

ECONOMIC ALERT

U.S. EMPLOYMENT SITUATION – JUN 2018

Released Friday, July 6, 2018

Nonfarm Payrolls: +213,000 month-over-month (Cons: +195,000), +2.37 million year-over-year

Unemployment Rate: 4.0% (Cons: 3.8%), +0.2 ppt month-over-month, -0.3 ppt year-over-year

Weekly Hours: 34.5 hours (Cons: 34.5 hours), unchanged month-over-month, +0.1 hours year-over-year

Hourly Earnings: \$26.98, +0.2% month-over-month (Cons: +0.3%), +2.7% year-over-year

Quick Take:

Non-farm payrolls increased by 213,000 in June, which was above economists' estimates. April and May payroll gains figures were revised up 37,000 collectively. Over the past three months, monthly payroll gains have averaged 211,000, higher than the average of 188,000 jobs added since the beginning of 2010.

Average hourly earnings growth was below expectations in June, growing 0.2% month-over-month. Average hourly earnings on a year-over-year basis grew 2.7%, unchanged from May's year-over-year growth and slightly up from April's 2.6% year-over-year growth. Year-over-year hourly earnings growth has slowly moved higher from its post-recession low of 1.5% and June's 2.7% year-over-year growth is the third highest reading since 2010.

The unemployment rate rose to 4.0% in June, a 0.2 ppt increase from May. The increase in the unemployment rate was driven by more workers entering the labor force rather than workers losing jobs.

Overall, June's jobs report continues a trend of very healthy labor market data. The number of payroll gains have picked up in recent months, but given the great labor market progress made during this cycle, it is our view that job gains will modestly decelerate as the current economic cycle lives on. Wage gains remain modest, however the upward trend hints at more wage inflation to come, particularly as labor markets tighten further.

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Notable Data:

June Payroll gains were largest in professional and business services (+50,000), manufacturing (+36,000), and health care (+25,000). The 36,000 manufacturing job additions was the largest monthly gain for the industry since December 2017. Retail trade declined (-22,000) which mostly offset an increase in May (+25,000).

In June, labor force participation was 62.9% compared to 62.7% in May. The labor force participation rate has ranged between 62.7% and 62.9% for 25 consecutive months. Prime age workers' (ages 25-54) participation increased from 81.8% to 82.0%.