

U.S. Data Review

- Labor market in May: leaning soft in all key respects

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The Employment Situation

The employment report for May was disappointing in all key respects. Job growth was modest, unemployment was a touch higher, wage growth was only moderate, and the workweek remained in the low portion of its recent range. The report was not weak enough to suggest that the expansion is faltering, but it certainly tilted on the soft side.

Nonfarm payrolls rose 75,000 in May, well shy of the expected increase of 175,000. Moreover, results in the prior two months were revised downward by a combined total of 75,000, effectively leaving no net job growth. The net flat reading on monthly job growth might seem to signal economic difficulties, but the results were not deeply troubling. Job growth in the prior two months could still be considered firm, and the average advance of 151,000 in the past three months was still respectable.

The slow results in May were spread across several industries rather concentrated in a few areas. Two areas that have been reliable sources of job growth (business services and health care) posted below-average job gains. Three key cyclical areas (manufacturing, mining, construction) all posted only marginal job growth. Retail trade and information continued to pare payrolls. State and local governments made noticeable job cuts. No area deviated meaningfully on the upside from recent averages.

The unemployment rate held steady at 3.6 percent, but it ticked higher if rounded to more than one decimal point (3.620 percent versus 3.585 percent in April). The size of the labor force rose 176,000, breaking a string of four consecutive declines. The increase in the size of the labor force exceed the increase in employment as measured by the household survey (up 113,000), leaving a small increase in joblessness. While the headline unemployment rate rose modestly, the broad unemployment rate fell 0.2 percentage point to 7.1 percent. Both involuntary part-time employment and the number of marginally attached workers fell in May.

Average hourly earnings rose 0.2 percent, a respectable increase but lighter than the expected gain of 0.3 percent. The monthly change left the year-over-year advance at 3.1 percent, down from 3.2 percent in the prior two months and from a recent cyclical high of 3.4 percent in February). Average hourly earnings of production workers (i.e. excluding managerial) were firmer with an increase of 0.3 percent in May and 3.4 percent in the past year.

The length of the average workweek was unchanged at 34.4 hours. This measure has been bouncing in a tight range for more than a year (34.4 to 34.5 hours). Analysts had hoped for an uptick to the upper portion of the range, but the workweek followed the lead of other elements of the employment with a soft-side result.

Employment Report

	Nonfarm Payrolls* (Chg., Thousands)	Private-Sector Payrolls (Chg., Thousands)	Broad Unemp. Rate (Percent)	Broad Unemp. Rate (Percent)	Household Emp. (Chg., Thousands)	Labor Force	Emp.-Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2017	179	172	4.4	8.5	149	71	60.1	10.1	5,254	0.2	34.4
2018	223	215	3.9	7.7	240	217	60.4	9.3	4,780	0.3	34.5
2019	164	158	3.8	7.4	-37	-119	60.6	9.3	4,593	0.2	34.4
Qtrly. Average											
18-Q3	189	176	3.8	7.5	159	-25	60.4	9.4	4,537	0.3	34.5
18-Q4	233	236	3.8	7.6	292	395	60.6	9.2	4,689	0.3	34.5
19-Q1	174	165	3.9	7.6	-66	-93	60.7	9.3	4,652	0.2	34.5
2019 Monthly											
Jan.	312	297	4.0	8.1	-251	-11	60.7	8.9	5,147	0.1	34.5
Feb.	56	46	3.8	7.3	255	-45	60.7	9.3	4,310	0.4	34.4
Mar.	153	(189)	3.8	7.3	-201	-224	60.6	9.6	4,499	0.2	34.5
Apr.	224	(263)	3.6	7.3	-103	-490	60.6	9.4	4,654	0.2	34.4
May	75	90	3.6	7.1	113	176	60.6	9.1	4,355	0.2	34.4

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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