US Daily: July Payrolls Preview

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- We estimate nonfarm payrolls rose by 75k in July, a touch below consensus of +80k. On the positive side, we expect a small further boost from World Cup hiring, which only began to unwind after the July reference period. On the negative side, the alternative measures of job growth we track slowed modestly between June and July, payrolls have slowed from their prior trend and missed consensus expectations in July in recent years, and there have also been negative revisions to job growth for prior months.
- We expect the unemployment rate to rebound 0.1pp to 4.3% (vs. consensus of 4.2%), in part because of modest upward pressure from compositional effects related to the reversal of June's large decline in participation. We forecast a 0.3% month-over-month increase in average hourly earnings, in line with consensus.

July Payrolls Preview

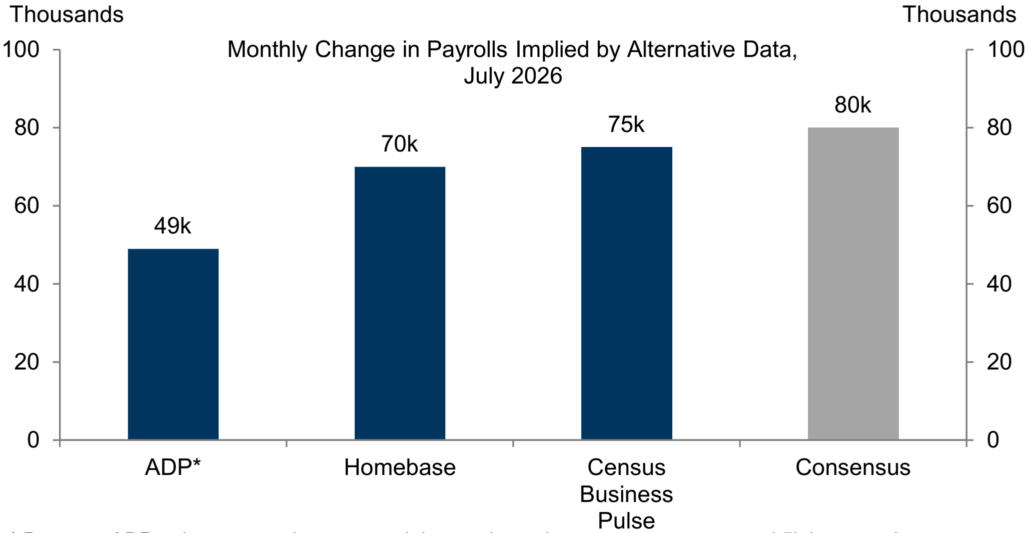
We estimate nonfarm payrolls rose by 75k in July, below consensus of +80k and the three-month average of +111k. We estimate that private payrolls increased by 70k, slightly below consensus of +83k.

We describe the factors we considered in our forecast in greater detail below.

Arguing for a weaker report:

- **Big data.** The alternative measures of employment growth we track slowed modestly from their prior month's pace: the indicators we track averaged +65k, compared to +79k in June.

Exhibit 1: Alternative Measures of Employment Growth Slowed Modestly in July



* Because ADP only reports private sector job growth, we incorporate our assumed 5k increase in government payrolls.

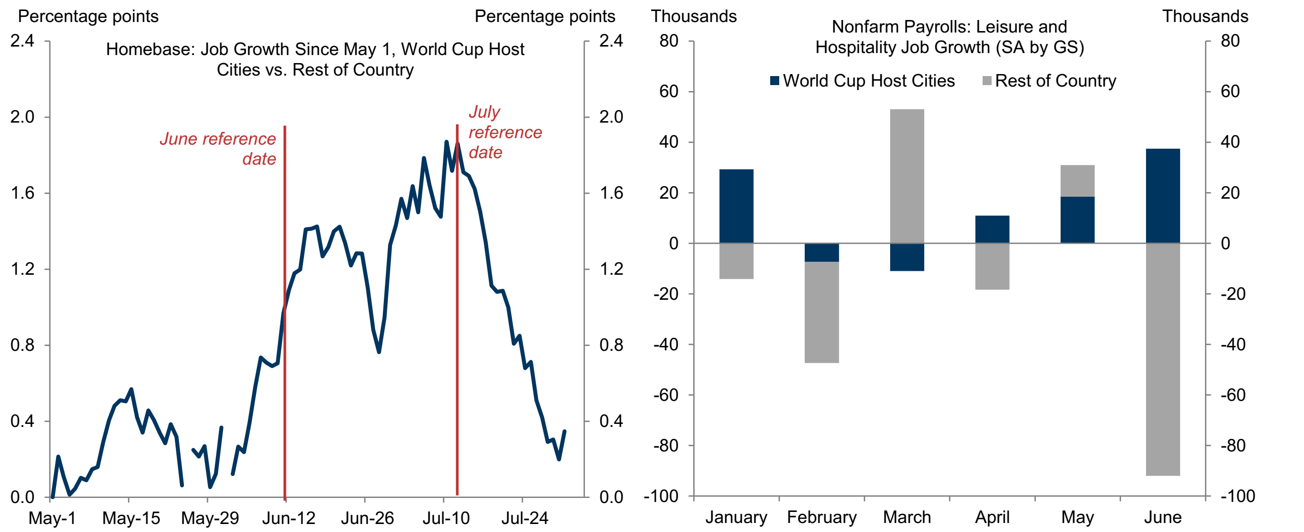
Source: ADP, Homebase, Department of Commerce, Bloomberg, Goldman Sachs Global Investment Research

