

BLS Employment Report

May 2016

Trend
Mth/Mth

↓ **38,000** Change in Total Nonfarm Employment

↓ **-16,000** Office-using

↓ **-10,000** Manufacturing

↑ **11,400** Retail

Office-using Employment vs. Office Net Absorption



Source: Bureau of Labor Statistics; Cushman & Wakefield Research

Growth in Average Hourly Earnings

Yr/Yr % Chg, 6-Month Moving Average



Source: Bureau of Labor Statistics

Ken McCarthy

Principal Economist,
Applied Research Lead, Americas
Ken.McCarthy@cushwake.com

Job Growth Disappoints Ahead of Fed Meeting

The good news from the latest employment report is that job growth was not as weak in May 2016 as the headline numbers suggest. The bad news is, even if the data is corrected for one-time anomalies, the U.S. economy still added the smallest number of jobs since December 2013. While the combination of a small increase in May and downward revisions for total employment in both March and April lessens the probability that the Federal Reserve will raise short-term interest rates at the next FOMC meeting, it does not take the possibility of an increase completely off the table. Rising wages and inflationary pressures are likely to have a greater weight in the FOMC’s decision-making process this year than in the recent past. Key to the Fed’s decision will likely be the behavior of financial markets, which could be impacted by events that have nothing to do with the performance of the U.S. economy, such as the looming referendum in the U.K. on whether to remain a part of the European Union (“BREXIT”).

Nonfarm payroll employment in the U.S. increased by 38,000 jobs in May—the smallest change since September 2010. One reason for the small gain was a strike at Verizon that took approximately 35,000 workers off payrolls, so the increase in jobs during May was actually more like 73,000, still a weak number. Employment in goods-producing industries declined by 36,000 jobs in May as the mining sector (largely oil and gas production) continued to shed jobs (-10,000) and construction employment declined by 15,000 jobs. The decline in construction likely reflects the mild winter which pulled some jobs normally added in spring to earlier months. The unemployment rate fell sharply from 5.0% in April to 4.7% in May. The labor force participation rate fell for a second consecutive month, partially contributing to the decline, but we caution against reading too much into this decline as the household survey from which the unemployment rate is calculated is notoriously volatile.

An important factor to note here is the low unemployment rate. As the labor market tightens, it becomes more difficult for employers to find qualified workers in the remaining pool of unemployed persons. This shortage of qualified workers is suggested by the Department of Labor’s data on job openings. Job openings are currently near a record high and well above the number of people hired, suggesting that companies are having a hard time finding the right workers for their needs. It is normal for employment growth to slow as labor markets tighten and the economic expansion matures.

Although a tightening labor market tends to lead to slower job growth, it also tends to put upward pressure on wages. In May, average hourly earnings increased 2.5% from a year ago, continuing the steady improvement in wage growth over the last year. In the last six months, the year-over-year increase in earnings averaged 2.5% as well—the largest increase since the end of 2009. A year ago wage growth was running at about 2.0%. Faster wage growth will lead to healthy income growth and thus support continuing strong increases in consumer spending.

While job growth was slow in May, it is important not to read too much into one month’s number. The monthly shifts in job growth can be very volatile and are subject to revision. Over the first five months of 2016, job growth has averaged a solid 150,000 per month, generating income growth and putting upward pressure on wages. The U.S. economy remains on a slow but consistent growth track that one month’s job report will not derail. If anything, the May employment report appears to be an outlier relative to the strengthening trends we are observing in other recent economic data: housing, auto sales, retail sales, and manufacturing—have all generally improved in recent months.

For the commercial real estate sector, the key drivers are employment and income. Employment growth remains solid and income growth is likely to continue to accelerate. This is an environment that should continue to support rising demand for space along the entire spectrum of commercial real estate sectors. And given the lag in the construction pipeline, we expect vacancy will continue to tighten across most product types and in most markets throughout the country.

