

September 10, 2018

August Jobs Report – Brief Thoughts

I've been talking about creating material that our clients might find useful for months now, but I haven't been able to nail down exactly what I want to do or how to execute it. I have several financial planning pieces nearing completion, but just can't seem to finalize them and get them out there. With the August Jobs Report being released last Friday, I thought there'd be no better time to start getting some periodic blurbs out there. Hopefully they will be useful to you, and will help me overcome the barriers for the planning pieces I've been working on.

Unemployment remained steady at 3.9% month-over-month as nonfarm payroll increased by 201,000 in August, falling from 4.4% since last August. Labor force participation declined by 0.2% to 62.7% over the same time-frame (seasonally adjusted), but remains range-bound since late 2013.¹ An anecdotal point about the U.S. labor participation rate, which declined steadily from 2008 to 2013: many of my peers spent a short time in the labor force after college before returning to continue their educations, frustrated about not being able to find jobs that fit their majors (or finding a job at all). That certainly can't be extrapolated to the college-aged population as a whole, but more time spent in school could have been a contributing factor to the post-recession decline in labor participation.

As the labor market continues to tighten and unemployment bounces off of multi-decade lows, focus has been shifting to wage growth. Many are quick to note that post-Great Recession wage growth has been slow, fluctuating around 2-2.5% since mid-2011.² However, since inflation was under 2% until 2017, real wage growth was able to break upwards. By the same token, the latest wage-growth number of 2.9% and appearance of an upward trend is a step in the right direction, but year-over-year inflation of 2.9% (2.4% ex. food and energy) through July 2018 eliminated any material real wage growth over the period.³

It will be interesting to see if the upward trend in inflation will continue with the Inflation Report on Thursday and how this will affect the FOMC's rate-hike schedule, which raised the target fed funds rate twice so far this year, to 2%. The U.S. has arguably been in the late stages of post-recession economic recovery for a few years now, and with inflation picking back up and the labor market continuing to tighten (among other indicators), the question "how much longer can this go on?" is being asked more and more. At this point, we don't believe a recession is right around the corner, but as the economy continues to heat up and we get further along the business cycle, the probability of a recession will grow. A positive aspect of this recovery is that it has been slow and steady, which has prevented the economy from overheating and allowed capital markets to experience moderate corrections without high levels of volatility – giving us one of the longest bull markets in history.

If you have any questions or would like to see more about a certain financial planning topic, please don't hesitate to reach out.

September 10, 2018

1. "The Employment Situation – August 2018." U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, 7 Sept. 2018, www.bls.gov/news.release/empsit.nr0.htm.
2. Sparshott, Jeffrey. "The August Jobs Report in 8 Charts." The Wall Street Journal, Dow Jones & Company, 7 Sept. 2018, blogs.wsj.com/economics/2018/09/07/the-august-jobs-report-in-8-charts/.
3. "Consumer Price Index – July 2018." U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, 10 Aug. 2018, www.bls.gov/news.release/cpi.nr0.htm.

Important Information: This publication is produced by ClearPath Capital Partners. The information and opinions herein are for informational use only. ClearPath does not guarantee the accuracy or completeness, nor does ClearPath assume any liability for any loss that may result from the reliance by any person on any such information or opinions. Information and opinions are subject to change without notice, are for general information only, and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions, and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns and does not guarantee future results. Research obtained by unaffiliated 3rd party sources are deemed reliable by ClearPath, however, ClearPath does not guarantee accuracy or completeness, and makes no warranties with respect to this data. Reproduction or distribution of this material is prohibited.