

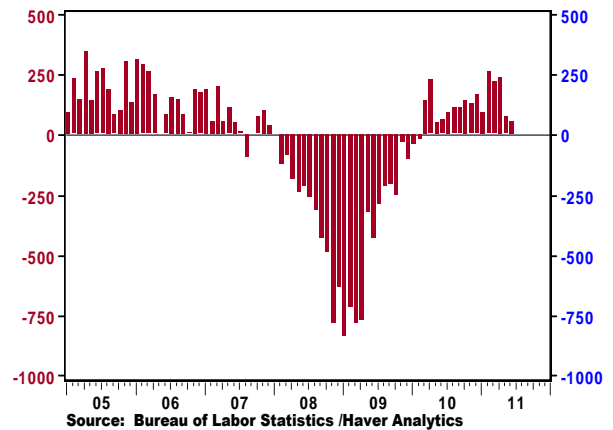
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# June Employment Report

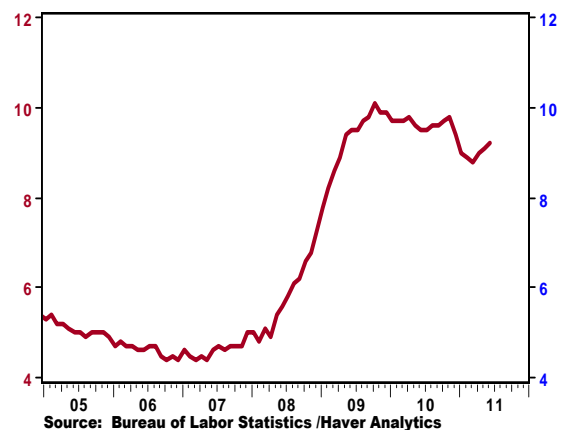
- Non-farm payrolls increased 18,000 in June but revisions to April/May subtracted 44,000, generating a net loss of 26,000. The consensus expected a gain of 105,000.
- Private sector payrolls increased 57,000 in June. Revisions to April/May subtracted 20,000, bringing the net gain to 37,000. June gains were led by leisure & hospitality (+34,000) and health care (+14,000). The largest private-sector declines were for education (-17,000), financial activities (-15,000), temps (-12,000), and home building (-10,000). Government payrolls declined 39,000.
- The unemployment rate increased to 9.2% in June (9.182% unrounded) from 9.1% in May (9.053% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – declined 0.3% in June but are up 2.5% versus a year ago.

**Implications:** Today’s employment report was disappointing. Payrolls rose, but not nearly as much as the consensus expected, hours per worker ticked down slightly, wages per hour were unchanged, and the unemployment rate increased as the household survey showed a 445,000 loss in the number of people who say they’re working. Everyone knows the US went through a “soft patch” in Q2. The labor market is a lagging economic indicator and so today’s report is a reflection of the slow growth of Q2. However, today’s report also reflects the price our economy is paying for several years of larger government. It is completely normal for the pace of job creation to vary up and down during economic expansions, sometimes widely. If the size of government were smaller then the underlying trend for job creation would be much higher and it would be hard to notice the “down” months because we would still be getting something like 200,000 jobs and the unemployment rate would still be falling. The good news is that today’s report is not consistent with other recent positive news on the labor market. Yesterday, the ADP Employment index, which measures private-sector payrolls, showed an increase of 157,000 in June. Also, new claims for unemployment insurance fell 14,000 last week to 418,000. Continuing claims for regular state benefits declined 43,000 to 3.68 million, the second lowest level so far during the recovery. In addition, chain store sales and manufacturing surveys, which reflect more recent trends, have strengthened. We are not ignoring the June jobs data. But as we have seen with other data, we expect substantially faster job creation in the next few months.

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



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



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	Jun-11	May-11	Apr-11	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>9.2</b>	9.1	9.0	9.1	9.0	9.3
<b>Civilian Employment (monthly change in thousands)</b>	<b>-445</b>	105	-190	-177	100	58
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>18</b>	25	217	87	126	86
<b>Construction</b>	<b>-9</b>	-4	4	-3	3	0
<b>Manufacturing</b>	<b>6</b>	-2	28	11	24	13
<b>Retail Trade</b>	<b>5</b>	-4	64	22	15	11
<b>Finance, Insurance and Real Estate</b>	<b>-15</b>	14	1	0	-1	-1
<b>Professional and Business Services</b>	<b>12</b>	45	45	34	44	40
<b>Education and Health Services</b>	<b>0</b>	18	40	19	27	32
<b>Leisure and Hospitality</b>	<b>34</b>	-24	29	13	23	16
<b>Government</b>	<b>-39</b>	-48	-24	-37	-31	-55
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.0%</b>	0.3%	0.2%	1.8%	1.9%	1.9%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.3</b>	34.4	34.4	34.4	34.3	34.3
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>-0.3%</b>	0.1%	0.5%	1.3%	2.2%	2.1%

\*3, 6 and 12 month figures are % change annualized