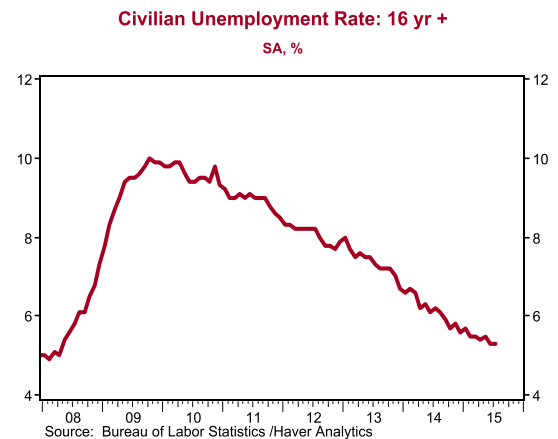
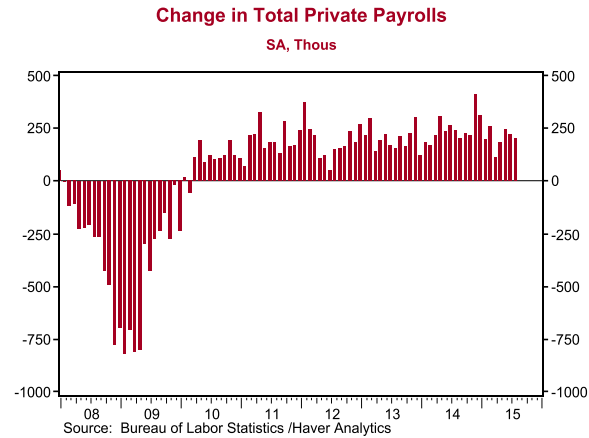


July Employment Report

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- Nonfarm payrolls increased 215,000 in July, very close to the consensus expected 225,000. Including revisions to prior months, nonfarm payrolls increased 229,000.
- Private sector payrolls increased 210,000 in July, while May and June were revised up a combined 6,000. The largest gains were for professional & business services (+40,000, including temps), retail (+36,000), restaurants & bars (+29,000), and health care (+28,000). Manufacturing payrolls rose 15,000 while government was up 5,000.
- The unemployment rate remained at 5.3%.
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – rose 0.2% in July and are up 2.1% versus a year ago.

Implications: Today’s report is the ammunition the Fed was looking for to start raising rates in September: continued solid job growth, a jump in hours worked, and higher earnings. Nonfarm payrolls increased 215,000 in July and were revised up slightly in May/June. July was the 65th month in a row with growth in private payrolls, the longest streak since at least the late 1930s. Meanwhile, the total number of hours worked rose 0.5% in July and is up 2.7% from a year ago. Combined with wages per hour up 2.1% from a year ago, workers’ total cash earnings are up 4.8%. No wonder auto sales are booming, on the verge of hitting a record high in 2015. Also, notice the deafening silence from those who used to bemoan the rise in part-time jobs. Part-time employment is down 870,000 in the past year and at the lowest level since 2008. Although the headline unemployment rate remained at 5.3%, that’s down almost a full percentage point versus a year ago and very close to the roughly 5.1% the Federal Reserve says is the long-term average. The so-called “true” unemployment rate (the U-6 rate), which includes discouraged workers and part-timers who says they want full-time jobs, is a much higher 10.4%. But the U-6 rate is *always* higher than the official rate and is well down from the peak of 17.1% back in 2009-10. In the past year, the U-6 rate is down 1.8 percentage points. The softest part of the report was that the labor force participation rate (the share of adults either working or looking for work) remains at 62.6%, tying the lowest level since 1977. Three key factors are holding participation down: aging Boomers, easily available disability benefits, and overly generous student aid. However, the growing cyclical strength in the labor market should eventually offset those problems. The bottom line is that the economy in general and labor market in particular would be doing better with a better set of policies, like lower tax rates, less government spending, and lighter regulation. That’s why we have a Plow Horse economy rather than a Race Horse economy. It’s not the boom of the 1980s or 1990s – not even close – but it continues to move forward. In other recent news, new claims for unemployment benefits rose 3,000 last week to 270,000, the 22nd straight week below 300,000. Continuing claims fell 14,000 to 2.26 million. These figures are consistent with continued solid payroll growth in August.



Employment Report All Data Seasonally Adjusted	Jul-15	Jun-15	May-15	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.3	5.3	5.5	5.4	5.4	5.6
Civilian Employment (monthly change in thousands)	101	-56	272	106	107	179
Nonfarm Payrolls (monthly change in thousands)	215	231	260	235	213	243
Construction	6	0	12	6	11	19
Manufacturing	15	2	6	8	5	13
Retail Trade	36	37	33	35	28	27
Finance, Insurance and Real Estate	17	17	9	14	12	13
Professional and Business Services	40	69	68	59	55	56
Education and Health Services	37	58	57	51	52	48
Leisure and Hospitality	30	24	56	37	31	36
Government	5	4	8	6	4	5
Avg. Hourly Earnings: Total Private*	0.2%	0.0%	0.2%	1.6%	1.9%	2.1%
Avg. Weekly Hours: Total Private	34.6	34.5	34.5	34.5	34.5	34.6
Index of Aggregate Weekly Hours: Total Private*	0.5%	0.2%	0.2%	3.5%	2.2%	2.7%

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