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## June Employment Report: More Questions Than Answers In The Labor Market Data

- › Nonfarm employment rose by 206,000 jobs in June; prior estimates for April and May were revised down by a net 111,000 jobs
- › Average hourly earnings rose by 0.3 percent, while aggregate private sector earnings rose by 0.4 percent (up 5.1 percent year-on-year)
- › The unemployment rate rose to 4.1 percent in June (4.053 percent, unrounded); the broader U6 measure was unchanged at 7.4 percent

Total nonfarm employment rose by 206,000 jobs in June, between what we (224,000) and the consensus (190,000) expected. That, however, is pretty much as good as it gets for the June employment report, but even that seemingly solid headline growth print is not to be trusted. Private sector payrolls were up by just 136,000 jobs while public sector payrolls were up by 70,000 jobs, but there is little reason to trust these figures. To that point, prior estimates of job growth in April and May were revised down by a net 111,000 jobs, continuing a disturbing pattern that has been in place for over a year now; over that two-month span, prior estimates of private sector job growth were marked down by a net 86,000 jobs while prior estimates of public sector job growth reduced by 25,000 jobs, or, half the increase previously reported. Continuing a pattern we've been pointing to for much too long, the initial collection rate for the June establishment survey was 57.4 percent, which is not only below already below-average post pandemic collection rates but is the lowest June collection rate since 1993. Moreover, second and third month collection rates remain notably low, suggesting less confidence in the second and third revisions to estimates of job growth in any given month. Average hourly earnings rose by 0.3 percent in June, but softer private sector job growth held down growth in aggregate private sector wage and salary earnings, which rose by only 0.4 percent in June, though this still leaves them up 5.1 percent year-on-year. The unemployment rate ticked up to 4.1 percent though, once again, there is little reason to trust this number.

Seasonal adjustment was unkind to the estimate of June job growth, which in part reflects what was a smaller increase in unadjusted payrolls than is typical for the month of June. Two primary culprits are retail trade and leisure and hospitality services, where smaller than normal June increases in unadjusted payrolls led to the seasonally adjusted data showing a decline of 8,500 jobs in retail trade and an increase of only 7,000 jobs in leisure and hospitality services (the unadjusted data show an increase of 436,000 jobs in this category). Shifting consumer spending patterns are likely weighing on retail trade employment, while it could be that uncertainty over the outlook for demand is leading firms in leisure and hospitality services to rein in hiring. Health care and government

accounted for the bulk of hiring in June; these two industry groups and leisure and hospitality services have accounted for just under two-thirds of all job growth in 2024. That may seem at odds with the one-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups, which rose to 59.6 percent in June. That number, however, is just as suspect as any other estimates derived from the establishment survey, as it too has been prone to the same pattern of downward revisions seen in the estimates of private sector job growth.

We've been clear and consistent in pointing out what we perceive to be some critical issues with the data from the establishment survey. Notably low collection rates leave bigger gaps for the BLS to fill in with their own estimates. While one would be within the bounds of reason to think it would be equally likely that revisions to the initial estimates of job growth would be higher or lower, the reality is that going back to late-2022 revisions to estimates of private sector job growth have consistently been downward and notably large. We will reiterate a point we've been making for some time now, which is that we think the estimates of payroll job growth have been overstated, but we won't know the degree to which this is the case until the annual benchmark revision process has been conducted. To that point, BLS announced that the preliminary estimates of the benchmark revisions will be released on August 21.

The household survey data are suffering from their own issues, as the implausible splits in the cuts across age and gender cohorts that have plagued the household survey data for some time persist. The June data show employment amongst females declining by 517,000 persons while employment amongst males is reported to have risen by 632,000 persons, with the decline amongst females pushing employment amongst 25-to-54 year-olds, the "prime working age" cohort, lower. We think it worth noting that the participation rate amongst the prime-age cohort rose to 83.7 percent in June, the highest rate for this cohort since May 2001. Were the labor market as weak as portrayed by the household survey, as many claim to be the case, we think there would be some signs of that amongst the largest single block of the labor force. So far, there are no such signs, which to us raises questions about the household survey data.

