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**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE:**

**July *Employment Situation* Report**

**Prepared by:**

**John Anderson**

**Department of Agricultural Economics and Agribusiness**

**August 7, 2020**

On August 7, the U.S. Department of Labor’s Bureau of Labor Statistics (BLS) released the *Employment Situation* report for July 2020. The monthly employment reports are always among the most closely watched economic reports. That is especially true in the current pandemic era.

In July, employment continued to recover from the mass layoffs precipitated by the widespread COVID-induced shutdowns that began in March and extended into May in most states. Non-farm payrolls expanded by 1.763 million jobs in July. Expectations for this report were more uncertain than usual. Two days prior to the release of the July *Employment Situation* report, the private payroll management company, ADP, released their own monthly private sector employment report, which showed job growth of just 167,000 jobs in July. The monthly ADP report usually correlates fairly closely to the official BLS report and so foreshadowed a disappointing July employment report. In light of this pre-report background, the July jobs figures appear to be quite positive.

This is the third consecutive month of historically strong job growth. Non-farm payrolls expanded by 2.725 million jobs in May and by another 4.791 million in June. Thus, the July payroll figure, while showing historically robust job growth, also represents a significant slowdown in the pace of post-shutdown rehiring. Figure 1 shows the month-to-month change in non-farm payroll jobs over the past decade.

Data Source: St. Louis Federal Reserve Bank, FRED Economic Data

**Figure 1.** Monthly Change in Non-Farm Payroll Employment: January 2010 – July 2020

The *Employment Situation* report breaks hiring down by major sector of the economy, including goods-producing, service-providing, and government. Very little of last month’s job growth was in the goods-producing sector: just 39,000 jobs added (2.2 percent of July job growth). By contrast, the service-providing sector accounted for over 1.4 million (80.7 percent) of July’s job gains. This shouldn’t be too surprising. Most of the job loss in March and April occurred in the service-providing sector. If we aggregate March and April job losses, just 11 percent occurred in the goods-producing sector while 84 percent occurred in the service-providing sector. Now, aggregating May through July job recoveries, 13 percent have occurred in the goods producing sector and 88 percent in the services-providing sector. Thus, there does not appear to be a great deal of mismatch, across employment sectors, between where shutdown-related job losses occurred and where reopening-related job recoveries are occurring.

With the continued recovery of jobs, the unemployment rate dropped again in July, falling to 10.2 percent from the April high of 14.7 percent. The unemployment rate remains quite high in recent historical context. For example, prior to last April, the unemployment rate had not been above 5 percent since September 2016.

Looking ahead, the big question is whether reopening-related job recovery will continue in August or whether it has basically been exhausted with the July figures. Certainly, many pre-COVID jobs remain unrestored: May-July job gains are still almost 13 million jobs short of March-April losses. But significant headwinds to further employment gains do appear to be growing. First, several states have slowed down or even partially reversed the pace of reopening as COVID-19 cases have grown. This may hamper further job growth, particularly in the services sector, where many shutdown-affected jobs are located. Second, the long-term effects of the pandemic-induced slowdown appear to be weighing a bit more heavily on the market as quarterly corporate earnings reports have begun to quantify the negative financial impacts of COVID-19. With the expiration of enhanced unemployment benefits at the end of July, many workers who were sidelined by the pandemic shutdowns will, more than likely, be aggressively looking for work in August. Whether they find it or not will tell us a great deal about how the economic recovery is progressing.

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