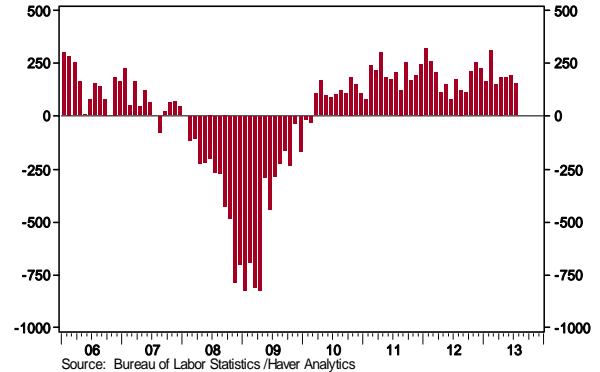


July Employment Report

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- Non-farm payrolls increased 162,000 in July versus a consensus expected 185,000. Including revisions to prior months, nonfarm payrolls were up 136,000.
- Private sector payrolls increased 161,000 in July (+135,000 including revisions to prior months), lagging the consensus expected 195,000. The largest gains were for retail (+47,000), restaurants & bars (+38,000), and professional & business services (+36,000, including temps). Government payrolls ticked up 1,000.
- The unemployment rate declined to 7.4% (7.390% unrounded) from 7.6% (7.557% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – declined 0.1% in July but are up 1.9% from a year ago.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Implications: A Plow Horse report on improvement in the labor market in July, with some good data, some soft data, and some numbers right in the middle. The best news was that the unemployment rate dropped to 7.4%, the lowest since December 2008. Civilian employment, an alternative measure of jobs that includes small business start-ups, rose 227,000, helping push the jobless rate down. However, the jobless rate also dropped because of a 37,000 decline in the labor force. We don't think the decline in the labor force is going to continue and expect the jobless rate to decline in the year ahead even as the labor force starts growing again. That's been the trend over the past year, as the unemployment rate has dropped 0.8 points while the labor force has increased 686,000. The so-so data in today's report was a below-consensus 162,000 increase in payrolls, only 136,000 including revisions to prior months. Notably, the two strongest sectors were retail (+47,000) and restaurants & bars (+38,000). In the past year, retail has added more jobs than in any year since 2000; restaurants & bars than in any year since at least 1990. This suggests employers, when possible, are hiring more part-time workers to avoid Obamacare. The worst news in today's report was a slight decline in total hours worked as well as wages per hour. Still, in the past year, hours are up 2.1% while wages per hour are up 1.9%, for a 4% gain in total cash earnings in the past twelve months. After adjusting for inflation, these earnings are still up 2% from a year ago. In other words, despite July, the trend is for workers generating more purchasing power. The labor market once again forcefully rejected the theory that the sequester is hurting the economy. Since the sequester went into effect, nonfarm payrolls are up an average of 173,000 per month versus 136,000 for the same four months (March – July) a year ago. The big financial market question is how the Federal Reserve reacts to today's report. We think the numbers support the case that it will announce a tapering of its asset purchases in September. And we still expect an end to quantitative easing announced in March 2014. Obviously, the labor market is far from perfect. What's holding us back is the huge increase in government, particularly transfer payments, over the past several years. Despite that, entrepreneurs and workers are gritting out a recovery and the Plow Horse economy keeps moving forward.

Employment Report <i>All Data Seasonally Adjusted</i>	Jul-13	Jun-13	May-13	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.4	7.6	7.6	7.5	7.6	7.7
Civilian Employment (monthly change in thousands)	227	160	319	235	161	161
Nonfarm Payrolls (monthly change in thousands)	162	188	176	175	200	190
Construction	-6	8	-1	0	10	14
Manufacturing	6	-3	-5	-1	2	2
Retail Trade	47	40	33	40	27	29
Finance, Insurance and Real Estate	15	13	7	12	12	10
Professional and Business Services	36	61	70	56	65	52
Education and Health Services	13	16	20	16	27	29
Leisure and Hospitality	23	57	43	41	46	39
Government	1	-8	-11	-6	-1	-3
Avg. Hourly Earnings: Total Private*	-0.1%	0.4%	0.0%	1.5%	1.7%	1.9%
Avg. Weekly Hours: Total Private	34.4	34.5	34.5	34.5	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	-0.1%	0.1%	0.2%	0.8%	2.1%	2.1%

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