Employment Situation by Metro

	Total Nonfarm*		Office-Using*		Industrial Sector*		Unemployment Rate
	(000s)	% Chg	(000s)	% Chg	(000s)	% Chg	April 2016
Atlanta, GA	80.1	3.1%	17.9	2.5%	11.0	2.4%	5.2%
Austin, TX	40.0	4.2%	8.9	3.7%	4.4	3.7%	3.0%
Baltimore, MD	30.2	2.2%	11.0	3.5%	4.7	3.0%	4.8%
Boston, MA	34.0	1.9%	12.4	2.3%	1.7	0.9%	3.7%
Charlotte, NC	28.2	2.6%	11.8	4.1%	3.9	1.9%	5.2%
Chicago, IL	62.9	1.7%	8.6	0.9%	-1.3	-0.2%	6.4%
Cincinnati, OH	18.8	1.8%	2.1	0.8%	3.7	1.7%	4.7%
Columbus, OH	24.2	2.3%	4.4	1.6%	2.6	1.5%	4.3%
Dallas, TX	109.0	4.6%	27.4	3.8%	20.7	5.1%	3.7%
Dayton, OH	8.6	2.3%	3.2	4.3%	1.0	1.5%	5.0%
Denver, CO	42.6	3.1%	12.9	3.3%	2.8	1.5%	2.9%
Detroit, MI	44.6	2.3%	21.2	4.1%	7.5	2.0%	5.6%
Fort Lauderdale, FL	27.9	3.5%	8.4	4.0%	5.2	5.2%	3.6%
Houston, TX	11.6	0.4%	-9.4	-1.4%	-24.0	-4.2%	5.0%
Indianapolis, IN	18.7	1.8%	-2.0	-0.8%	4.4	2.2%	4.8%
Kansas City, MO	15.9	1.5%	4.6	1.6%	3.4	2.0%	4.1%
Las Vegas, NV	24.0	2.6%	1.0	0.6%	3.9	4.8%	6.0%
Los Angeles, CA	16.3	2.6%	2.6	1.9%	4.7	3.1%	5.1%
Louisville, KY	94.5	2.2%	24.6	2.4%	-3.2	-0.4%	4.7%
Miami, FL	19.0	1.7%	6.1	2.4%	1.1	0.6%	4.5%
Milwaukee, WI	8.1	0.9%	-1.7	-0.9%	1.9	1.0%	4.8%
Minneapolis, MN	34.5	1.8%	5.0	1.0%	1.4	0.4%	3.5%
Nashville, TN	31.6	3.5%	13.3	6.0%	5.7	3.6%	3.4%
New York Metro	156.2	2.3%	41.8	2.2%	13.3	1.8%	4.8%
Newark, NJ	12.6	1.1%	3.6	1.1%	3.2	1.6%	5.4%
Oakland, CA	28.1	2.6%	1.5	0.6%	5.5	3.2%	4.3%
Philadelphia, PA	67.4	2.4%	21.3	3.0%	7.1	1.8%	5.1%
Phoenix, AZ	65.5	3.5%	27.9	5.4%	4.9	1.9%	4.5%
Pittsburgh, PA	6.3	0.5%	0.7	0.3%	-3.5	-1.9%	5.5%
Portland, OR	35.8	3.2%	10.5	4.1%	3.2	1.5%	4.3%
Raleigh, NC	21.3	3.7%	7.6	4.9%	0.0	0.0%	4.6%
Sacramento, CA	24.0	2.6%	2.8	1.5%	1.3	1.5%	5.1%
San Diego, CA	36.0	2.6%	8.7	2.7%	4.1	2.3%	4.6%
San Francisco, CA	44.0	4.2%	21.9	5.7%	1.2	1.1%	3.7%
San Jose, CA	38.8	3.8%	18.2	5.7%	3.4	1.6%	3.5%
Seattle, WA	61.0	3.3%	20.0	4.4%	3.0	0.9%	5.2%
St. Louis, MO	26.4	2.0%	8.5	2.7%	1.5	0.7%	4.7%
Tampa, FL	38.6	3.1%	16.1	4.7%	2.4	1.7%	3.8%
Washington DC Metro	65.6	2.6%	18.4	2.4%	2.1	1.5%	3.9%
West Palm Beach, FL	15.5	2.7%	5.6	3.7%	1.4	2.7%	3.9%

