



Popular Economics Weekly: Big Employment Surge

By **Harlan Green** / Special to Voice

TOTAL NONFARM PAYROLL EMPLOYMENT INCREASED BY 287,000 IN JUNE, and the unemployment rate rose to 4.9 percent, according to the U.S. Bureau of Labor Statistics. Job growth occurred in leisure and hospitality, health care and social assistance, and financial activities. Employment also increased in information, mostly reflecting the return of workers from the Verizon strike.

The rebound in hiring last month fits with other evidence such as a jump in the ISM non-manufacturing index and consumer spending, extremely low layoffs, and record job openings that suggest the labor market remains the healthiest it's been in years. The June jobs report also offers confirmation the U.S. economy is expanding moderately. I predict a Q2 GDP growth rate even higher—between three to four percent after barely rising 1.1 percent in Q1 2016, and keeping the 7-year recovery intact.

The unemployment rate increased by 0.2 percentage point to 4.9 percent in June, and the number of unemployed persons increased by 347,000 to 7.8 million. The reason the unemployment rate jumped from 4.7 to 4.9 percent, was that more people entered the workforce to look for work.

These increases largely offset declines in May and brought both measures back in line with levels that had prevailed from August 2015 to April. Leisure and hospitality added 59,000 jobs in June, following little employment change in the prior month (It's the beginning of vacation months).

The ISM's Non-Manufacturing Business Activity Index increased to 59.5 percent, 4.4 percentage points higher than the May reading of 55.1 percent, reflecting growth for the 83rd consecutive month, at a faster rate in June. The New Orders Index registered 59.9 percent, 5.7 percentage points

higher than the reading of 54.2 percent in May. The Employment Index grew three percentage points in June after one month of contraction to 52.7 percent from the May reading of 49.7 percent.

In June, employment increased in performing arts and spectator sports (+14,000), after edging down in May. Employment in food services and drinking places changed little over the month (+22,000). Health care and social assistance added 58,000 jobs in June. Health care employment increased by 39,000 over the month. Job gains occurred in ambulatory health care services (+19,000) and hospitals (+15,000), about in line with average monthly gains over the prior 12 months in each industry. Within social assistance, child day care services added 15,000 jobs in June.

Employment in financial activities rose by 16,000 in June and has risen by 163,000 over the year. Employment in information increased by 44,000 in June. Employment rose in telecommunications (+28,000), largely reflecting the return of workers from the Verizon strike.

Consumer spending is also rising, at four percent in the BEA's latest personal income and expenditure survey. April spending rose 1.1 percent for the best monthly gain since August 2009. And May rose 0.4 percent, the second best since November last year, according to Econoday. April and May together track at four percent annualized growth which has lifted outside expectations for a three percent plus growth in second-quarter GDP, as I said.

Harlan Green has been the 11-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker.