

U.S. Data Review

- Labor market: mixed results in July; less than impressive on balance
- International trade: modest improvement in June

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The Labor Market

Job growth of 164,000 in July essentially matched the expected increase and the average in the first half of the year (both 165,000). However, results in the prior two months were revised downward by 41,000, which gave a negative tilt to the overall results. The revision largely occurred in the government sector, but the private-sector tally also was softer than previously believed (revised downward by 14,000).

Job growth by industry did not show any notable outliers. The manufacturing sector posted reasonably good results for the second consecutive month after a lull in the prior four months (up 16,000 in July and 12,000 in June after a combined change of 10,000 in the prior four months). The private education and healthcare sectors also performed reasonably well. The construction industry posted a below-average increase in employment, while the retail trade industry continued to contract and mining establishments trimmed payrolls as well. Other areas were close to recent trends.

The unemployment rate was unchanged in July at 3.7 percent, although it rose slightly if calculated with more precision (3.712 percent versus 3.666 percent). The small increase in joblessness was a firm one in the sense that a surge in the size of the labor force (up 370,000 after an increase of 335,000 in June) exceeded a solid gain in employment as measured by the household survey (up 283,000). The broad unemployment rate moved two ticks lower to 7.0 percent, as both the number of involuntary part-time workers and the number of marginally attached workers (i.e. those who would like a job but are not actively searching) declined in July.

The length of the average workweek, an underappreciated aspect of the monthly report, dipped 0.1 hour to 34.3 hours, moving below the tight range (34.4 to 34.5) that had been in place since late 2017. This dip, along with the moderate increase in payrolls, led to a drop of 0.2 percent in the index of work time (a measure that combined the effects of payrolls and the workweek and correlates well with output or production). The drop in the overall

Employment Report

	Nonfarm Payrolls* (Chg., Thousands)	Private-Sector Payrolls (Chg., Thousands)	Unemp. Rate (Percent)	Broad Unemp. Rate (Percent)	Household Emp. (Chg., Thousands)	Labor Force (Chg., Thousands)	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2017	179	172	4.4	8.5	149	71	60.1	10.1	5,254	0.2	34.4
2018	223	215	3.9	7.7	240	217	60.4	9.3	4,780	0.3	34.5
2019	165	157	3.7	7.3	49	16	60.6	9.3	4,471	0.2	34.4
Qtrly. Average											
18-Q4	233	236	3.8	7.6	292	395	60.6	9.2	4,689	0.3	34.5
19-Q1	174	165	3.9	7.6	-66	-93	60.7	9.3	4,652	0.2	34.5
19-Q2	157	152	3.6	7.2	86	7	60.6	9.4	4,452	0.2	34.4
2019 Monthly											
Jan.	312	297	4.0	8.1	-251	-11	60.7	8.9	5,147	0.1	34.5
Feb.	56	46	3.8	7.3	255	-45	60.7	9.3	4,310	0.4	34.4
Mar.	153	153	3.8	7.3	-201	-224	60.6	9.6	4,499	0.2	34.5
Apr.	216	195	3.6	7.3	-103	-490	60.6	9.4	4,654	0.1	34.4
May	62 (72)	81	3.6	7.1	113	176	60.6	9.1	4,355	0.3	34.4
June	193 (224)	179	3.7	7.2	247	335	60.6	9.6	4,347	0.3	34.4
July	164	148	3.7	7.0	283	370	60.7	8.9	3,984	0.3	34.3

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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workweek was influenced by a retreat of 0.3 hours in the manufacturing sector. Despite a solid increase in employment, the manufacturing sector probably had a poor month for production.

Average hourly earnings provided a favorable surprise with an increase of 0.3 percent (0.287 percent, versus an expectation of 0.2 percent). The increase pushed the year-over-year change to 3.2 percent, up from 3.1 percent in June. The year-over-year change, however, remained within the range of 3.0 to 3.4 percent that has been in place since last August.

All things considered, we would not call the latest report weak, but it was less than impressive. The downward revision to the May and June job totals, along with the drop in the length of the workweek, detracted from the respectable increase in jobs during July.

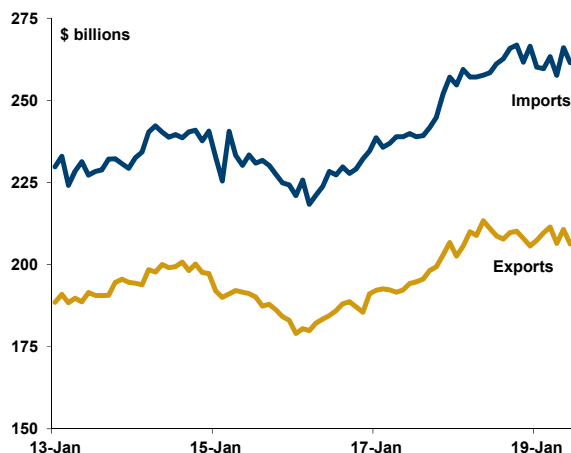
International Trade

The U.S. registered a trade deficit of \$55.2 billion in June, slightly wider than the expected shortfall of \$54.6 billion but still a touch better than the deficit of \$55.3 billion in May. Both exports and imports fell noticeably in June (-2.1 percent and -1.7 percent, respectively), but the changes followed firm increases in the prior month and both remained within recent ranges (chart, left). The trade deficit also remained within its recent range, which has widened in the past two years or so, especially in the past year (chart, right).

The trade deficit in goods improved slightly in June from a favorable revision in the prior month. However, the surplus in services slipped and left the overall trade shortfall wider than expected. The deficit for the second quarter also was wider than assumed in the initial estimate of Q2 GDP, but the deviation was small and is likely to get lost in rounding.

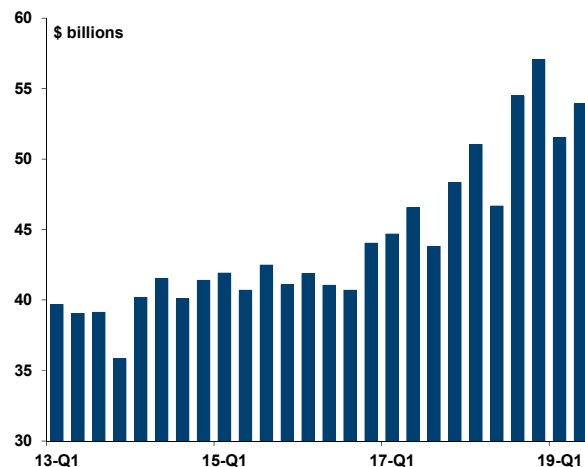
Trade with China merits attention because of the tariff war, but results for June were nondescript. Both exports and imports fell slightly, with the larger drop in exports leading to a slight month-to-month widening in the deficit. From a longer-term perspective, the trade deficit with China widened noticeably last year, reflecting efforts to get goods into the US before tariffs took effect, but the shortfall has improved some this year.

Imports & Exports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

Trade Deficit in Goods and Services*



* Quarterly averages of monthly data.

Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America