

# Job Market: From Strength to Strength

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The US labor market is going from strength to strength. Like with corporate earnings, June jobs data beat consensus estimates - up 213,000 - pushing the average monthly gain for the past year to 198,000 per month.

Meanwhile the unemployment rate jumped from 3.8% to 4.0%. Why? Because the civilian labor force grew by 601,000. We hate blowing one month's data point out of proportion, but there is enough concurrent evidence out there to conclude that this gain in the labor force is a bullish sign for the economy. It signals that fewer people are counting on the government for support.

There are two ways to shrink the welfare state. One way is to directly cut welfare benefits. That's a structural change that encourages work no matter where the economy is in the business cycle. The other method is indirect: adopt policies that help the economy grow faster and let private sector opportunity pull people out of the government's welfare system and back into the labor market. Right now, that second method is taking hold.

The number of people getting Food Stamps (SNAP benefits, which stands for the Supplemental Nutrition Assistance Program) fell to 39.6 million in April, down 4.7% from a year ago and the lowest level since about 2010. This isn't because it's harder to get food stamps, it's because the rewards for work are rising.

In the second quarter of 2018, applications for Social Security disability benefits (SSDI) were down 2.3% from the same period a year ago. That's on top of a 6% decline for full-year 2017 from 2016. And last year also saw 1.3% fewer workers collecting disability benefits than in 2016, the biggest annual decline since 1983. This year, that number has continued to decline. In other words, the job market is plenty strong enough to pull workers back into the private sector.

Although average hourly earnings are up a respectable, but not stellar, 2.7% from a year ago, hundreds of companies are paying "one-time" bonuses to their workers, either based on tax reform or as a way for companies to attract workers without raising their long-term costs, particularly in the trucking sector. These bonuses are helping push down both the median duration of unemployment, and already low unemployment rates across education levels, sexes and races.

While unemployment rates by racial/ethnic categories are volatile from month-to-month (and why we prefer to focus on the trend), the black unemployment rate increased from a near record low in June, but the Hispanic jobless rate fell to 4.6%, the lowest for any month since the government started tracking the data in the early 1970s. And for the past 12 months, the average unemployment rate for both blacks and Hispanics fell to the lowest levels ever recorded, dating back to the early 1970s.

None of this means the labor market is perfect. It never is. Back in the late 1990s, the participation rate among prime-age workers (age 25-54) reached a peak of 84.6%. Right now, their participation rate is 82%. But this is a double-edged sword...where some see imperfection, others see room for further growth. Where some see a labor market that can't get any better, others see opportunity.

We fall in the second camp. Extremely low unemployment rates and rising earnings mean that private sector employment is becoming increasingly more attractive than static government programs. And with more workers moving into the private sector, it's not hard to see better times for workers ahead. The tax cut happened just over six months ago. Deregulation is encouraging more business investment. Corporate earnings continue to exceed expectations. The job market looks set for even more strength.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-9 / 2:00 pm	Consumer Credit– May	\$12.0 Bil	<b>\$15.5 Bil</b>		\$9.3 Bil
7-11 / 7:30 am	PPI – Jun	+0.2%	<b>+0.2%</b>		+0.5%
7:30 am	“Core” PPI – Jun	+0.2%	<b>+0.3%</b>		+0.3%
7-12 / 7:30 am	Initial Claims – July 7	225K	<b>226K</b>		231K
7:30 am	CPI – Jun	+0.2%	<b>+0.2%</b>		+0.2%
7:30 am	“Core” CPI – Jun	+0.2%	<b>+0.2%</b>		+0.2%
7-13 / 7:30 am	Import Prices – Jun	+0.1%	<b>+0.2%</b>		+0.6%
7:30 am	Export Prices – Jun	+0.2%	<b>+0.2%</b>		+0.6%
9:00 am	U. Mich Consumer Sentiment- Jul	98.2	<b>98.7</b>		98.2