FLORIDA PRIME
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Weekly Commentary

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Labor market doing just fine, thank you

The US labor market will eventually buckle from the headwinds, right? It is facing elevated interest rates, inflation, tariffs, political uncertainty, negative sentiment and other issues — the sort of obstacles that traditional economics say should weaken employment. Yet that hasn't happened.

The latest sign is the June nonfarm payrolls report, which the Labor Department released Friday. It is stronger than expected, with the headline being that the domestic economy added 147,000 jobs last month. The unemployment rate followed suit by slipping from 4.2% to 4.1%. This data squares with weekly jobless claims, which continue to be low this year at an average of 227,500. As we can reasonably expect people will keep spending if they have a weekly paycheck, the news should bolster other hard data points and perhaps lighten recently abysmal confidence metrics.

The labor report will pour fuel on the fire that is President Trump's anger at the Federal Reserve for not lowering interest rates. Fed policymakers are less likely to cut them if the labor market is adding enough jobs to offset (at least mostly) those retiring or leaving jobs, known as equilibrium.

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