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## June Employment Report: Didn't Believe The Last One, Don't Trust This One . . .

- › Nonfarm employment rose by 57,000 jobs in June; prior estimates for April and May were revised down by a net 74,000 jobs
- › Average hourly earnings rose by 0.3 percent, while aggregate private sector earnings rose by 0.4 percent (up 4.4 percent year-on-year)
- › The unemployment rate fell to 4.2 percent in June (4.189 percent, unrounded); the broader U6 measure fell to 7.9 percent

We had little reason to believe the last set of numbers, i.e., the May employment report, and we have little reason to trust the latest set of numbers, i.e., the June employment report. Okay, sure, that gives new meaning to the phrase "cold open" but, yet, here we are. Total nonfarm payrolls rose by 57,000 jobs in June, closer to our forecast of 79,000 jobs than to the consensus forecast of 115,000 jobs, and private sector payrolls rose by 49,000 jobs, again closer to our forecast (67,000 jobs) than to the consensus forecast (110,000 jobs). Our lack of trust in the June estimates flows from yet another ridiculously low initial collection rate to the BLS's establishment survey. At 54.4 percent, the initial collection rate for the June survey is far below already depressed post-pandemic averages and is the lowest June rate since 1992. We flagged this in our preview of the June data, noting that the June survey period ending prior to the middle of the month would likely bias the survey response rate lower, and why that matters is that a low response rate diminishes the reliability of the initial estimates of nonfarm employment, hours, and earnings. On top of that, while we had dismissed the initial estimate of May job growth as being significantly overstated, the second-month collection rate for the May establishment survey is also notably low, meaning that while the initial estimate of May job growth was revised sharply lower, the second estimate is not as reliable as would typically be the case. Average hourly earnings rose by 0.3 percent, and contrary to our expectations, the average length of the private sector workweek held at 34.3 hours, and combining these metrics with the increase in payrolls puts private sector wage and salary earnings up 0.4 percent in June, for a year-on-year increase of 4.4 percent. As we expected, the unemployment rate fell to 4.2 percent, but while we expected a decline in the labor force due to lower participation amongst the 16-to-24 year-old age cohort, the June household survey data show participation plummeting amongst the "prime working age" cohort, which we have trouble believing though that could just be us being us. Either way, anyone who had read our preview of the June employment report will not be surprised by our making the following two points; first, contrary to many others, we're not surprised by the June employment report, and, second, the June employment report doesn't change our view of the labor market. After all, even June's

middling print, were it to survive revision (it surely won't) would put job growth ahead of what we and most others peg as the "breakeven rate" of job growth. We continue to point to labor supply constraints as a drag on job growth, but at the same time continue to point to the absence of a significant pick-up in the rate at which workers are being laid off as a sign that labor demand remains more or less stable.

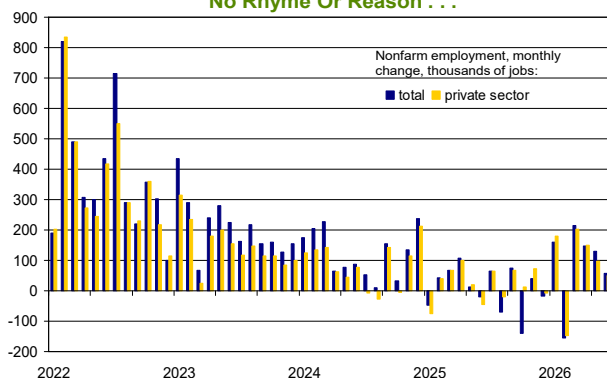
One source of the downward revision to the initial estimate of May job growth is that payrolls in leisure and hospitality services are now reported to have increased by 40,000 jobs in May rather than by 70,000 jobs as first reported. In June, however, payrolls in this industry group are reported to have declined by 61,000 jobs despite expectations that hiring related to the World Cup would provide a, well, transitory boost. We'd argue that that boost did in fact occur over May and June, but seasonal adjustment has significantly distorted the impact. To that point, not seasonally adjusted payrolls in leisure and hospitality services rose by 373,000 jobs in June, almost identical to the increase of 378,000 jobs last June. Yet, the seasonally adjusted data show a decline of 61,000 jobs this June, much larger than the 2,000 jobs decline last June on a seasonally adjusted basis. This is the second straight month in which seasonal adjustment has wreaked havoc with this industry group, and that is also the case more broadly as this year saw the largest June increase in not seasonally adjusted private sector payrolls in three years.

The size of the labor force is reported to have declined by 720,000 persons in June, more than entirely accounted for by a decline of 808,000 persons amongst the 25-to-54 year-old age cohort, of which 700,000 came from the 25-to-34 year-old age cohort. To call this ridiculous is to give way more credit than it deserves. The household data do show further sharp declines in participation and employment amongst foreign born workers, which we've for some time pointed to as a meaningful drag on job growth, but we simply cannot trust that the household survey data are adequately measuring this effect.

It is beyond frustrating that what is heralded as any month's most important data release is of so little use. All we can say is that Fed Chair Warsh's task force on sources and uses of data has its work cut out for it.



### No Rhyme Or Reason . . .



### Part-Time For Economic Reasons

three-month moving averages, millions of people