- **A recent pattern of weak July employment reports.** In each of the last three years, July payroll growth slowed from its previously stated three-month average (by an average of -66k) and missed consensus expectations (by an average of -35k). Those reports have also been paired with negative revisions to job growth for prior months, with job growth for the prior two months being revised down by an average of 112k.

Arguing for a stronger report:

- **World Cup hiring.** Data from Homebase suggests that employment grew more quickly in World Cup host cities between the June and July reference weeks. That same data suggests that the World Cup boost began to unwind shortly after the July reference period. Our historical analysis suggests that the World Cup could boost payroll growth by 10k in July, and that its impact should be concentrated in the leisure and hospitality, professional and business services, and trade and transportation sectors.

Exhibit 2: Data from Homebase Suggests That World Cup Hiring Could Further Boost Payrolls in July

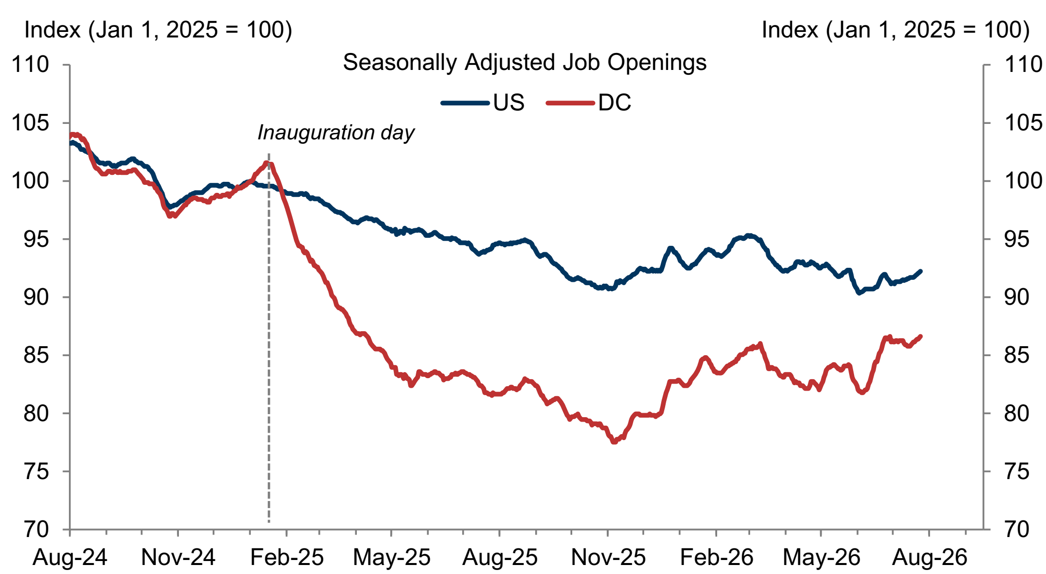


Source: Homebase, Department of Labor, Goldman Sachs Global Investment Research

- **Layoffs.** Initial jobless claims averaged 210k in the July payroll month, down from 224k in June. The JOLTS layoff rate was unchanged at 1.1% in June. Announced layoffs reported by Challenger, Gray & Christmas declined by 12k to 33k in July (NSA), the lowest reading since July 2024.

- **Government hiring.** Our forecast incorporates an assumed 5k increase in government payrolls. After declining for most of the last year and a half, government payrolls have increased by an average of 12.5k/month over the last four months, and government job openings—as measured by both the official data from the JOLTS report and alternative data such as Indeed—have rebounded in recent months.

Exhibit 3: Job Openings in Washington DC Have Rebounded Over the Last Couple of Months

