



Encouraging Jobs Report

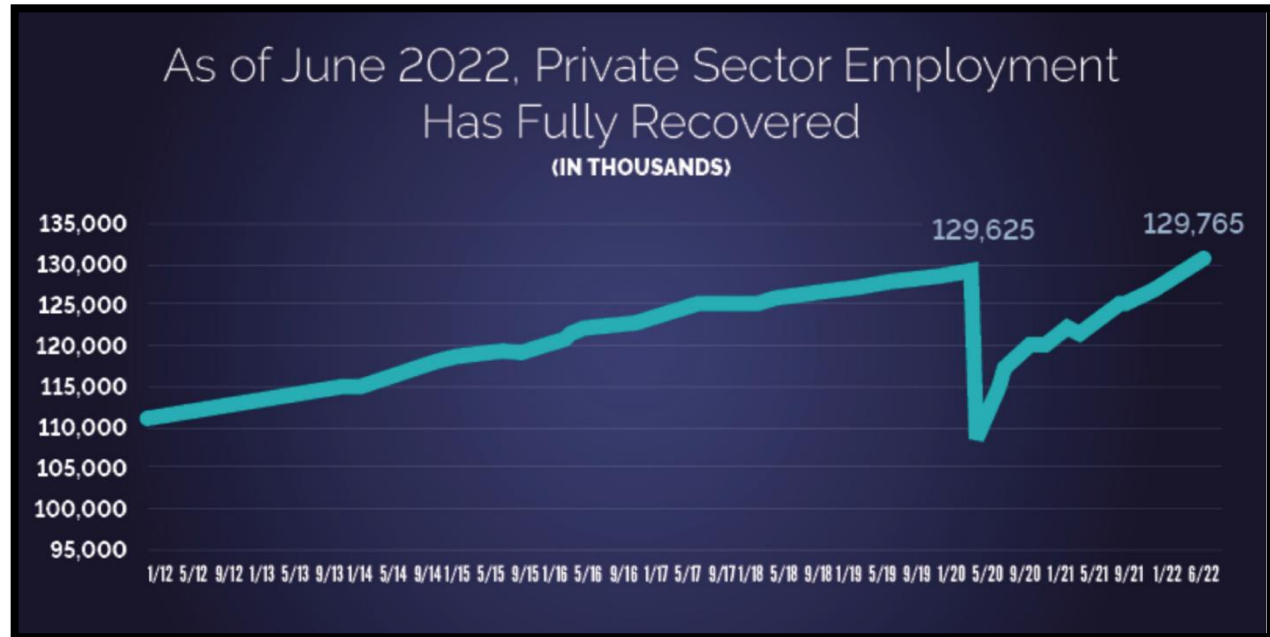
August 30, 2022

If the U.S. economy is in recession, it sure is a peculiar one. The most recent jobs report, for June, showed an increase of 372,000 people employed in America, and average hourly earnings are up 5.1% from a year ago. This increase is way above what most economists were expecting; indeed, one of the memes making the rounds among the financial press is a pre-written article by one of the major news services in advance of the report, with XXXs standing for the actual numbers, which, describe a significant decline in the new jobs created by the economy as bad news for the President and Americans in general.

The Bureau of Labor Statistics reported that the unemployment rate remained steady at a historically low 3.6%, but perhaps more significantly, the number of discouraged unemployed workers not seeking employment, plus the people holding part-time jobs due to adverse economic conditions, dropped from 7.1% to 6.7% over the one-month period.

What happened? The leisure and hospitality industry is recovering, gaining 67,000 new jobs, but those gains were small compared with the 96,000 new education and health services jobs and 74,000 new jobs in professional and business services. There are signs that the U.S. manufacturing sector is bringing jobs home, with 29,000 new factory workers hired. Meanwhile, government jobs fell by a total of 9,000 salaried positions.

Economists are predicting that the strong job growth will give the Federal Reserve Board some cover for raising the Fed Funds rate next month, despite a two-quarter decline in the U.S. GDP that would normally discourage a rate rise. That may be bad news for most investors—at least in the short-term—since higher bond rates tend to create hurdles for stock prices. But the good news is that it appears that the U.S. job market has fully recovered from the employment decline created by Covid. (See graphic.) That's something none of us could have produced a couple of years ago.



Sources:

<https://blog.dol.gov/2022/07/12/a-fully-restored-private-sector-and-continued-growth-highlights-from-the-june-2022-jobs-report>

<https://www.cnbc.com/2022/07/08/jobs-report-june-2022-.html>

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