Cornerstone
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NEWS ADVISORY

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

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Pleasanton, CA (May 3, 2016) — With the release of the US Bureau of Labor Statistics April 2016 employment data on Friday May 6, 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 April's activity to indicate that the labor market expanded by 205,000 jobs and the unemployment rate will hold steady at 5.0 percent," comments Drexel. "My sense is that April's activity was roughly the same as March's activity; however, the near-term underlying strength is more in line with an average 200,000 increase each month -- so I'm regressing to the mean to a degree this month. The unemployment rate will come down gradually, over the course of the current and next year, but the rate of decline will be very slow as employment growth is partially offset by an improving labor force participation rate, driven in part by accelerating wage growth."

Some additional perspectives from Drexel:

- **March's reassuring report.** The Employment Report covering March 2016 activity was released on April 1st. Employment gains were perfectly aligned with expectations, increasing by 215,000 seasonally adjusted positons. During 66 months of consecutive jobs growth, the domestic economy has added over 13 million jobs. Less expected was a one tenth increase in the unemployment rate to 5.0 percent. Anxious observers were pleased to see employment continue to grow at a respectable pace, particularly in light of persistent weakness in foreign markets, a too-strong dollar and weak commodity prices. Concern related to the increase in the unemployment rate were muted because the increase was caused by a robust, positive change in the labor force indicating that better opportunities are drawing more job seekers off the sidelines. The increase in job seekers entering the labor force has totaled a notable 2.4 million during the last six months. To put the unemployment rate in context, it was as low as 4.4 percent during the peak of the last expansion during October of 2006. Areas of weakness during recent months continue to include mining and manufacturing; these sectors are sensitive to energy prices and demand. On the other hand, average hourly earnings rebounded in March following a disappointing February.

- **April's report should uphold positive trends.** I expect Friday's Employment Situation Report covering April's activity to indicate that the labor market expanded by 205,000 jobs and the unemployment rate will hold steady at 5.0 percent. My sense is that April's activity was roughly the same as March's activity; however, the near-term underlying strength is more in line with an average 200,000 increase each month -- so I'm regressing to the mean to a degree this month. The unemployment rate will come down gradually, over the course of the current and next year, but the rate of decline will be very slow as employment growth is partially offset by an improving labor force participation rate, driven in part by accelerating wage growth.

  Positive employment-related economic indicators during April included the following:

  - Initial Jobless Claims as well as Continuing Jobless Claims trended lower from already encouraging levels particularly during the reference weeks from which the Bureau of Labor Statistics draws its surveys.
  - The Conference Board's April differential of "jobs plentiful" versus "jobs hard to get" improved to a net +1.4 during April, up from +0.2 during March.
  - The American Staffing Association's Monthly Index was 1.35 percent improved during April compared to March suggesting that job growth is a bit better than recent trends.
  - The private employment surveys that I participate in continued to suggest growth during April albeit at slow but steady pace.
  - The Institute for Supply Management's employment sub-index improved during April to 49.2 which, while not quite in positive territory, is at its best level since November 2015.

  Less than positive employment indicators included the following:

  - The Philadelphia Fed Manufacturing Survey sub-indexes for both Employment and the Average Workweek were decidedly negative during April.
  - The Wall Street Journal's April Economic Survey of 72 leading economists forecast of employment was 2.5 percent lower than the March forecast.

- **Expectations for May, the balance of 2016 and beyond.** Slow but steady continues to be the most apt description of the general economy. Employment growth marches forward as both a barometer and pillar supporting the broader U.S. activity (with additional support coming from vehicle production and housing) Wage growth is becoming more evident which is important to push forward retail sales, another essential driver of continued growth. Headwinds represented by declining oil prices, unsettled financial markets, falling commodity prices and an overpriced dollar are thankfully receding. The expansion is aging, but due to the fact that it has been a slow-growth expansion, growth will likely extend at least three more years. Historically, expansions last several years beyond the point that the cycle reaches full employment and the Federal Reserve begins raising interest rates. Expect jobs growth during the remainder of 2016 to average about 200,000 per month while the unemployment rate trends down slightly to 4.7 percent by year end.

"I expect that April produced 205,000 net new jobs and a 5.0 percent unemployment rate. Employment during the last two quarters was more solid and stable than GDP, and both metrics have weathered some pretty challenging macro conditions. For this we can be grateful as the risk of recession increased during the first quarter of 2016, but is now in decline. The forecast calls for more growth during 2016 and through 2018, albeit at slightly slower rates. Still, the cumulative effect of over five years of employment growth results in more severe labor shortages and hastening wage pressure," says Drexel

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