[Theme music playing]

A male host named Tim Sustak stands in front of a grey wall with two dark, wooden books shelves with various books and decorations on them. He is wearing a blue polo shirt.

Tim: Hi, I'm Tim Sustak, Chief Credit Officer with Vizo Financial, and this is the economic update for July 2018. Today we'll take look at some numbers behind the headlines of the recent jobs report, and what it may mean for the Fed moving forward.

Tim: The recent jobs report had a really good headline, showing the economy added 213,000 jobs for June, above consensus estimates. Behind the headline, though, there were some other interesting happenings. For one, the participation rate rose. The participation rate consists of the number of people at or over 16 years of age who are either employed or are actively looking for work.

Tim: There are many causes for fluctuation in this statistic, one of them being the health of the economy. When times are tough, people looking for work may get discouraged over time and drop out of the workforce, so the participation rate goes down. Conversely, when times are good, people that were previously discouraged and out of the workforce may re-enter given the improved prospects of finding a job, so the participation rate goes up.

Tim: The participation rate is a factor in the movement of the unemployment rate, and, in June, caused it to rise 2 tenths to 4.0%. What has not been rising much, however, are wages, and that did not change for June. Wage gains on an annual basis remained steady at 2.7%. Estimating when we may see faster wage gains, and thus more inflationary pressures, is key to the Fed's pace of future rate increases.

Tim: A rising participation rate means there may be more slack left in the labor market than originally thought. If so, then that takes some pressure off wages, and gives the Fed the opportunity to move slower on rates if they wish without wage growth and inflation getting ahead of them. The relatively weak pace of wage growth given the strong job market has certainly been a puzzle during this economic expansion, and one that will continue for a while longer it seems. Is that enough to change the Fed's thinking about the path of rate increases? A look at that after the break.

scene fades to black

[upbeat music playing in the background throughout]

Teal background with white bar in center with green and teal lettering that reads, "2018 Annual Meeting."

Words move to the side and new white lettering appears on the top and bottom of the screen that reads,

"August 9, 2018 10:00 a.m.-11:00 a.m. ET University of Virginia Inn at Darden Conference & Event Center Charlottesville, VA." A black and white image of a conference room in the background.

Picture in the center changes to a green and white image of a crowd around a table of food on a wooden floor. Black and green text appear next to it that reads, "Attend in person or live stream."

Picture changes to a white and blue image of a house. Black lettering appears to the right that reads, *"Committee reports Executive reports Board election results."*

Lettering disappears and the picture changes to a green and white image of a conference room with a tv, white tables and black chairs. Black and green lettering appears to the right that reads, "Register at www.vfccu.org."

Scene fades to black

[theme music playing]

Tim: Welcome back! So, does the recent employment report change the thinking at the Fed? Well, I think it would have to be something pretty drastic for any one data release to change the Fed's thinking substantially, but an employment report like the one we just received tells the Fed that their gradual approach to rate increases continues to be the right one.

Tim: The minutes from the June Fed meeting seem to indicate that the Fed is in no hurry to speed up the pace of rate increases from the gradual pace it has established, and data like the recent wage gain numbers and participation rate confirm that they do not need to worry about inflation getting away from them yet. They have time to move slowly, and gauge reaction to the moves they do make, so they can maintain the delicate balance of controlling economic growth without stopping it.

Tim: Whether they move just one or two more times yet this year is still a matter of debate, and how the statistics play out for the remainder of the year will serve as the guidepost for the Fed to follow. The markets are pretty certain that a 25 basis point increase will come at the September meeting, currently showing about an 86% chance. After that, they lean towards another 25 basis point hike in December, but like most, are not very sure of that yet.

Tim: Thanks for watching the economic update for July 2018. Here are this month's release dates for some of the more important economic statistics.

A light grey screen appears with a square orange graphic with white lettering in the top left corner that reads, 'Economic Releases'. Next to the graphic, white lettering appears that reads, 'June 2018'. White letters disappear, and dark grey words appear that read,

Economic Releases for June 2018

Economic Growth
Gross Domestic Product (GDP) – July 27

Jobs Numbers
Employment Situation (Payrolls, Unemployment Rate, Avg. workweek, Avg. hourly Earnings) – July 6

Consumer Numbers
Retail Sales – July 16
Consumer Confidence (Conference Board) – July 31
Personal Income and Outlays (Including PCE Price Index) – July 31

Housing Numbers
Housing Starts – July 18
Existing Home Sales – July 23
New Home Sales – July 25

Manufacturing/Industrial Numbers
ISM Manufacturing Index – July 2
Industrial Production – July 17

FOMC
FOMC minutes from June meeting – July 5
FOMC Meeting – July 31 - August 1

Tim Sustak: We'll see you again next month for another look at the economy – and as always, thanks for watching.

[theme music playing]

Light grey screen appears with a blue graphic with white lettering that reads, 'Thanks for watching.' Graphic fades and Vizo Financial logo appears. Vizo Financial logo fades out and disclaimer text appears on screen.