Commentary Week of June 28

According to the Bureau of Labor Statistics, the unemployment rate dropped in June to 4.2%, the lowest in over a year. However, the decline was largely due to an exodus in the labor force.

The working-age population either employed or looking for a job (also known as the participation rate) receded to 61.5% which is the lowest since March 2021. If the Covid-era job market is excluded, this reading is the lowest in 50 years.

Retirement is a factor in the participation rate, but the largest contributor is prior job seekers dropping out of the labor force. The June labor force (a measure of those either employed or not employed and looking for work) dropped by 720,000. Similarly, Americans unemployed and those not looking for work jumped by 830,000.

Digging further into the decline, "prime age workers" (between the ages of 25 and 54) suffered the largest drop, falling by .6% to 83.3%, the lowest since December 2023.

So while the unemployment rate remains an important number to track, the participation rate also bears analysis especially as it continues to trend lower.