Nonfarm payrolls grew by 32,000 in July, and June’s employment gain was revised down from 112,000 to 78,000. Employment gains for these two months were considerably down from the prior three months, in which 295,000 net jobs were added on average. In July, for the first time this year, the one-month diffusion index was below 50 (49.5) meaning that more industries had net job losses than net job gains.

Service-providing industries, which had been driving most of this year’s employment growth, added only 14,000 net jobs in July, the smallest gain since August 2003. In that sector, job gains in professional and business services and health services were offset somewhat by the first employment declines in retail trade and financial activities this year. Manufacturing employment increased by 10,000 in July, bringing its total gain over the last six months to 91,000.

Data derived from the Bureau of Labor Statistics’ household survey painted a somewhat brighter picture of the July employment situation. The unemployment rate declined 0.1 percentage point to 5.5%, the lowest level since October 2001. And the ratio of employment to population increased 0.2 percentage point to 62.5%, the highest level since January 2003.

Mass layoff events are said to occur when 50 or more initial claims for unemployment insurance are filed against a company during a five-week period. For the first half of 2004, layoff events were down 18% from the same period in 2003. More than half of this decline came from manufacturing industries, which had 30% fewer layoff events in 2004 through June than in the first half of 2003.