

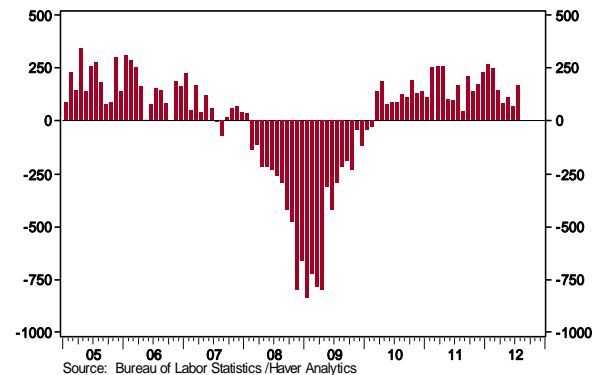
July Employment Report

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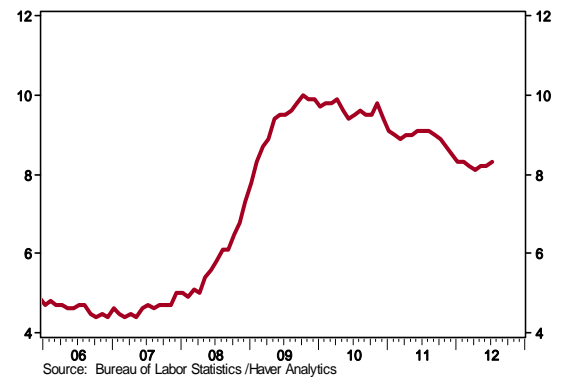
- Non-farm payrolls increased 163,000 in July (157,000 with a downward revision to May/June). The consensus expected a gain of 100,000.
- Private sector payrolls increased 172,000 in June. Revisions to May/June offset each other, keeping the net gain at 172,000. July gains were led by professional & business services (+49,000), education & health (+38,000), and restaurants & bars (+29,000). The weakest sector was government (-9,000).
- The unemployment rate ticked up to 8.3% (8.254% unrounded) from 8.2% (8.217% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – were up 0.1% in July and up 2.0% versus a year ago.

Implications: If you're waiting for a boom in hiring, you're going to have to wait at least through the election, when companies can get some clarity – and, hopefully, some improvement – in the direction of public policy. Payrolls easily beat consensus expectations in July, rising 172,000 in the private sector and 163,000 overall. In the past year, nonfarm payrolls are up an average of 153,000 per month, so July was a little better than the trend. However, the improvement in July was not quite as good as payrolls suggest. Civilian employment, an alternative measure of jobs that includes small business start ups, declined 195,000 while the size of the labor force fell 150,000. These data are volatile from month to month and the trend in the past year is promising – with civilian employment up 214,000 per month and the labor force up 1.4 million – but the weakness in July should temper some enthusiasm about payrolls. Another factor tempering enthusiasm is a drop in the share of the unemployed who have quit their job to only 6.9%. In a better recovery we would see more workers quitting their jobs, confident they can find a new one. Due to the drop in civilian employment, the unemployment rate ticked up to 8.3%, but there's no real story there; unrounded, the new jobless rate is 8.254%, barely up from 8.217% in June. In terms of where this report leaves consumers, gains in the number of hours worked as well as earnings per hour mean total cash earnings (not including fringe benefits) are up 3.7% from a year ago. With consumer prices up only about 1.5% from a year ago, workers have growing purchasing power. The median duration of unemployment declined to 16.7 weeks in July, which could be good news, but history shows large drops often happen in July, which suggests an issue with seasonal adjustments. Given the depths of the prior recession, the recovery in the labor market should be much stronger. Think 1983-84, when the jobless rate dropped 3.5 percentage points in only 21 months. But the lack of a very strong recovery doesn't mean we're not recovering at all. The unemployment rate is down 0.8 points from a year ago and we expect further modest improvement in the year ahead.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-12	Jun-12	May-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	8.3	8.2	8.2	8.2	8.2	8.5
Civilian Employment (monthly change in thousands)	-195	128	422	118	97	214
Nonfarm Payrolls (monthly change in thousands)	163	64	87	105	131	153
Construction	-1	4	-32	-10	-9	0
Manufacturing	25	10	13	16	22	19
Retail Trade	7	-3	6	3	1	8
Finance, Insurance and Real Estate	1	3	11	5	7	5
Professional and Business Services	49	44	18	37	44	49
Education and Health Services	38	-6	44	25	36	35
Leisure and Hospitality	27	10	-4	11	20	24
Government	-9	-9	-29	-16	-11	-9
Avg. Hourly Earnings: Total Private*	0.1%	0.3%	0.1%	2.1%	2.1%	1.7%
Avg. Weekly Hours: Total Private	34.5	34.5	34.4	34.5	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.4%	-0.2%	1.3%	1.5%	2.0%

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