

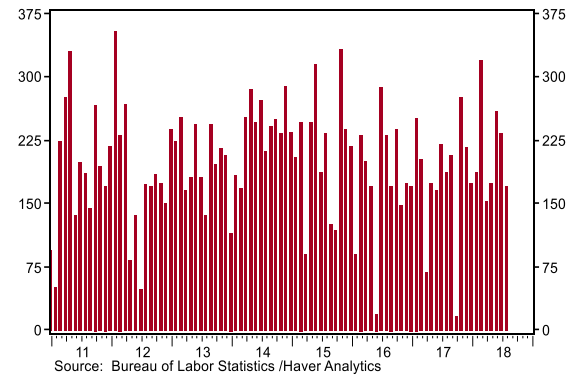
# July Employment Report

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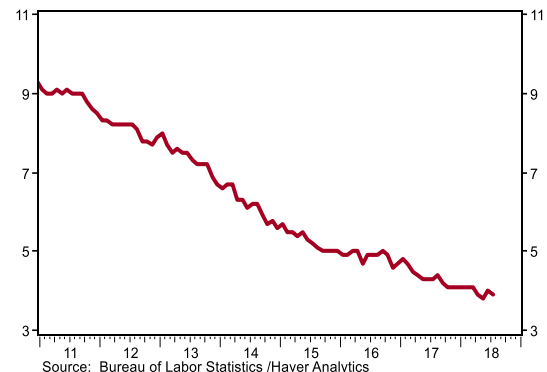
- Nonfarm payrolls rose 157,000 in July versus a consensus expected 193,000. Including revisions to May/June, nonfarm payrolls increased 216,000.
- Private sector payrolls rose 170,000 in July and revisions to prior months added an extra 53,000. The largest increases in July were for professional & business services (+51,000, including temps), leisure & hospitality (+40,000), and manufacturing (+37,000). Government declined 13,000.
- The unemployment rate ticked down to 3.9% in July from 4.0% in June.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in July and are up 2.7% versus a year ago.

**Implications:** The July employment report was sneaky strong. The big headline was that nonfarm payrolls rose 157,000 in July, which was less than the forecast of any economics group. However, payroll growth was revised up 59,000 for May and June, meaning the net gain for the July report was 216,000, which beat the consensus expected gain of 193,000. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups rose 389,000. In the past year, nonfarm payrolls are up 200,000 per month while civilian employment is up 179,000 per month, both strong numbers. The gain in civilian employment in July helped push the unemployment rate down to 3.9%, despite an increase in the labor force, which is up 1.5 million in the past year. Moreover, the U-6 unemployment rate, which includes discouraged and marginally-attached workers, as well as those working part-time who say they want full-time jobs, fell to 7.5%, the lowest level since 2001. The participation rate remained at 62.9% in July, near the higher end of its past 4+ year range (62.3% and 63.1%). Meanwhile, the share of the age 16+ population that’s working hit 60.5%, the highest since 2009. As always, we like to measure growth in workers’ total cash earnings. Average hourly earnings rose 0.3% in July and are up 2.7% in the past year. Total hours worked are up 2.2% in the past year. As a result, total cash earnings – which exclude extra earnings from irregular bonuses and commissions, like those paid out after the tax cut was passed – are up 5.0% in the past year, more than enough to keep pushing consumer spending higher. Looking ahead, don’t be surprised by a soft August report given the past pattern of soft initial jobs reports for that month. However, we expect any weakness to be revised up in later months and for job growth to remain robust in the year ahead, while the jobless rate keeps trending down. The bottom line is that nothing in today’s report details our forecast that the Federal Reserve will raise rates twice more this year – 25 basis points each time – and four more times in 2019.

**Change in Total Private Payrolls**  
SA, Thous



**Civilian Unemployment Rate: 16 yr +**  
SA, %



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Jul-18</b>	<b>Jun-18</b>	<b>May-18</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>3.9</b>	4.0	3.8	3.9	4.0	4.1
<b>Civilian Employment (monthly change in thousands)</b>	<b>389</b>	102	293	261	256	179
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>157</b>	248	268	224	221	200
<b>Construction</b>	<b>19</b>	13	30	21	24	26
<b>Manufacturing</b>	<b>37</b>	33	23	31	29	27
<b>Retail Trade</b>	<b>7</b>	-20	29	5	12	8
<b>Finance, Insurance and Real Estate</b>	<b>-5</b>	10	12	6	9	9
<b>Professional and Business Services</b>	<b>51</b>	43	49	48	51	43
<b>Education and Health Services</b>	<b>22</b>	69	42	44	39	36
<b>Leisure and Hospitality</b>	<b>40</b>	34	35	36	24	21
<b>Government</b>	<b>-13</b>	14	8	3	3	1
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	0.1%	0.3%	2.9%	2.6%	2.7%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.6	34.5	34.5	34.5	34.5
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>-0.2%</b>	0.5%	0.2%	2.2%	2.8%	2.2%

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