Unemployment Likely Steady in July Jobs Report

Comerica Bank

Class of 2026 Likely Faring Better in the Job Market Than Last Year's Grads

Bill Adams, Chief U.S. Economist

The Week Ahead

Employers likely added jobs at a moderate pace in July, holding the unemployment rate steady. The labor force participation rate is forecast to edge up from June's post-pandemic low. Even so, the household survey will likely show that the labor force continues to lag hiring, a trend that will push down the unemployment rate if sustained. Unemployment among recent grads without work experience will likely be lower than at this time last year. Average hourly earnings growth likely held steady. Also out this week, job openings likely rose in the stale May release, while hires and quits are expected to be little changed.

The Institute for Supply Management's Purchasing Managers Indexes (ISM PMIs) are forecast to show moderate manufacturing growth and brisk services growth in July. Input price inflation is forecast to run hot again in the surveys, and businesses in both sectors will likely report jobs added in the month. Non-farm productivity likely picked up in the second quarter as private output growth outpaced hours worked. Unit labor costs likely rose at a similar pace to the first quarter's.

Last Week in Review

As expected, the Federal Open Market Committee held the federal funds rate target steady at a range of 3.50% to 3.75% at their July 29 decision. The vote was a 9-3 split, with regional Fed Presidents Hammock, Kashkari, and Logan dissenting in favor of a quarter-percentage-point hike. Chair Warsh played his cards close to his chest in the post-meeting press conference. He welcomed the bond market's increased sensitivity to economic releases since the Fed's June decision, which he tried to frame as a helpful result of suspending forward guidance. His framing implies that the Fed's choice in September between a hike and a hold will be data dependent.

Real GDP had a modest headline in the second quarter, but considerably stronger details. Headline growth slowed to 1.5% annualized and undershot the 2.0% consensus. But real personal consumption expenditures growth picked up to 3.2% annualized, and real final sales to private domestic purchasers (core real GDP) rose 3.9% annualized. This is the report's most reliable measure of GDP's trend. Real nonresidential fixed investment rose a robust 8.4% annualized, while real residential fixed investment rebounded to a 1.5% increase after contracting for five straight quarters. Inventories subtracted 0.7 percentage point from real GDP growth. A larger trade deficit subtracted a full percentage point as imports jumped over 11% annualized for a second consecutive quarter. Federal spending subtracted from GDP because of a quirk in its calculation—the report subtracts revenues from Strategic Petroleum Reserve sales from net public spending.

The PCE price index edged down 0.1% in June, matching the consensus forecast, and slowed to a 3.7% year-over-year increase from May's 4.1%, which was the highest since April 2023. Core PCE inflation excluding food and energy was 0.1% on the month and 3.3% on the year, down a hair from May's 3.4%. The saving rate fell to 2.7% from May's downwardly-revised 2.8% and was the lowest since June 2022. Capital gains aren't included in the BEA's calculation of personal income, which lowers the saving rate. However, its multi-year low is still a revealing sign of stress on low- and middle-income household budgets, since capital gains mostly accrue to high earners.

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Date	Economic Release	Prior Release	Consensus Forecast	Comerica Forecast
8/3	New Car and Light Truck Sales, Annualized Millions (Jul)	16.5	16.3	16.2
	S&P Global: US Manufacturing Purchasing Managers Index (PMI, Jul Final)	53.8	53.8	53.8
	ISM Manufacturing PMI (Jul)	53.3	53.9	53.5
	ISM Manufacturing PMI: Prices Paid (Jul)	73.0	69.3	72.0
	ISM Manufacturing PMI: New Orders (Jul)	56.0	57.0	53.0
	ISM Manufacturing PMI: Employment (Jul)	49.7	—	50.2
	Construction Spending (Jun)	0.1% M/M	0.2% M/M	0.1% M/M
8/4	Trade Balance, Goods and Services, Billions (Jun)	-$77.6 bn	-$73.0 bn	-$73.2 bn
	Durable Goods Orders (Jun Final)	0.3% M/M	0.3% M/M	0.3% M/M
	Core Durable Orders Excl. Transportation (Jun Final)	0.6% M/M	0.6% M/M	0.6% M/M
	Core Capital Goods Orders Nondefense Excl. Aircraft (Jun Final)	0.9% M/M	—	0.9% M/M
	Core Capital Goods Shipments Nondefense Excl. Aircraft (Jun Final)	1.9% M/M	—	1.9% M/M
	Factory Orders (Jun)	-1.3% M/M	0.2% M/M	0.5% M/M
	Core Factory Orders Excl. Transportation (Jun)	1.9% M/M	—	0.7% M/M
	Job Openings and Labor Turnover Survey: Job Openings,	7,594	7,400	7,650
	1,000s (JOLTS, Jun)	4.6%	—	4.6%
	JOLTS: Quits, 1,000s (Jun)	3,065	—	3,100
		1.9%	—	1.9%
	JOLTS: Layoffs, 1,000s (Jun)	1,708	—	1,675
		1.1%	—	1.0%

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8/5	ADP: Private Payrolls, Change 1,000s (Jul)	98	70	80
	S&P Global: US Services PMI (Jul Final)	53.6	53.6	53.6
	ISM Services PMI (Jul)	54.0	54.5	54.5
	ISM Services PMI: Prices Paid (Jul)	67.7	65.0	69.0
	ISM Services PMI: New Orders (Jul)	55.1	—	54.0
	ISM Services PMI: Employment (Jul)	51.2	—	52.0
8/6	Nonfarm Productivity (2nd Quarter, Preliminary)	0.3%	0.6%	1.8%
	Unit Labor Costs (2nd Quarter, Preliminary)	1.8%	2.1%	1.7%
	Initial Jobless Claims, 1,000s (Week of 8/1)	197	203	195
	Continuing Claims, 1,000s (Week of 7/25)	1,782	1,780	1,785
	Wholesale Inventories (Jun Final)	0.3% M/M	0.3% M/M	0.3% M/M
	Wholesale Trade Sales (Jun)	3.4% M/M	—	1.5% M/M
8/7	Nonfarm Payrolls, Change 1,000s (Jul)	57	83	90
	Unemployment Rate (Jul)	4.2%	4.2%	4.2%
	Labor Force Participation Rate (Jul)	61.5%	61.6%	61.6%
	Underemployment Rate (Jul)	7.9%	—	7.8%
	Average Hourly Earnings, Private Employees (Jul)	0.3% M/M 3.5% Y/Y	0.3% M/M 3.5% Y/Y	0.3% M/M 3.5% Y/Y
	Average Weekly Hours, Private Employees (Jul)	34.3	34.3	34.3
	NY Fed: Consumer One-Year Inflation Expectations (Jul)	3.7%	—	3.8%
	Consumer Credit, Monthly Change, Billions (Jun)	-$0.2 bn	$12.0 bn	$10.2 bn