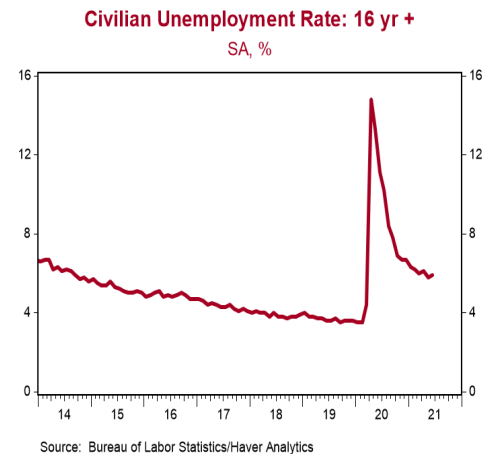
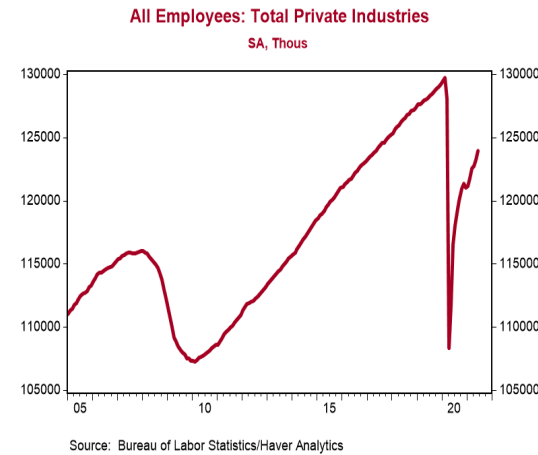


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# June Employment Report

- Nonfarm payrolls increased 850,000 in June versus a consensus expected 720,000.
- Private sector payrolls rose 662,000 in June. The largest increase was for leisure & hospitality (+343,000). Manufacturing increased 15,000 while government rose 188,000 (all accounted for by schools).
- The unemployment rate rose to 5.9% in June from 5.8% in May.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in June and are up 3.6% versus a year ago. Aggregate hours worked rose 0.2% in June and are up 6.6% from a year ago.

**Implications:** Very good headline for job growth, but the details for June were not as strong. Nonfarm payrolls rose 850,000 in June, beating the consensus expected 720,000. So far, so good. However, civilian employment, an alternative measure of jobs that includes small business start-ups, declined 18,000 in June, which helped push the unemployment rate up to 5.9%. In addition, state and local government school payrolls rose 230,000 in June because, with fewer workers during the school year, there were fewer people to layoff than usual in June (remember, all these data are seasonally adjusted). Don't take this the wrong way; we expect job growth to pick up very soon as many states have taken measures to curtail extra unemployment benefits over the next few months and the program expires in September at a national level. This change is very likely to spur a rush by the unemployed to fill many of the 9.3 million job openings around the country, which is a record high number of openings. Moreover, earnings and hours continue to move upward, showing that the demand for labor remains resilient. Average hourly earnings rose 0.3% in June and likely would have risen faster except that more than half of the increase in private-sector payrolls in June was in the leisure & hospitality sector, where workers tend to make below-average pay. Meanwhile, total hours worked rose 0.2% in June. Combined, total pay for workers rose a solid 0.5% in June. Compared to February 2020 (the last pre-COVID month), average hourly earnings are up 6.6% while total hours worked are down 3.7%. That's the labor market in a nutshell right now, with many companies having to pay workers more to compete with unemployment benefits that have never been more generous and which are preventing total jobs and hours worked from ramping back up more quickly. Notably, 942,000 people quit their last job and are still looking for a new one, which is the highest level since 2016 and signals confidence in the future of the labor market. Given the improvement in the overall economy due to the distribution of vaccines, looser COVID-related rules on economic activity, and policies oriented toward short-term economic growth (which we will pay for in the long run!), we still project a gain of 7 million jobs in 2021, the largest for any calendar year on record. Right now, we are still 6.8 million jobs short of where we were pre-COVID. But, given the re-opening of the economy plus the withdrawal of overly generous jobless benefits, we expect to add more than 650,000 jobs per month through year end, narrowing the gap to about 3 million by the end of 2021. The US labor market has a long way to go for a full recovery, but it is on track.



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Jun-21</b>	<b>May-21</b>	<b>Apr-21</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>5.9</b>	5.8	6.1	5.9	6.1	6.9
<b>Civilian Employment (monthly change in thousands)</b>	<b>-18</b>	444	328	251	325	805
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>850</b>	583	269	567	543	660
<b>Construction</b>	<b>-7</b>	-22	-9	-13	2	20
<b>Manufacturing</b>	<b>15</b>	39	-35	6	15	27
<b>Retail Trade</b>	<b>67</b>	27	-22	24	24	67
<b>Finance, Insurance and Real Estate</b>	<b>-1</b>	-3	17	4	4	14
<b>Professional and Business Services</b>	<b>72</b>	36	-79	10	48	106
<b>Education and Health Services</b>	<b>59</b>	59	23	47	48	72
<b>Leisure and Hospitality</b>	<b>343</b>	306	328	326	267	215
<b>Government</b>	<b>188</b>	67	43	99	64	41
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	0.4%	0.7%	5.9%	3.3%	3.6%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.7</b>	34.8	34.9	34.8	34.8	34.8
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	0.2%	0.2%	2.3%	4.8%	6.6%

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

This report was prepared by First