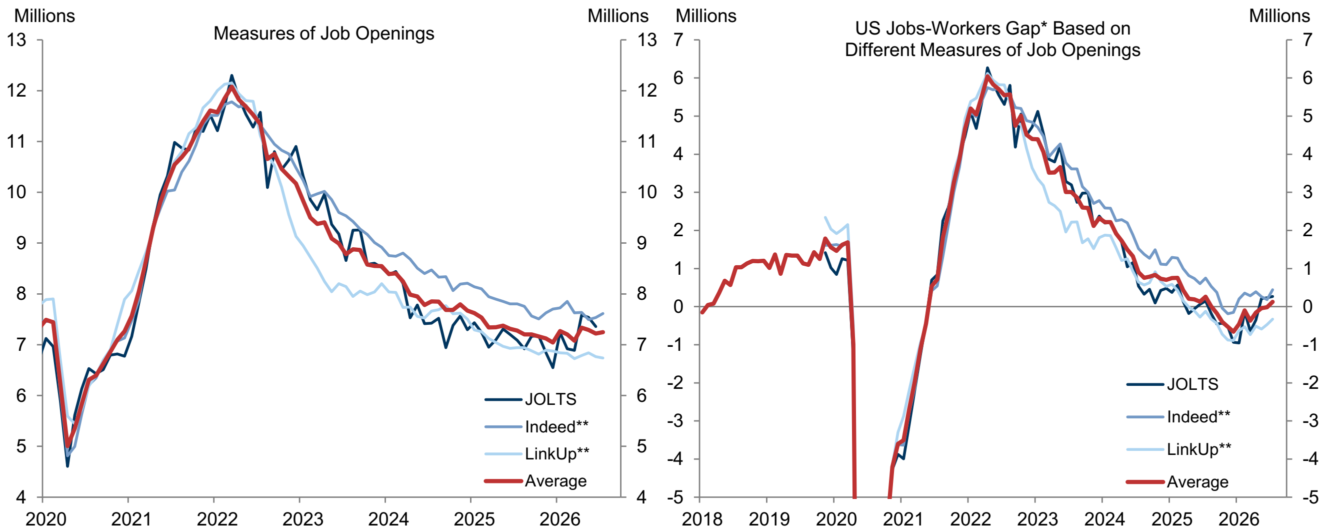


Source: Indeed Hiring Lab

Mixed/neutral factors:

- **Job availability.** Averaging across the measures of job openings from JOLTS, Indeed, and LinkUp, we estimate that job openings were roughly unchanged in June, and the measures from Indeed and LinkUp were stable in July (Exhibit 4). The Conference Board labor differential—the difference between the percentage of respondents saying jobs are plentiful and those saying jobs are hard to get—edged down by 0.7pt to +3.1 in July.

Exhibit 4: Job Openings Have Been Roughly Unchanged in Recent Months



* Difference between the number of job openings in the prior month and unemployed workers in the current month.

** Scaled to JOLTS job openings.

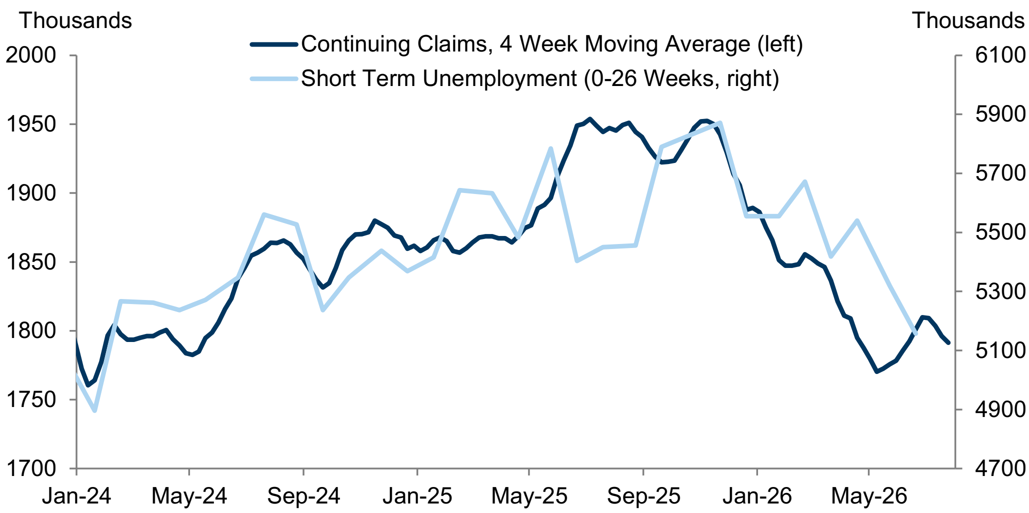
Source: Department of Labor, Indeed Hiring Lab, LinkUp, Goldman Sachs Global Investment Research

- **Employer surveys.** The employment component of our manufacturing survey tracker increased in July (+0.9pt to 51.9) while the employment component of our services tracker declined (-0.7pt to 49.8). However, the signal from survey data has been less useful—and at times misleading—during the post-pandemic period and thus has little bearing on our payrolls forecast.

We estimate average hourly earnings rose 0.3% month-over-month in July, reflecting neutral calendar effects.

We estimate that the unemployment rate rebounded 0.1pp to 4.3% in July, above consensus of 4.2%, reflecting a stabilization in continuing claims but potential upward pressure from residual seasonality—the unrounded unemployment rate has increased by 0.12pp on average in the last two Julys—and the reversal of June's large decline in participation that applied modest downward pressure on the unemployment rate via compositional effects (i.e., the June decline in participation was concentrated on cohorts that have unemployment rates that are slightly higher than the national average).

Exhibit 5: Continuing Claims Have Stopped Falling



Source: Department of Labor, Goldman Sachs Global Investment Research

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