

U.S. Employment (June) **New Still Hiring**

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While I wouldn't exactly describe it as wall-to-wall strength, the **U.S. nonfarm payroll** report was better than expected. The headline gain of 213k beat expectations of a sub-200k figure (which is noise), while the prior two months were revised higher (May's 223k increase was revised higher to 244k, and April's 159k increase is now 175k). The jobless rate ticked up for the first time in nearly one year, up 0.2 ppts to 4.0% (still incredibly low) but that was due to a 601k surge in the labor force (the second biggest surged 601k, the 2nd largest gain in over 15 years). Indeed, the tight labor market is drawing people in from nearly all walks of life. The all-in jobless rate (U6) also ticked up to 7.8%. Hiring was broad-based across nearly all sectors, although retail fell 21.6k (mostly from general merchandise stores). Areas where businesses have the biggest issues when it comes to finding workers—transportation, construction—continued to add to their payrolls.

Where it was a little more disappointing was on the wage front, as **average hourly earnings** ticked up 0.2% in June, as expected, keeping the y/y gain at 2.7%. Indeed, more anecdotes are cropping up, of businesses increasing their training to help existing workers into this other hard-to-fill-roles, instead of raising wages to attract more qualified individuals. Aggregate hours worked rose for the 5th straight month, supporting broader growth in Q2. The part rate encouragingly ticked up to 62.9%.

All in, this was a good report, and continues to reflect ongoing labor market tightness. However, tariffs and the uncertainty associated around them may show up in the jobs data soon.

Meantime, the **U.S. goods & services trade deficit** narrowed a teensy bit more than expected at \$43.05 bln in May from \$46.1 bln in the prior month. Exports jumped 1.9% (+11.7% y/y) while imports were up 0.4% (+8.3% y/y). The U.S. trade deficit w/ its (for now) NAFTA trade partners widened to \$8.2 bln, the largest since October. Interesting. With China, the trade deficit grew to \$33.2 bln, or \$389.3 bln (a record, obviously) in the past 12 months, which is bad news and will only serve to ramp up the tariff threats. In real-terms, the trade deficit has narrowed considerably from Q1, supporting our expectation that net exports added to growth in Q2.

Bottom Line: Positive news on the U.S. economy, and keeps the Fed on track for a couple of more hikes this year...no more than that.

Employment						
United States (change in thousands)						
		Jun	May	Apr	(average change)	
					3-mo.	12-mo.
Nonfarm Payrolls		213	244	175	211	198
Private Sector		202	239	174	205	196
Manufacturing		36	19	28	28	24
Construction		13	29	16	19	24
Retail Trade		-22	25	-2	0	7
Avg. Hourly Earnings	(% chng)	0.2	0.3	0.2	2.7 ¹	2.7 ²
Private Workweek	(hrs)	34.5	34.5	34.5	34.5 ³	34.4 ⁴
Mfg. Workweek	(hrs)	42.0	42.0	42.3	42.2 ³	42.0 ⁴
Aggr. Hours Worked	(% chng)	0.2	0.2	0.1	1.8 ¹	2.1 ²
Unemployment Rate	(%)	4.0	3.8	3.9	4.1 ³	4.3 ⁴
Total Unemployment Rate	(%)	7.8	7.6	7.8	8.0 ³	8.5 ⁴
Avg. Duration of Unemp.	(wks)	21.2	21.3	23.1	24.1 ³	24.9 ⁴
Household Employment		102	293	3	133	194

¹ (3-mo. % change : a.r.) ² (12-mo. % change) ³ (3 mo. ago) ⁴ (12 mo. ago)

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