

News Release

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Strong Job Growth Continues Even as Labor Market Tightens

**Comment on U.S. Bureau of Labor Statistics Employment Situation Report
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Employment increased by 209,000 jobs in July after increasing by 231,000 jobs in June.

The July employment report proved that the economy remains capable of creating 180,000 jobs per month even with the unemployment rate falling back to 4.3 percent, suggesting that the number of potential workers sitting on the sideline continues to shrink. The good news on employment is consistent with strengthening economic growth, including from investment, entering the second half of 2017. More jobs and more investment are both signs that stronger global economic conditions may be lifting the ongoing expansion into a higher gear.

Where are all of these additional workers coming from? More than two-thirds of jobs created during the past 18 months, and indeed since the Great Recession ended, have gone to college educated workers, even though this group constitutes slightly more than one-third of those employed. With employers competing keenly for the same pool of workers, wage growth, at least for the most desirable workers, may start accelerating again soon.

A stronger jobs market may be helping those working part-time for economic reasons to find full-time work; their ranks fell by 44,000 in July. This share remains historically high relative to past periods of such low unemployment. A continued lack of acceleration in wage growth, which remained at 2.5 percent for the last year, as well as an uptick in the number of those unemployed for more than 26 weeks, are both signs that the economy may not yet be at full employment.

Slower than expected wage and inflation growth relative to labor market conditions will likely cause the Federal Reserve to raise rates only once more this year. A stronger economy could lead to a reconsideration of this policy change if it is combined with signals in the upcoming months that prices and wages are starting to rise faster.

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