

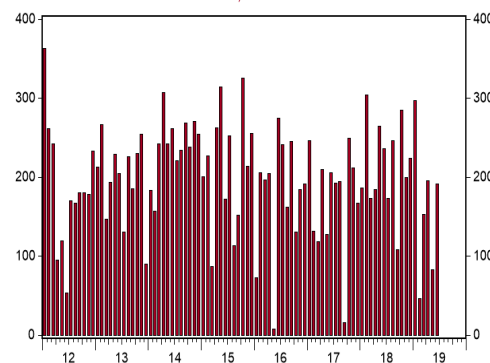
June Employment Report

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- Nonfarm payrolls rose 224,000 in June, easily beating the consensus expected 160,000. Including revisions to April/May, nonfarm payrolls were up 213,000.
- Private sector payrolls rose 191,000 in June, while revisions to the two prior months subtracted 17,000. The largest increases in June were for education and health services (+61,000) professional & business services (+51,000, including temps), transportation & warehousing (+24,000), and construction (+21,000). Manufacturing rose 17,000 while government increased 33,000.
- The unemployment rate ticked up to 3.7% in June from 3.6% in May.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in June and are up 3.1% versus a year ago.

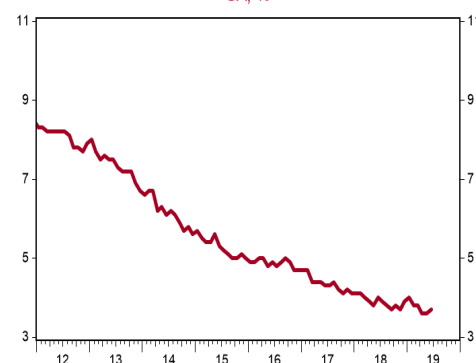
Implications: Fireworks for the job market this morning, which showed why it’s important not to panic about the economy when you get one soft employment report. One month ago the Labor Department reported a payroll gain of only 75,000 for May. Some analysts used this to argue that we were headed for a major slowdown in economic growth and maybe even a recession. But today the payroll report showed a gain of 224,000 in June, easily beating consensus expectations and above even the most optimistic forecast from any economics group. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 247,000. In the past year, payrolls are up 192,000 per month while civilian employment is up 156,000 per month. The underlying trend in job growth is probably near the middle of those two figures. Although the unemployment rate ticked up to 3.7% in June from 3.6% in May, that’s really a “rounding” issue; taken out to three digits past the decimal, the jobless rate was 3.666% in June versus 3.620% in May, so an increase of less than half of 0.1 percentage point made the headline change look worse than it really was. In addition, one detail from the report stood out: the share of voluntary job leavers (quitters) among the unemployed spiked up to 14.7%, the highest since 2000. That such a large share of the unemployed left their previous job voluntarily shows a great deal of confidence in the labor market. As always, we like to look at what the report means for workers’ purchasing power. Average hourly earnings rose a moderate 0.2% in June while the total number of hours worked rose 0.2%, as well. As a result, total wages are up 4.6% in the past year, which means plenty of firepower to drive consumer spending higher. Also, average hourly earnings are up 3.1% in the past year versus a gain of 2.9% in the year ending in June 2018, so that measure of worker pay also shows acceleration. Pessimistic analysts who are grasping at straws may latch onto the fact that multiple jobholders rose 301,000 in June. However, those data come from the household survey, are volatile from month-to-month, and are still at 5.2% of total civilian employment, which it has hit at least once per year in every year dating back to 2014. Today’s report shows why we continue to think the Federal Reserve shouldn’t cut rates at all; the economy simply doesn’t need it. However, there are 26 days until the Fed makes its next policy decision and it will likely take at least a couple more very strong reports to persuade the Fed to do the right thing and not cut rates.

Change in Total Private Payrolls
SA, Thous



Source: Bureau of Labor Statistics/Haver Analytics

Civilian Unemployment Rate: 16 yr +
SA, %



Source: Bureau of Labor Statistics/Haver Analytics

Employment Report <i>All Data Seasonally Adjusted</i>	Jun-19	May-19	Apr-19	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	3.7	3.6	3.6	3.6	3.8	3.8
Civilian Employment (monthly change in thousands)	247	113	-103	86	92	156
Nonfarm Payrolls (monthly change in thousands)	224	72	216	171	172	192
Construction	21	5	34	20	18	19
Manufacturing	17	3	3	8	8	14
Retail Trade	-6	-7	-15	-9	-8	-4
Finance, Insurance and Real Estate	2	2	14	6	7	7
Professional and Business Services	51	24	55	43	35	40
Education and Health Services	61	28	71	53	53	49
Leisure and Hospitality	8	18	9	12	27	31
Government	33	-11	21	14	11	8
Avg. Hourly Earnings: Total Private*	0.2%	0.3%	0.1%	2.8%	2.7%	3.1%
Avg. Weekly Hours: Total Private	34.4	34.4	34.4	34.4	34.4	34.5
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.1%	-0.2%	0.4%	0.9%	1.5%

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