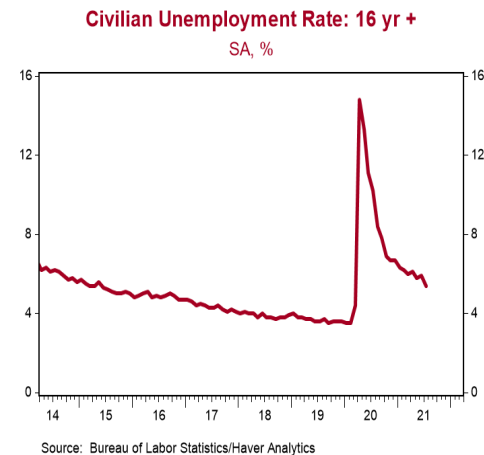
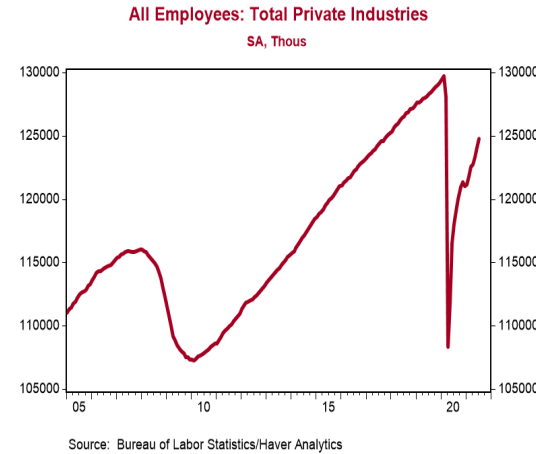


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# July Employment Report

- Nonfarm payrolls increased 943,000 in July, beating the consensus expected 870,000.
- Private sector payrolls rose 703,000 in July. The largest increase was for leisure & hospitality (+380,000). Manufacturing increased 27,000, while government rose 240,000 (mostly due to schools).
- The unemployment rate dropped to 5.4% in July from 5.9% in June.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in July and are up 4.0% versus a year ago. Aggregate hours worked rose 0.6% in July and are up 6.3% from a year ago.

**Implications:** The job market improved substantially in July, which is exactly what should happen when many state governments curtail excess unemployment benefits and the clock starts winding down on excess benefits nationwide. Payrolls rose 943,000, beating consensus expectations and the largest gain in eleven months. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 1.043 million in July. The gain in civilian employment helped push the unemployment rate down to 5.4%, the lowest level since March 2020. Meanwhile, the participation rate – the share of adults who are either working or looking for work – ticked up to 61.7% from 61.6% in June (was 63.3% pre-COVID); the employment-population ratio – the share of adults who are working surged to 58.4% in July versus 58.0% in June (was 61.1% pre-COVID). One caveat to the good news is that government jobs increased 240,000, mostly due to teachers. That “hiring” is a COVID-related quirk. Many teachers are temporarily laid-off in July, then rehired in August/September. But, with fewer teachers working this past year, there were fewer layoffs in July. Regardless of this quirk, private-sector payrolls increased a robust 703,000 in July. And the details of the report were strong, as well. Average hourly earnings rose 0.4% in July and likely would have risen faster except that more than half of the increase in private-sector payrolls was in the leisure & hospitality sector, where workers tend to make below-average pay and cash tips are not fully included in reported earnings. Meanwhile, total hours worked rose 0.6% in July. Combined, total pay for workers rose 0.9%. Compared to February 2020 (the last pre-COVID month), average hourly earnings are up 7.1%, while total hours worked are down 2.7%. Combined, total pay for workers is up 4.3% since February 2020. It’s important to recognize, however, that the good news in today’s report is on the *direction* of the labor market, which still has a long way to go to be fully healed; we are still 5.7 million payrolls short of where we were pre-COVID, for example. We project that it will take until about mid-2022 to recover all those jobs, even assuming we get a surge in jobs in the next few months as fewer unemployed workers have access to excess unemployment benefits. The withdrawal of excess benefits should spur a rush by the unemployed to fill many of the 9.2 million job openings around the country, which is a record high number of openings. The US labor market has a long way to go for a full recovery, but it is on track.



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-21	Jun-21	May-21	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>5.4</b>	5.9	5.8	5.7	5.9	6.5
<b>Civilian Employment (monthly change in thousands)</b>	<b>1,043</b>	-18	444	490	436	753
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>943</b>	938	614	832	681	605
<b>Construction</b>	<b>11</b>	-5	-24	-6	2	19
<b>Manufacturing</b>	<b>27</b>	39	36	34	26	27
<b>Retail Trade</b>	<b>-6</b>	73	60	42	27	50
<b>Finance, Insurance and Real Estate</b>	<b>22</b>	-1	2	8	8	15
<b>Professional and Business Services</b>	<b>60</b>	75	50	62	46	100
<b>Education and Health Services</b>	<b>87</b>	60	46	64	63	61
<b>Leisure and Hospitality</b>	<b>380</b>	394	319	364	344	196
<b>Government</b>	<b>240</b>	169	59	156	81	41
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	0.4%	0.5%	5.0%	4.2%	4.0%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.8</b>	34.8	34.8	34.8	34.8	34.8
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.6%</b>	0.6%	0.2%	5.7%	4.7%	6.3%

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