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DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

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Employment: Not enough

July payroll employment rises a more-than-expected 163,000 (Consensus: +100,000; Decision Economics: +92,000), while the average workweek was steady, as expected, and average hourly earnings rose a less than-expected 0.1% (Consensus: +0.2%; Decision Economics: +0.3%).

The combination of those numbers points to a bit of a slowdown in output and income growth from June, despite the acceleration in employment growth (from 64,000) since then. Still, the fact that employment strengthened hints that decisionmakers have a reasonable degree of confidence in ther outlook.

That is favorable news from the Fed perspective, but of less concrete significance than the fact that income growth seems to be only a third of what it was last time--and output growth, a signal on what sales are doing, likely slowed even more. There is no evidence of developing momentum--and most output-side numbers are destined to be very mild this month.

There will be no immediate reaction to the results--but there is a necessity for other data to give more reassurance that growth is accelerating--retail sales, and the next employment report will be critical.

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