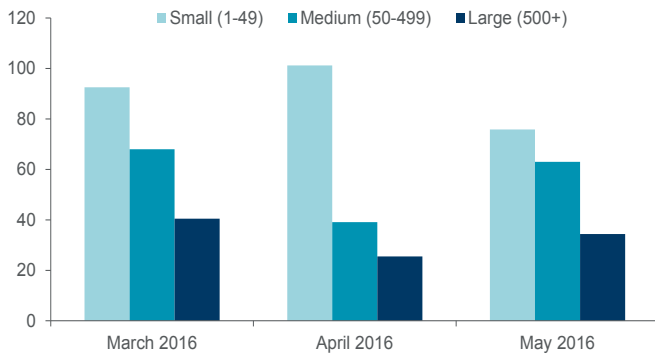
*Employment change, Feb-Apr 2016 over Feb-Apr 2015

Source: Bureau of Labor Statistics

Employment Indicators

By Company Size

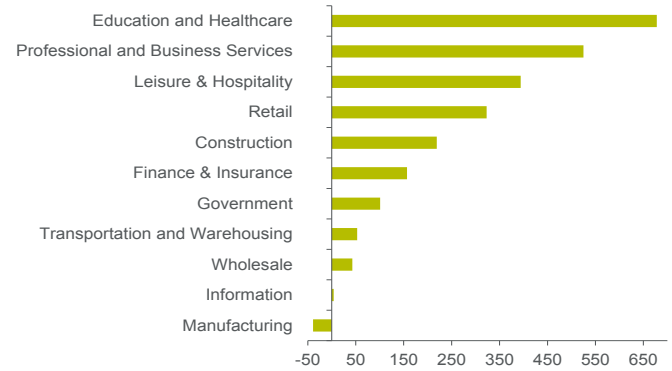
Monthly U.S. Nonfarm Private Sector Job Growth, 000's



Source: ADP National Employment Report

Job Gains by Sector

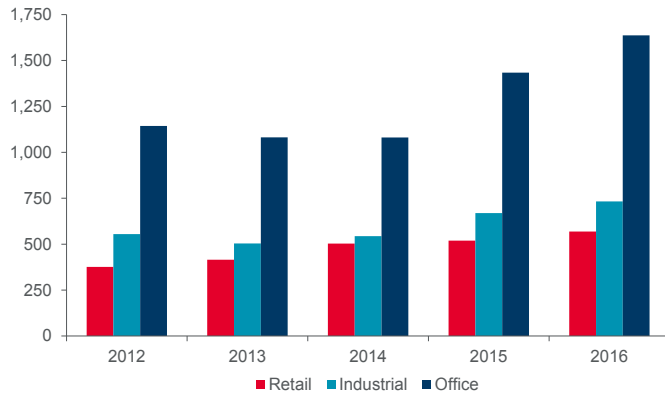
May 2015 through May 2016, 000's



Source: Bureau of Labor Statistics

Job Openings

March, 000's



Source: Bureau of Labor Statistics

Job Openings

Total Nonfarm (SA, millions)



Source: Bureau of Labor Statistics

Jobless Claims

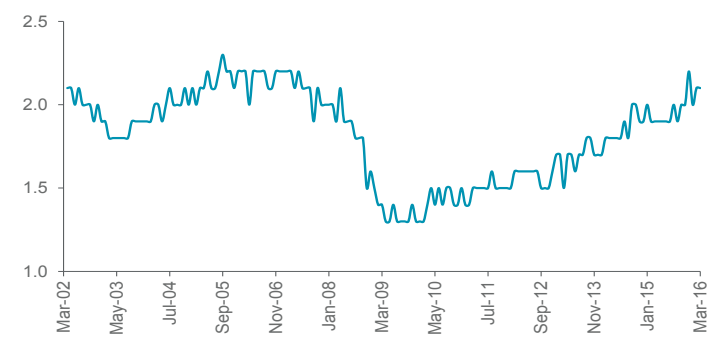
4-week Moving Average, 000's



Source: Employment and Training Administration

Quit Rate

Total Nonfarm (SA, %)



Source: Bureau of Labor Statistics