

Economic Analysis

Employment Data Holds Steady, Wages on the Rise

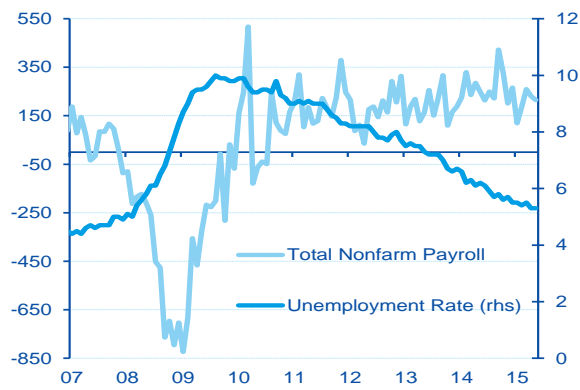
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- **Nonfarm payrolls increased 215K in July, slightly below expectations**
- **Wages rose 0.2% MoM, after declining in June**
- **The unemployment rate and labor force participation held at 5.3% and 62.6%, respectively**

July's employment report was not necessarily the most exciting, as most of the indicators were relatively similar to the previous month. However, the release of consistent payroll and wage growth data could further boost the possibility of a rate hike in September, especially if August's data looks as solid. Nonfarm payrolls went up by 215K, with upward revisions to May and June's payroll numbers as well. Payrolls in mining still struggle with a persistent decline since the beginning of the year, reflecting the impact of low energy prices; however, payroll growth in most other nonfarm sectors looks robust. With a gain of 40K in July, professional and business services continues a long run of strong payroll growth. In addition, payrolls in retail trade rose 35.9K, for a third straight month of strong gains in this sector.

The unemployment rate was unchanged from the previous month, at 5.3%—the lowest level in the recovery thus far. The participation rate, 62.6%, also held at its lowest level since late 1977. Wages are showing some promise again; average hourly earnings went up 0.2% MoM, after falling 0.04% MoM in June. Job creation and wage growth should support greater consumer spending early in the third quarter. Average weekly hours were also up in July, rising to 34.6 after staying stagnant at 34.5 for the previous four months. Although unspectacular, July's employment report is consistent with our expectation for a Fed liftoff in September. The most recent FOMC statement highlighted that the Fed is looking for signs of "some further improvement" in labor market conditions before its first rate hike, and July's nonfarm payroll growth along with the low unemployment rate could be what they were looking for.

Chart 1
Nonfarm Payrolls and Unemployment Rate (SA, Thous, MoM / SA, %)



Source: BLS & BBVA Research

Chart 2
Average Weekly Hours and Earnings of All Private Employees (SA, %Change, YoY)



Source: BLS & BBVA Research

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