Cornerstone
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NEWS ADVISORY

Steven Drexel, Cornerstone Staffing President/CEO, Offers Commentary On May's Employment and Economic Outlook

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Pleasanton, CA (May 31, 2016) — With the release of the US Bureau of Labor Statistics May 2016 employment data on Friday June 3, Steve Drexel, Cornerstone Staffing Solutions president and chief executive officer, is ready and available for interviews or commentary on the economic and employment impact.

Drexel is an economist, a member of the Business Research Advisory Council of the U.S. Bureau of Labor Statistics, and past chairman of the American Staffing Association's Industry Information Committee. He has been interviewed for *The Washington Post, Bloomberg Business News, CNN Radio, the Associated Press, The Houston Chronicle* and *The Houston Business Journal* -- among many other national, regional and local media organizations.

Drexel's biographical profile is available at http://www.cornerstone-staffing.com/. Please contact Brian Hatfield for any information or insights related to a wide range of employment and economic topics Drexel is prepared to comment on.

"I expect Friday's Employment Situation Report covering May's activity to indicate that the labor market expanded by 180,000 jobs and the unemployment rate will again hold steady at 5.0 percent," comments Drexel. "I believe that the labor markets are still healthy and growing -- but at a modestly slower rate than we saw during recent years and below the expectations with which we started 2016. The other factor that plays into the forecast is the knowledge that May's results likely will be affected by the Verizon strike that was in full effect during May and while temporary, this could depress the reported results."

Some additional perspectives from Drexel:

- **April's disappointing report.** On Friday May 6, the Bureau of Labor Statistics released its monthly summary of labor market activity for April 2016. The attention-grabbing number was a disappointing increase of 160,000 jobs, while the unemployment rate held steady at 5.0 percent. Economists, who form their predictions based on a number of factors, had expected an employment increase of around 200,000, more in line with the 208,000 (revised) increase reported for March. The slower rate of growth was disappointing, and tends to confirm the narrative that the broader economy has slowed during recent months as was evident in the announcement that Gross Domestic Product (GDP) growth was only 0.8 percent during the first quarter of 2016. Other softer results included the observation that the labor force participation rate declined slightly to 62.8 percent, indicating that fewer unemployed workers were actively seeking employment during April. Additionally, of the 262 industries reported, a smaller percentage was growing as this metric declined from 58.6 percent to 56.3 percent.

- **May's report likely to be below trend, as well.** Friday's Employment Situation Report covering May's activity to indicate that the labor market expanded by 180,000 jobs and the unemployment rate will again hold steady at 5.0 percent. Drexel believes that the labor markets are still healthy and growing -- but at a modestly slower rate than we saw during recent years and below the expectations with which we started 2016. The other factor that plays into the forecast is the knowledge that May's results likely will be affected by the Verizon strike that was in full effect during May and while temporary, this could depress the reported results.

  Positive employment-related economic indicators during April included the following:
  - The American Staffing Association's Monthly Index was 0.9 percent improved during May compared to April suggesting that job growth is a bit better than recent trends; and
  - The private employment surveys that I participate in continued to suggest growth during May albeit at slow but steady pace.

  Less than positive employment indicators included the following:
  - The Philadelphia, Richmond and Kansas City Fed Manufacturing Surveys sub-indexes for Employment and the Average Workweek all were weaker during May as compared to April. Only the Richmond Fed Services Employment Index improved during May;
  - Initial Jobless Claims as well as Continuing Jobless Claims increased during May, particularly during the reference weeks from which the Bureau of Labor Statistics draws its survey. The levels are not alarming but the direction suggests slower growth (likely influenced by the Verizon strike);
  - The Wall Street Journal's April Economic Survey of 72 leading economists forecast of employment for 2016 was 2.9 percent lower than the April forecast reflecting lower expectations; and
  - The Conference Board's May differential of "jobs plentiful" versus "jobs hard to get" slid to a net -0.1 during May, down from +1.4 during April.

- **Expectations for June, the balance of 2016 and beyond.** 'Slower but still positive' is the key message this month, and to a lesser degree, the same is true looking forward with respect to the general economy. Employment growth remains a key element supporting the broader U.S. activity with continued backing coming from vehicle production and housing. Wage growth is not slowing but rather, gradually increasing, which is important to boost retail sales, another necessary driver of continued growth. There are fewer headwinds represented by declining oil prices, unsettled financial markets, falling commodity prices and an overpriced dollar to obstruct or derail growth. However, there is a bit less momentum as the expansion is aging, earnings are soft and GDP was challenged during the early part of 2016. Expect jobs growth during the remainder of 2016 to average about 190,000 per month while the unemployment rate trends down slightly to 4.7 percent by year end.

"The substandard jobs increase, could foreshadow a change in the trajectory of growth I've advocated, although, it is worth noting that 2015 was overall, a good year for employment growth, and yet, it included three months in which employment grew at a slower rate than April's 160,000 increase. I expect that May produces 180,000 net new jobs and a 5.0 percent unemployment rate. Employment growth slowed a bit during recent months, but remains positive and is expected to continue to grow albeit as slightly slower rates. The risk of recession remains low and the expansion should continue through at least 2018. The amassed effect of over five years of employment growth results in more severe labor shortages and accelerating wage pressure," says Drexel

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