm payrolls rose 164,000 in July, almost exactly matching the consensus expected 165,000. Including revisions to May/June, nonfarm payrolls were up 123,000.
- Private sector payrolls rose 148,000 in July, while revisions to the two prior months subtracted 14,000. The largest increases in July were for education and health services (+66,000) and professional & business services (+38,000, including temps). Manufacturing and government both rose 16,000.
- The unemployment rate remained at 3.7% in July.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in July and are up 3.2% versus a year ago.





Implications: The job market remains strong, adding 164,000 to nonfarm payrolls in July, almost exactly what the consensus expected. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 283,000. Although some pessimistic analysts may dwell on the downward revision of 41,000 to payrolls over the prior two months, only 14,000 came from the private sector while 27,000 were government jobs and so not a sign of a weaker economy. In spite of the increase in civilian employment, the unemployment rate remained steady at 3.7% as the labor force grew by 370,000. However, the U-6 unemployment rate, which also includes "discouraged" workers and those who have part-time jobs who say they want to work full-time, fell to 7.0% from 7.2% in June, hitting the lowest level since 2000, at the peak of the original internet boom. There were a few other positive details in today's report. First, average hourly earnings rose 0.3% and are up 3.2% from a year ago (compared to a 2.8% gain in the year ending in July 2018). Second, the median duration of unemployment fell to 8.9 weeks, tying the lowest level since 2008. When workers lose their jobs, they're getting new ones fast. And third, the employment-to-population ratio increased to 60.7%, also tying the highest level since 2008. However, not all the news on the labor market was good. Total hours worked in the private sector declined 0.2%. For the time being, take that drop with a grain of salt. We've had some similar monthly declines in the past few years and most of those months were followed by a surge in hours worked. As always, we like to look at what the report means for workers' purchasing power. Combining the +0.3% growth in average hourly earnings with the -0.2% drop in hours worked still leaves total wages up 0.1% in July and up 4.4% in the past year, which means plenty of firepower to drive consumer spending higher. Today's report shows why we think the Federal Reserve didn't need to cut rates earlier this week, and why they shouldn't cut rates further.

Employment Report *All Data Seasonally Adjusted*	**Jul-19**	**Jun-19**	**May-19**	**3-month moving avg**	**6-month moving avg**	**12-month moving avg**
Unemployment Rate	**3.7**	3.7	3.6	3.7	3.7	3.8
Civilian Employment (monthly change in thousands)	**283**	247	113	214	99	149
Nonfarm Payrolls (monthly change in thousands)	**164**	193	62	140	141	187
Construction	**4**	18	1	8	8	17
Manufacturing	**16**	12	2	10	6	13
Retail Trade	**-4**	-7	-12	-8	-11	-5
Finance, Insurance and Real Estate	**18**	3	5	9	9	9
Professional and Business Services	**38**	38	21	32	38	39
Education and Health Services	**66**	57	34	52	53	50
Leisure and Hospitality	**10**	7	12	10	12	28
Government	**16**	14	-19	4	7	7
*Avg. Hourly Earnings: Total Private**	**0.3%**	0.3%	0.3%	3.4%	3.1%	3.2%
Avg. Weekly Hours: Total Private	**34.3**	34.4	34.4	34.4	34.4	34.4
*Index of Aggregate Weekly Hours: Total Private**	**-0.2%**	0.2%	0.1%	0.4%	0.2%	1.2%

*Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized*