

# HFF ANALYSIS OF THE MAY 2018 BLS EMPLOYMENT REPORT

Friday, June 1, 2018

*HFF is pleased to report on the latest employment expansion statistics from May 2018. Our research team analyzes trends and data to give readers a better view into the current state of the economy and how employment is being affected.*

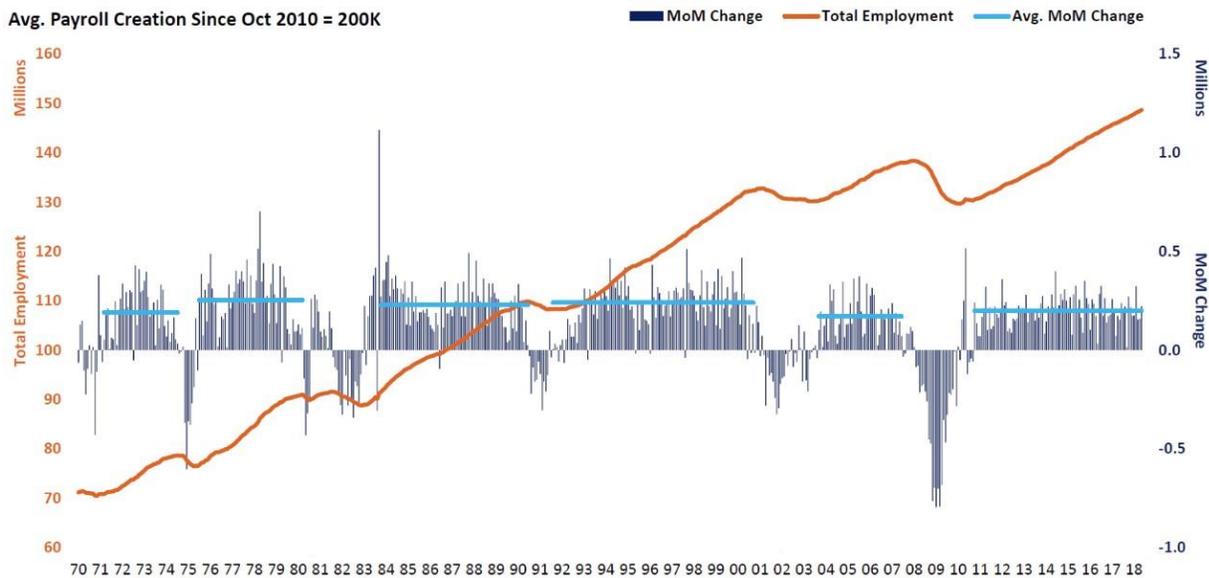
## Employment Expansion

The U.S. added a higher than expected 223,000 jobs in May. Figures were revised downward to 159,000 in April and upward to 155,000 in March, a net upward revision of 15,000. Payroll creation has averaged about 200,000 since October 2010, marking the 92nd month of consecutive growth. The period of monthly gains is about three years longer than the prior longest streak from 1986 to 1990.

Unemployment decreased slightly for the second month in a row to 3.8 percent, having held steady before that at 4.1 percent for six consecutive months ending April 2018. This marks the lowest unemployment level since April 2000. Before then, the last unemployment low was in 1969. The Fed's projected Unemployment Rate for the next year is at 3.6 percent.

Wage growth increased to 2.8 percent, marking its highest level since 2009. However, it is still modest considering the Unemployment Rate.

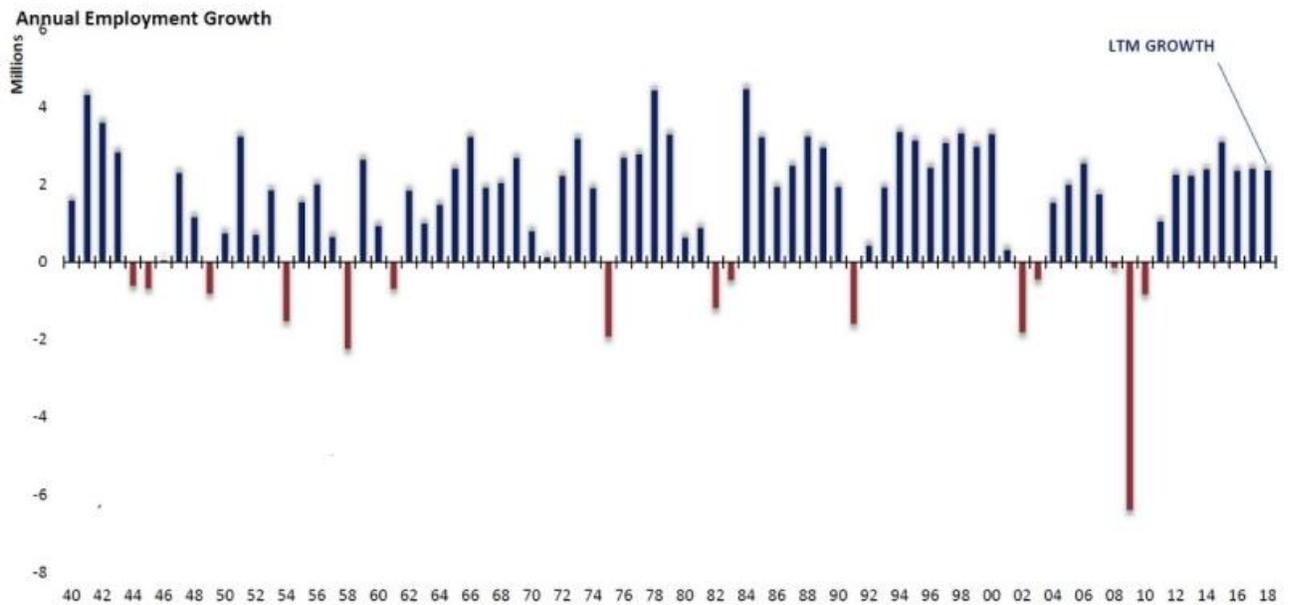
## Average Monthly Payroll Creation Slowing



