PREVIEW: US nonfarm payrolls for July will be released on Friday 7th August at 13:30BST/08:30EDT

SUMMARY: The consensus expects the US economy to have added 88k nonfarm payrolls in July, up from June's 57k, with the unemployment rate seen holding steady at 4.2%. Average hourly earnings are forecast to rise 0.3% M/M, leaving the annual rate unchanged at 3.5% Y/Y. Labour market proxies are mixed: initial jobless claims fell to their lowest level since September 1969 during the survey window, though ADP's private payrolls figure disappointed in July, skewing risks to the downside for the private payrolls component. Meanwhile, business surveys were similarly divergent, with ISM manufacturing employment returning to growth for the first time in 33 months, while services employment slipped back into contraction. Elsewhere, the Conference Board's consumer confidence data showed a modest softening in the labour market differential. For the Fed, officials have broadly characterised the labour market as stable, keeping their focus squarely on inflation; a solid payrolls print and steady unemployment rate would likely reinforce that stance.

EXPECTATIONS: The US economy is expected to add 88k nonfarm payrolls in July (prev. 57k; vs 3-month average 111k, vs 6-month average 92k, and vs 12-month average 42k), with the unemployment rate seen unchanged at 4.2%. The Chicago Fed's real-time unemployment rate forecast for July fell to 4.11% vs the BLS value for June at 4.19%. Note: the FOMC's June projections forecast the jobless rate at 4.3% this year and next, falling back to 4.2% in 2028.

JUNE REVISIONS: Analysts at Barclays have flagged the potential for revisions to the June data, noting that the June payroll figure was based on barely half the usual survey responses, and that the BLS relied on modelling rather than actual reported data, though the bank is unclear as to what direction the revisions will go. Still, Barclays suggests revisions will likely be large.

WAGES: Average hourly earnings are seen rising by 0.3% M/M in July, matching the prior rate, and the annual rate is also seen unchanged at 3.5% Y/Y; Oxford Economics notes that a quirk of the survey timing creates some upside risks, but even a 0.4% reading would leave annual wage growth at 3.6% Y/Y, which it thinks is consistent with the Fed's inflation target, amid strong productivity growth. Wage pressures are not considered a significant inflation risk at present.

ADP: The ADP's employment data for July reported 44k payroll increases, missing expectations for 70k, while the prior for June was revised down to 95k from an initially reported 98k. Within the data, the median change in annual pay for job-stayers was again unchanged at 4.4% Y/Y, while the pay change for job-changers jumped to 7.0% Y/Y (from 6.6%). ADP said "job-changers are highly sensitive to real-time economic conditions, and their rapid pay growth implies supply constraints in parts of the labour market," adding that "typical hiring patterns, meanwhile, are changing as employers react to shifting macro- economic conditions." Pantheon Macroeconomics said that the data suggests that the risks to the July private payrolls figure is skewed to the downside (exp. is for 80k), though notes that the official data has typically been slightly stronger than ADP's numbers recently.

CLAIMS DATA: In the week that coincides with the BLS survey window, US initial jobless claims eased to 188k, the lowest since September 1969 (and vs 227k into the June jobs data), while continuing claims eased to 1.782mln (vs 1.812mln into the June report). Oxford Economics said that despite the seasonal noise, the trend is encouraging, with low layoff rates, stronger payroll gains, and weak labour supply growth expected to keep the unemployment rate at or below 4.2%.

BUSINESS SURVEYS: Within the ISM manufacturing data for July, the employment sub- index rose to 52.8 (from 49.7), entering growth territory for the first time in 33 months; the report noted that 60% of panellists reported companies were hiring, while 40% said that managing head counts remains the norm. Meanwhile, within the ISM services data, the employment sub-index fell to 47.4 (from 51.2), returning into contraction territory again after only one month in expansion; some of the commentary focussed on AI as a factor, with some reductions in staffing levels coinciding with AI implementation, while others flagged a geographic shift in hiring, with lower employment in the US, and higher in India and other low-cost areas, adding that H-1B visas have increased.

CONSUMER CONFIDENCE: The Conference Board's gauge of consumer confidence in July saw the labour market differential (jobs "plentiful" minus jobs "hard to get") falling by 0.7 to +3.1, driven by fewer reporting plentiful jobs (down to 24.6 from 25.5) rather than a rise in jobs hard to get (slipped to 21.5 from 21.7). The report said that forward-looking measures were less negative, however, with those expecting more jobs ahead picking-up to 16.7 (from 15.6), while fewer-jobs expectations edged down. Net labour market expectations improved by 1.3 points, but is still in negative territory.

FED POLICY: Recently, Fed officials have generally framed the labour market as stable: Chair Warsh called it solid and steady; Logan said it was solid and strengthening slightly; Schmid saw it roughly in balance; Paulson and Hammack noted it had stabilised. Barkin was the most cautious, saying it did not feel tight. Instead, officials continue to view inflation as the bigger policy challenge, the part of its mandate which is not at target. Accordingly, any policy response ahead is likely to be driven by progress on inflation. The recent positive geopolitical developments have weighed on energy prices, offering hope that inflation will continue lower ahead, though this is subject to great uncertainty. Still, a strong labour market report could firm the focus on inflation, particularly since officials think that wage pressures are not a significant driver of inflation at the moment, with some analysts suggesting that it could put upward pressure on real yields given Warsh's remarks that markets have done some of the Fed's tightening, according to Bloomberg.

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