

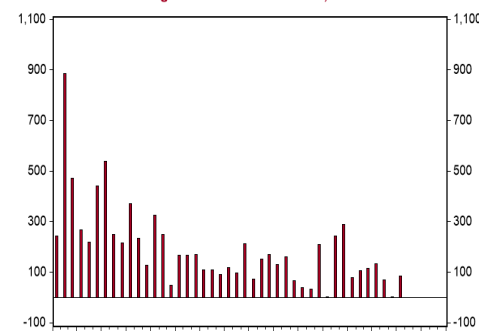
July Employment Report

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- Nonfarm payrolls increased 73,000 in July, lagging the consensus expected 104,000. Payroll gains for May and June were revised down by a total of 258,000, resulting in a net loss, including revisions, of 185,000.
- Private sector payrolls rose 83,000 in July but were revised down by 139,000 in prior months. The largest gain in July was health care & social assistance (73,000). Manufacturing declined 11,000 while government declined 10,000.
- The unemployment rate ticked up to 4.2% in July versus 4.1% in June.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in July and are up 3.9% versus a year ago. Aggregate hours rose 0.3% in July and are up 1.3% from a year ago.

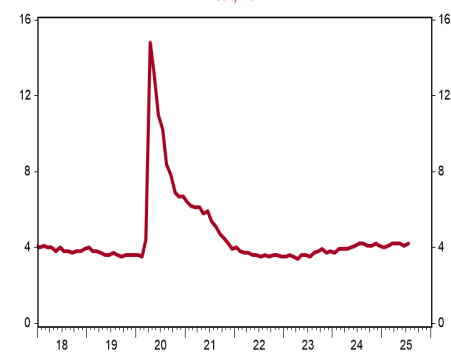
Implications: The headlines on the labor market were soft, consistent with weak 1.2% annualized economic growth in the first half of the year. However, new policies that strictly enforce immigration laws are probably also weighing-down the job numbers. Nonfarm payrolls increased 73,000 in July, lagging the consensus expected 104,000. Worse, payroll gains for prior months were revised down by 258,000, meaning the net loss for the month was 185,000. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (including COVID lockdowns and re-openings). This measure of “core payrolls” declined 1,000 in July, the third straight monthly drop, and is down 82,000 versus three months ago. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, declined 260,000 in July, helping push up the unemployment rate a tick to 4.2%. Bottom line: the job totals are not looking good. However, in spite of job weakness, total private-sector hours worked rose 0.3% in July, as those who were working worked more hours. A theory that could explain all this is that stricter immigration enforcement is having an effect. The household survey shows that the foreign-born population (age 16+) has dropped 1.9 million since January while foreign-born employment is down 1.0 million. At the same time, native-born employment has grown 2.5 million. In other words, recent softness in the labor market could reflect fewer illegal immigrants while native-born (and, potentially, legal immigrants) increase jobs and hours worked. On the inflation front, average hourly earnings rose 0.3% in July and are up 3.9% versus a year ago. However, these earnings are up only 3.4% annualized in the past six months, which we think should help the Federal Reserve re-start rate cuts in September. Notably, the Trump Administration is making progress reducing federal payrolls, which when we exclude the Post Office and Census workers are down 75,000 versus January, the largest six-month drop on record going back to at least 1990. In time, we think a smaller government should pay dividends in the form of faster economic growth.

All Employees: Total Private Industries
Change - Period to Period SA, Thous



Source: Bureau of Labor Statistics/Haver Analytics

Civilian Unemployment Rate: 16 yr +
SA, %



Source: Bureau of Labor Statistics/Haver Analytics

| Employment Report All Data Seasonally Adjusted | Jul-25 | Jun-25 | May-25 | 3-month moving avg | 6-month moving avg | 12-month moving avg |
|--|-------------|--------|--------|-----------------------|-----------------------|------------------------|
| Unemployment Rate | 4.2 | 4.1 | 4.2 | 4.2 | 4.2 | 4.1 |
| Civilian Employment (monthly change in thousands) | -260 | 93 | -696 | -288 | -132 | 157 |
| Nonfarm Payrolls (monthly change in thousands) | 73 | 14 | 19 | 35 | 81 | 128 |
| Construction | 2 | 3 | 2 | 2 | 4 | 8 |
| Manufacturing | -11 | -15 | -11 | -12 | -5 | -9 |
| Retail Trade | 16 | -14 | -15 | -4 | 1 | 5 |
| Finance, Insurance and Real Estate | 15 | -2 | 7 | 7 | 7 | 8 |
| Professional and Business Services | -14 | -11 | -23 | -16 | -3 | -5 |
| Education and Health Services | 79 | 52 | 70 | 67 | 69 | 74 |
| Leisure and Hospitality | 5 | 4 | 27 | 12 | 11 | 20 |
| Government | -10 | 11 | -50 | -16 | -4 | 15 |
| Avg. Hourly Earnings: Total Private* | 0.3% | 0.2% | 0.4% | 4.1% | 3.4% | 3.9% |
| Avg. Weekly Hours: Total Private | 34.3 | 34.2 | 34.3 | 34.3 | 34.3 | 34.3 |
| Index of Aggregate Weekly Hours: Total Private* | 0.3% | -0.3% | 0.1% | 0.7% | 1.9% | 1.3% |

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