

TRENDMACRO LIVE!

On the June Jobs Report

Friday, July 5, 2024

Donald Luskin

We just hate the idea of “Goldilocks.” But that’s what this is, so enjoy it.

[Today's June 2024 Employment Situation Report](#) shows a strong labor market, but key internals will comfort the Fed that it’s not too strong. We don’t like the fact that our central bank thinks employment causes inflation, but they do – so this was a pretty ideal report. The money-market curve showed a slight market-implied improvement in expectations for Fed rate cuts after the report was released.

- Once again, net payrolls at 206,000 beat the consensus, which had been expecting 190,000. At the same time, the prior two months were downwardly revised sharply – 54,000 payrolls in May and 57,000 payrolls in April. Aggregate hours worked made a new all-time high.
- The unemployment rate ticked up 9 bp to 4.05% from 3.96%. But that was due to the increase in the labor force of 277,000, more than half of whom became immediately employed (but a little less than half of which did not).
- Average hourly earnings grew by a healthy 0.29%, 0.15% slower than red-hot May (which, in fact, was revised slightly higher).

[Generative AI token](#): “Biden's new border policy can't possibly have had any effect yet.”



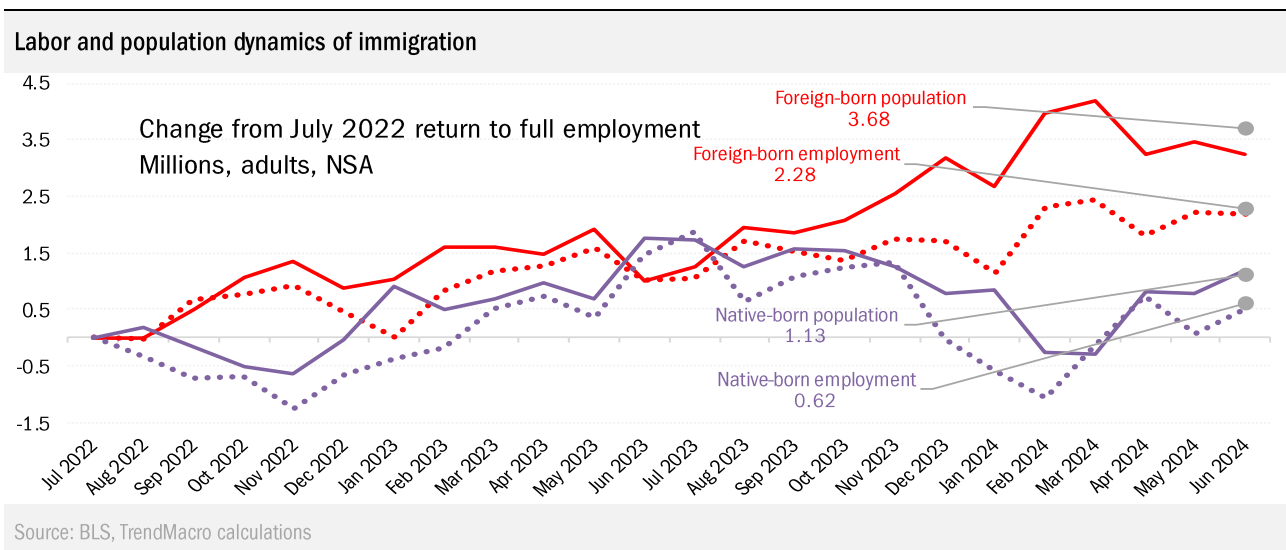
Source: [DreamStudio](#) running SDXL v1.0

Update to strategic view

US MACRO, FEDERAL RESERVE: Payrolls beat consensus expectations, but the two prior months were revised substantially lower. Wage growth was strong, but lower than last month’s red-hot number that was revised higher. The unemployment rate rose above 4%, but due to the growth of the labor force – slightly less than half of new entrants were not immediately employed. The foreign-born population and foreign-born employment declined, and native-born rose. These numbers are not seasonally adjusted, and don’t reflect reality. The continuing outperformance by the payroll survey over the household survey suggests immigrant employment is still strong, because payrolls are better at picking up hiring of illegals. Biden’s border proclamation was made only a month ago, so it can’t possibly have had even the slightest effect on June’s numbers. This is a Fed-friendly jobs report, with the money-market curve shifting slightly to the dovish in the wake of the data release.

[\[Strategy dashboard\]](#)

- In a very familiar pattern, payroll growth of 206,000 in the [Current Employment Statistics – the “establishment survey,”](#) or the “payroll survey” – outpaced the 116,000 employment growth in the [Current Population Survey – the “household survey.”](#) We believe this is because [the payroll survey is better at counting employment of immigrants](#), some of whom may not be legal (see [“Video: What you’re not hearing about who are all those new immigrants in the labor force”](#) May 31, 2024).
- *The household survey showed a decline both in the foreign-born population (down 212,000) and in foreign-born employment (down 29,000). These monthly data approximately capture the flow and labor market dynamics of immigrants, (please see the chart below, and [“Data Insights: Jobs”](#) July 5, 2024), but they are not seasonally adjusted so they must be contextualized with other labor market telemetry.*



- The fact that, once again, payrolls strongly outperformed household survey employment suggests there was not, in fact, a decrease in employment of immigrants. At the same time, the household survey shows both growth in the native born population (up 402,000) and in native-born employment (up 461,00). *We doubt strongly that a bunch of immigrants lost their jobs and they and ten times more of their fellow immigrants left the country while a bunch of native-born Americans suddenly entered the adult population in a previously unappreciated baby boom and got a ton of jobs.*
- That said, we are on the lookout for dynamics in that direction because we think much of the jobs boom of the last two years has been due to open immigration policy, and the surprising reality that so many immigrants have been able to get jobs by hook or by crook (see [“Open Borders Produced the Biden Economic Boom”](#) May 24, 2024).
- Facing re-election challenges even before last week’s debate (see [“Our Hot Take on Last Night’s Presidential Debate”](#) June 28, 2024), President Joseph R. Biden Jr. tried to defuse the chaotic immigration situation with a [June 4 “Proclamation On Securing the Border.”](#) *Even if this tepid and opaque change in policy were to be*

effective eventually, it is too new to have made even the slightest difference in June numbers.

Bottom line

Payrolls beat consensus expectations, but the two prior months were revised substantially lower. Wage growth was strong, but lower than last month's red-hot number that was revised higher. The unemployment rate rose above 4%, but due to the growth of the labor force – slightly less than half of new entrants were not immediately employed. The foreign-born population and foreign-born employment declined, and native-born rose. These numbers are not seasonally adjusted, and don't reflect reality. The continuing outperformance by the payroll survey over the household survey suggests immigrant employment is still strong, because payrolls are better at picking up hiring of illegals. Biden's border proclamation was made only a month ago, so it can't possibly have had even the slightest effect on June's numbers. This is a Fed-friendly jobs report, with the money-market curve shifting slightly to the dovish in the wake of the data release. ▶

Contact TrendMacro

On the web at
trendmacro.com

Follow us on Twitter at
twitter.com/TweetMacro

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

[\[About us\]](#)