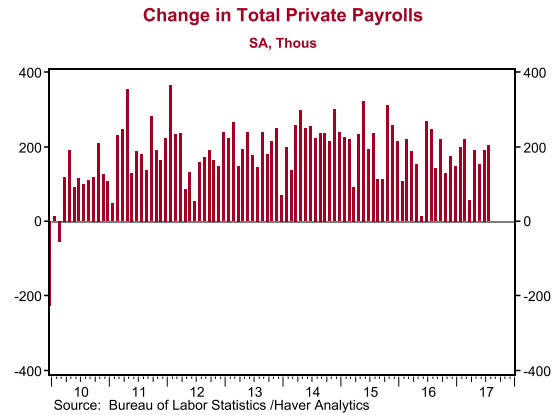


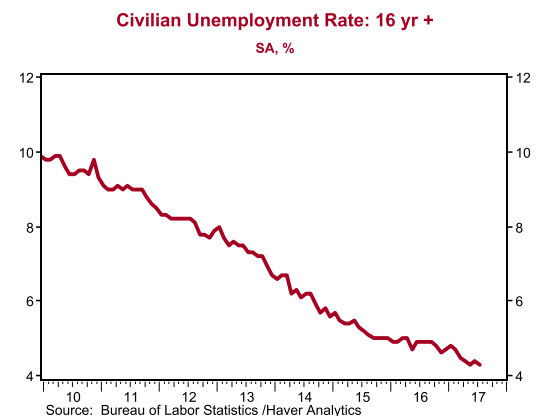
# July Employment Report

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- Nonfarm payrolls increased 209,000 in July, beating the consensus expected 180,000. Including revisions to May/June, nonfarm payrolls were up 211,000.
- Private sector payrolls increased 205,000 in July and revisions to prior months added 1,000. The largest gains were for restaurants & bars (+53,000), professional & business services (+49,000, including temps), and health care & social assistance (+45,000). Manufacturing increased 16,000 while government rose 4,000.
- The unemployment rate ticked down to 4.3% (4.350% unrounded) in July from 4.4% (4.357% unrounded) in June.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in July and are up 2.5% versus a year ago.



**Implications:** One heck of a good report! The job market beat consensus expectations in July, adding 209,000 in nonfarm payrolls. Meanwhile, civilian employment, an alternative measure of jobs that includes small business start-ups, increased 345,000. Moreover, keep in mind that these job gains pre-date the impact of nationwide job fairs by Amazon earlier this week. In the past year, payrolls are up 180,000 per month while civilian employment is up 202,000 per month. This is sure to keep the Federal Reserve on track to announce the start of balance sheet reductions at the next meeting in September and another rate hike by year end. The robust pace of job creation helped tick the jobless rate down to 4.3% even as the labor force expanded by 349,000. In the past year, the jobless rate has dropped from 4.9% even as the labor force has grown at an average monthly pace of 140,000. At 62.9%, the participation rate remains low by the standards of the last 40 years, but the 12-month moving average has been gradually rising since early 2016. This shows that cyclical strength in the labor market is finally offsetting the gradual retirement of Baby Boomers, overly generous student aid, and disability benefits that are too easily available. We're sure some pessimist will comb through the data and find that part-time jobs grew by 393,000 in July. You may even see a banner headline that says something like "All the New Jobs Are Part-Time!" But the monthly figures separating part-time from full-time work are extremely volatile from month to month. In the past year, part-time work is down 48,000 while full-timers are up more than 2 million. Since December 2009, part timers are up a grand total of 56,000 while full-timers are up 15.4 million. As always, we like to measure the effect of job reports on consumer purchasing power. Average hourly earnings rose 0.3% in July and are up 2.5% in the past year. Meanwhile, the total number of hours worked increased 0.2% in July and is up 2% in the past year. Multiplying the number of hours worked by wages per hour, total earnings are up 4.6% from a year ago. In an environment where consumer inflation is running at about 2%, that gain in total earnings plus low debt service ratios for households leaves plenty of room for more purchasing power. This is why we're not worried about the recent slowdown in auto sales. Earlier this week, automakers reported selling cars and light trucks at a 16.8 million annual rate in July, down 5.9% from a year ago. But this is simply a return to a more normal pace based on fundamentals like driving-age population growth and scrappage. In turn, consumers are going to shift their purchases to other sectors.



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-17	Jun-17	May-17	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>4.3</b>	4.4	4.3	4.3	4.4	4.6
<b>Civilian Employment (monthly change in thousands)</b>	<b>345</b>	245	-233	119	239	202
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>209</b>	231	145	195	179	180
<b>Construction</b>	<b>6</b>	15	7	9	14	16
<b>Manufacturing</b>	<b>16</b>	12	0	9	12	6
<b>Retail Trade</b>	<b>1</b>	2	-10	-3	-13	-1
<b>Finance, Insurance and Real Estate</b>	<b>6</b>	13	10	10	9	12
<b>Professional and Business Services</b>	<b>49</b>	32	50	44	45	48
<b>Education and Health Services</b>	<b>54</b>	43	37	45	44	42
<b>Leisure and Hospitality</b>	<b>62</b>	40	33	45	40	29
<b>Government</b>	<b>4</b>	37	-8	11	8	8
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	0.2%	0.2%	2.8%	2.6%	2.5%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.5	34.4	34.5	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	0.5%	-0.2%	1.9%	2.3%	2.0%

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