

U.S. Data Review

- Labor market: vigorous in July

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The Employment Situation

The labor market report for July was strong in all respects: payroll employment rose sharply (up 943,000 and results were revised upward in the prior two months by 119,000), the unemployment rate fell 0.5 percentage point, and average hourly earnings jumped 0.4 percent.

Part of the surge in employment was a pandemic-related statistical quirk. Employment in local governments rose 230,000 after seasonal adjustment, but the increase reflected that fact that layoffs at schools were lighter than normal because employment levels during the school year were below normal. Local governments did not hire actively. Still, the report was favorable, as employment ex-local government grew by 713,000.

The service sector led the advance in July, with leisure and hospitality standing out (380,000 new jobs, growth of 2.6 percent versus 0.6 percent for total employment). Several other areas posted strong performances (transportation & warehousing, information, financial services, health care). Activity in the goods-producing sector was less impressive than that in the service areas. The manufacturing sector performed well with an increase of 27,000 jobs, but the advance was no stronger than its average in the prior 12 months. Construction employment rose only moderately, with the gain of 11,000 below the average of the past year.

The unemployment rate fell 0.5 percentage point to 5.4 percent, much sharper than the expected drop of 0.2 percentage point. The decline was a “strong” one. That is, a surge in employment as measured by the household survey (up 1.043 million) far exceeded a respectable advance in the size of the labor force (up 261,000). The broad

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2019	168	150	3.7	7.2	166	121	60.8	9.2	4,408	0.2	34.4
2020	-785	-679	8.1	13.7	-742	-334	56.8	12.6	7,227	0.5	34.6
2021	617	532	6.0	10.4	402	111	57.9	18.2	5,356	0.3	34.8
Qtrly. Average											
20-Q1	-360	-375	3.8	7.6	-1,066	-619	60.7	8.0	4,818	0.4	34.3
20-Q2	-4,333	-3,860	13.1	20.7	-4,479	-975	52.9	7.6	10,190	0.7	34.5
20-Q3	1,342	1,174	8.8	14.5	1,814	94	56.1	16.5	7,405	0.2	34.7
20-Q4	213	346	6.8	11.9	762	163	57.4	18.2	6,493	0.5	34.8
21-Q1	518	489	6.2	11.0	339	-3	57.6	17.8	5,956	0.1	34.8
21-Q2	607	517	5.9	10.1	251	430	58.0	19.6	5,047	0.5	34.8
2021 Monthly											
Jan.	233	122	6.3	11.1	201	-406	57.5	15.3	5,954	0.0	35.0
Feb.	536	622	6.2	11.1	208	50	57.6	18.3	6,088	0.3	34.6
Mar.	785	724	6.0	10.7	609	347	57.8	19.7	5,826	-0.1	34.9
Apr.	269	226	6.1	10.4	328	430	57.9	19.8	5,243	0.7	34.9
May	614	(583)	5.8	10.2	444	-53	58.0	19.3	5,271	0.5	34.8
June	938	(850)	5.9	9.8	-18	151	58.0	19.8	4,627	0.4	34.8
July	943	703	5.4	9.2	1,043	261	58.4	15.2	4,483	0.4	34.8

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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unemployment rate fell by 0.6 percentage point to 9.2 percent, as a drop in the number of individuals working part-time for economic reasons joined the influence of the traditional measure. (The number of marginally attached workers, those that would like a job but are not actively searching, rose moderately.)

Average hourly earnings rose 0.4 percent, marking the fourth consecutive month of solid growth (range of 0.4 to 0.7 percent over this span). The change is especially impressive given that much of the job growth in recent months has occurred in industries that typically pay below-average wages. (This measure is not fixed-weighted, and thus changes in the composition of the workforce can influence the change. Job growth in low-wage sectors, all else equal, would restrain the average.)