

TRENDMACRO LIVE!

On the June Jobs Report

Thursday, July 2, 2015

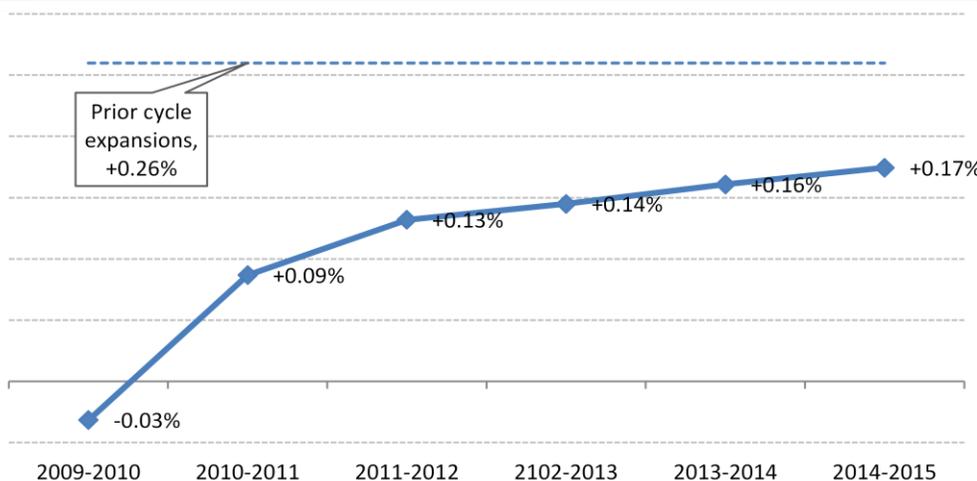
Donald Luskin

Liftoff deferred again: a jobs miss, downward revisions, falling participation, no wage growth.

[This morning's June Employment Situation report](#) wrapped up the sixth year since the official end of the Great Recession with a whimper, not a bang. The reported gain of 223,000 net payrolls slightly missed expectations of 233,000, but there were downward revisions to the two prior months totaling 60,000.

The last twelve months of jobs reports have been the best in this Not So Great Expansion, building upon the prior year ever so slightly, as has happened each year (please see the chart below). But the entire job growth record in this sluggish cycle has been well below the historical average for prior expansions.

— 12-month average MOM payroll growth this cycle expansion
 ... Prior expansions



Source: BLS, TrendMacro calculations

The headline unemployment rate fell to a new cycle low of 5.3%, with the number of unemployed persons falling by 375,000, of which 244,000 were long-term unemployed. But this superficial improvement came at the cost of contraction in the labor force of 432,000 persons, of whom 56,000 had been employed (see ["Data Insights: Jobs"](#) July 2, 2015). This lowers the labor force participation rate to 62.6%, a new cycle low, and the lowest since October 1977. Adjusting for this by holding the participation rate

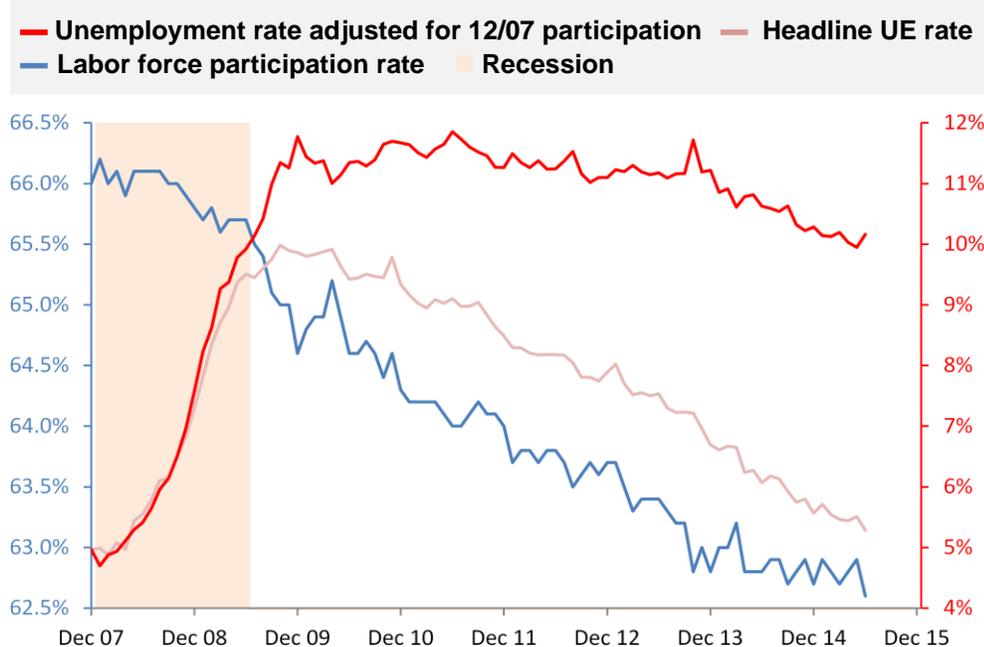
Update to strategic view

US MACRO, US FED:

A bad end to the sixth year since the official trough of the Great Recession. It was the best job growth year yet, but still well below the historical norm. The drop in the unemployment rate is an illusion, driven by new cycle lows for labor force participation. With zero wage growth and downward revisions to prior months -- and with the Greek crisis bubbling in the background -- this jobs report leaves the FOMC as an "object at rest."

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constant, unemployment actually up-ticked by 22 basis points. Holding it at its level at the December 2007 peak of the prior business cycle expansion, the unemployment rate is actually 10.2% (please see the chart below).



Source: BLS, TrendMacro calculations

And with average hourly earnings unchanged on top of downward revisions for the prior two months, we have a jobs report which -- despite the headline unemployment rate -- will do absolutely nothing to move the Fed to dare the institutionally risky move of "liftoff" from zero interest rates at the next FOMC (see "On the June FOMC" June 17, 2015).

- We think the economy is coming out of the "disruptive technology" shock induced by the sudden massive drop in oil prices (see "[The Oil Crash: One Year from the Peak](#)" June 25, 2015). But this jobs report reflects a labor market still very much in the turbulent wake of that event.
- Add to that the turmoil in Greece, and we can be sure that the FOMC is an "object at rest" until further notice.

Bottom line

A bad end to the sixth year since the official trough of the Great Recession. It was the best job growth year yet, but still well below the historical norm. The drop in the unemployment rate is an illusion, driven by new cycle lows for labor force participation. With zero wage growth and downward revisions to prior months -- and with the Greek crisis bubbling in the background -- this jobs report leaves the FOMC as an "object at rest." ▶

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[Greece can still avoid a catastrophic exit from the Eurozone](#)

Domingo Cavallo
Vox EU
June 30, 2015

[Measuring Economic Policy Uncertainty](#)

Scott R. Baker, Nicholas Bloom, and Steven J. Davis
March 2015

[Stuck](#)

Andrew G Haldane
Bank of England
June 30, 2015

[A Primer on the Greek Crisis: the things you need to know from the start until now](#)

Anil Kashyap
University of Chicago, Booth School of Business
June 29, 2015

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