

Employers Add 209K Jobs in ‘Laudable’ Jobs Report

Unemployment dropped to 4.3 percent during a strong month for employment gains

By: Andrew Soergel

The U.S. labor market continued an unexpectedly strong run of growth last month, tacking on 209,000 new jobs more than eight years after emerging from the Great Recession, according to a Friday report from the Bureau of Labor Statistics.

July was the second straight month job gains clocked in above 200,000, trailing June’s upwardly revised 231,000 additions. The labor market has now eclipsed the 200,000-position threshold in five out of seven months so far this year – a level of consistency managed only in 2014 and 2015 since the recession ended back in 2009.

“These are laudable numbers to say the least,” Mike Loewengart, vice president of investment strategy at E-Trade, said in a statement Friday morning. “Amid solid corporate earnings and record-breaking markets, this only adds fuel to the [Federal Reserve]’s fire to shrink its bond portfolio.”

Goods-producing outfits tacked on 22,000 jobs, with manufacturing payrolls growing for the second consecutive month with 16,000 additions. Construction employment climbed by just 6,000, though, and the mining and logging sector was flat compared with June’s performance.

But service jobs – continuing a theme seen throughout the ongoing recovery – carried the month’s employment expansion. Education and health services companies added 54,000 new positions, while professional and business services contributed 49,000. Leisure and hospitality jobs accounted for 62,000 of last month’s job gains.

Performance was strong across the board, as the country’s unemployment rate ticked back down to 4.3 percent – tying May for the lowest unemployment has been in the U.S. since 2001. Labor force participation rose for a second consecutive month to 62.9 percent, and 345,000 more Americans were employed in some capacity at the end of July than was the case a month earlier.

Government unemployment metrics only consider those who aren’t working but have actively looked for a job over the past four weeks as unemployed – so a large number of people who give up looking for work can actually push the unemployment rate down. But that doesn’t appear to have happened in July, as the number of people not counted in the labor force dropped by 156,000.

The government’s U-6 unemployment rate, which tracks all those unemployed, marginally attached to the labor force and working part-time for economic reasons like an inability to find a full-time job held steady at 8.6 percent.

“Job growth continues to be strong, and the unemployment rate is now about as low as it can reasonably get,” Svenja Gudell, chief economist at real estate hub Zillow, said in a statement Friday. “Income growth surged in 2015 and 2016, and though it has slowed down slightly this year, it remains stronger than during the early 2010s.”

Indeed, average hourly earnings hit \$26.36 in July, up by 9 cents over the month and 65 cents, or 2.5 percent, over the year. That’s hardly a blistering pace, but it’s also a sign that wages in the U.S. are continuing

their slow climb higher.

“While far from spectacular, especially given the further fall in unemployment, today’s wage numbers are just about enough for now,” Luke Bartholomew, a fixed income strategist at Aberdeen Asset Management, wrote in a research note Friday.

The details of the report likely won’t do much to alter the Federal Reserve’s strategy in the months ahead. Strong job growth, low unemployment and modest wage gains all point to a healthy labor market – which is expected to spur the Fed into unwinding its balance sheet as early as September and boost interest rates once more before the end of the year, likely in December.

President Donald Trump, meanwhile, was quick to take credit for the job gains, tweeting he had “only just begun” and that “many job stifling regulations will continue to fall.”

But without big-ticket legislation like tax reform, some analysts are concerned the economy won’t be able to keep up the respectable pace of job gains recorded during Trump’s first six months in office.

“Under the Trump administration, the economy has been doing well—the unemployment rate has dropped, job creation is on the rise, and the markets are booming. But without new stimulus, this growth will not last forever,” Alfredo Ortiz, president and CEO of the labor-focused Job Creators Network, said in a statement Friday. “To keep the momentum of economic expansion moving, lawmakers in Washington need to address the millions of small business owners and their employees that have endured years of overtaxation.”