

U.S. Employment Flash

Total Employment Growth Only 225K in 2Q12

- **Nonfarm payrolls increased 80K in June, up from 68K in April and 77K in May, with the unemployment rate steady at 8.2%**
- **Employment growth in 2Q12 was modest, increasing only 225K compared to 677K in 1Q12 and 492K in 4Q12**
- **Average earnings surprised to the upside at 0.3% MoM growth**

The BLS employment report for June suggests a modest 80K increase in nonfarm payrolls for the month following a slight upward revision to May's data (from 69K to 77K). The figure brings total employment growth for the second quarter to 225K, significantly lower than the 677K total achieved in the first quarter. Payrolls are similar to this time last year, almost matching the 84K increase in June 2011 and similar weakness in surrounding months. Last summer, conditions were extremely vulnerable leading up to the debt ceiling agreement, and weak payroll data added to concerns that we were headed toward another recession. Luckily, the situation turned itself around by September, with employment growth more than doubling from the rate in August. This is somewhat encouraging for the upcoming months in 2012 given that job gains strengthened by the end of 2011. We expect that payroll gains will continue at a modest pace but will not significantly exceed the 200K level.

Private payrolls increased only 84K in June, the lowest growth rate since August 2011. Manufacturing payrolls increased 11K, consistent with the latest employment indices for the sector, but hiring remains much more sluggish compared to the recovery peak of 52K reached in January. Government payrolls declined only 4K after falling 17K and 28K in April and May, respectively. The unemployment rate held steady at 8.2%, and we expect that levels could remain elevated throughout the remainder of the year.

In more positive news, average earnings increased 0.3% in June, marking the largest monthly increase in four months. This is positive news for the consumer, potentially boosting consumption for the summer months. However, this may be something to monitor in regards to core inflation if wage growth continues to accelerate. Ultimately, the impact of weather-related factors that has come into question this quarter should subside for July's report. Thus, employment data for the upcoming months will provide a clearer picture of whether hiring trends have in fact slowed considerably. Still, the mix of data we have seen recently creates uncertainty in the outlook.

Chart 1
Total Nonfarm Payrolls and Unemployment Rate
SA, MoM Change in K, %

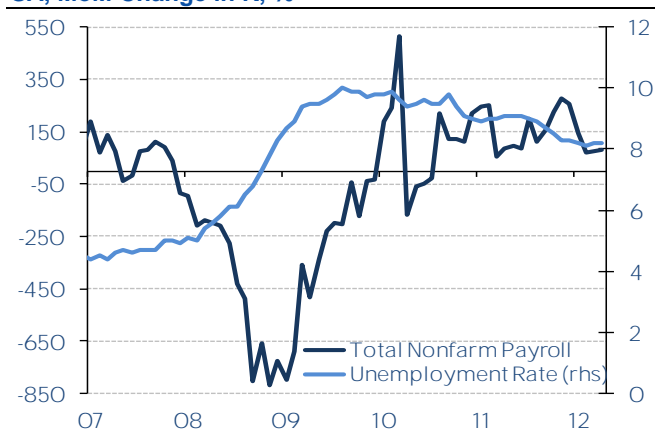
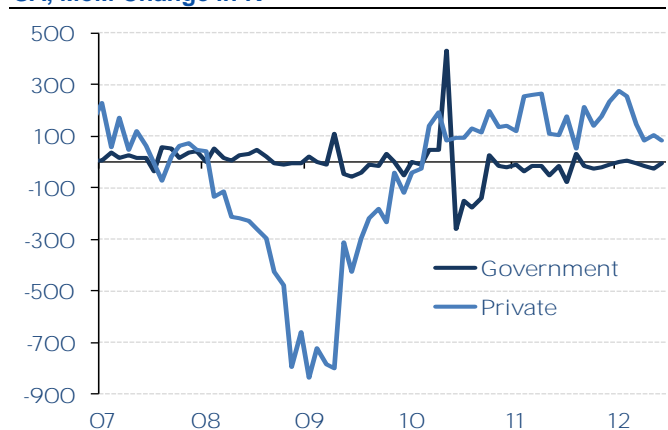


Chart 2
Private and Government Nonfarm Payrolls
SA, MoM Change in K



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