In July, labor markets showed strength tempered by the effects of the General Motors strike. Nonfarm payrolls increased despite job losses in the manufacturing sector, and the unemployment rate held constant.

Nonfarm payrolls added 66,000 jobs, the smallest gain since employment fell 48,000 in January 1996. July's increase is off-pace for 1998, which has seen payrolls rise 219,000 per month on average. While goods-producing industries lost 163,000 jobs, employment in service industries kept pace with the first half of the year, increasing 229,000 for the month. Manufacturing payrolls fell 176,000, the biggest drop since October 1982. Most of this decrease was in motor vehicles and equipment, which lost 111,000 jobs in July.

The employment-to-population ratio fell just slightly to 63.9% last month. Still, the ratio has been hovering near the record 64.2% attained earlier this year. The unemployment rate held steady at 4.5%, continuing a 12-month stretch with unemployment below 5%. The GM strike had some effect on unemployment. It increased the number of temporary job losers (laid-off workers who expect to return to work within six months) by 125,000 in July, which accounted for about 16% of all unemployed workers. Typically, this category includes about 13% of the unemployed.