

# Proactive Group

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## US jobs growth slows in July, average workweek falls to lowest level in nearly two years, bad omen for economy

US jobs growth, as expected, slowed in July but the average workweek fell to its lowest level in nearly two years, a potentially bad omen for the economy which, together with the escalation in US/China trade tensions, might lead the Federal Reserve to cut interest rates again next month.

Non-farm payrolls increased by 164,000 jobs last month, according to the latest Labor Department report, in line with economists expectations, while 41,000 fewer jobs were created in May and June than previously reported.

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The unemployment rate was unchanged at 3.7%, a touch above consensus, and average hourly earnings rose 0.3%, better than expected, while June average hourly earnings was revised up to 0.3% from 0.2%.

The closely watched employment report came a day after President Trump announced an additional 10% tariff on \$300 billion worth of Chinese imports starting September 1, a move that led financial markets to almost fully price in a further rate cut in September.

On Wednesday, the US central bank had cut its short-term interest rate for the first time since 2008, with a 25 basis point reduction to 2.00%.

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Fed Chairman Jerome Powell described the widely anticipated monetary easing as insurance against downside risks to the 10-year old economic expansion, but had played down the prospects for more cuts.

Ian Shepherdson, chief economist at Pantheon Macroeconomics commented: "The economic data are yet again subordinate to political and market events, which have made a September easing more likely.

"The economy does not need lower rates if the threatened tariffs ultimately are not imposed, but if they happen, just in time to crimp hiring ahead of the holidays in the expectation that higher prices will hit spending, then the Fed likely will act."

US stocks took another tumble on Friday, with the Dow Jones Industrials Average shedding 194 points, or 0.7% to 26,388, having plunged on Wednesday after the Fed rate cut move and then see a rally Thursday sharply reversed after Trump's tweets on more trade tariffs for China.

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