The current expansion cycle is similar to the one from 1991 to 2000 and greater than the 2004 to 2007 expansionary period, but only after a significantly delayed recapture of the nation's previous employment peak.

## Attractive Job Growth Cooling

The U.S. created 2.18 million jobs in 2017. The last six years' job growth is on par with the expansionary period from 1992 to 1995.



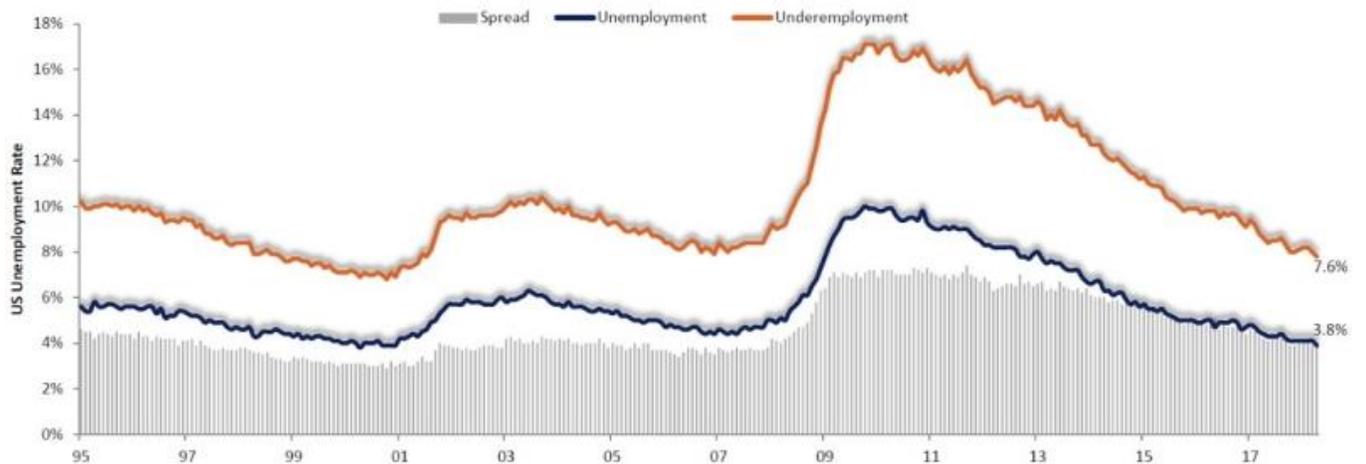
In 2017, the U.S. created 2.18 million jobs, but nearly 40 percent of private-sector job gains came from construction, manufacturing, retailers, hotels, restaurants and temporary help agencies, all typically low-paying sectors. Professional Business Services, the industry sector most closely aligned with office using employment, experienced expansion of 483,000 jobs in the year ending May 2018.

Fortunately, Temporary Staffing only accounted for 87,000 (approximately 18 percent) of these positions. Temporary Staffing is slowing, however, implying hesitance in hiring the lowest-cost employees companies can find in tentative expansions. Education and Health Services, which has performed well throughout the downturn being a recession-resistant industry, expanded by 441,000 jobs in the year ending May 2018. Construction added 286,000 in the year ending May 2018.



## Unemployment Rate

The Underemployment Rate augments the Unemployment Rate to include anyone marginally attached to the labor force that is either not employed or employed only part time. Fortunately, the Underemployment Rate has been descending from a recent high of just over 17 percent; however, the spread between the two rates is near an all-time high and shows no sign of rapid compression. The Unemployment Rate decreased slightly for the second month in a row to 3.8 percent in May 2018 after sixth consecutive months before at 4.1 percent. It is at its lowest level since April 2000. Before then, the last time unemployment was this low was in 1969. The Underemployment Rate came in at 7.6 percent in May 2018, a 20 basis point decrease from the prior month.



As the labor force approaches “full employment”, much attention has been cast to wage growth. The past three recessions were preceded by a period of FOMC tightening. Average hourly earnings growth exceeded four percent in each of these periods as overall economic activity became reflected in strong wage growth. The current year-over-year percent wage growth registered at about 2.8 percent.



Sources: HFF Research, Bureau of Labor Statistics, Department of Labor, Bloomberg

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