NEWS ADVISORY

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

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Pleasanton, CA (July 5, 2016) — With the release of the US Bureau of Labor Statistics June 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 that June produced 158,000 net new jobs and a 4.8 percent unemployment rate," comments Drexel. "Employment growth as measured by the BLS slowed notably during recent months, as did GDP. Other important labor force metrics held steady suggesting that the BLS reports overstated May's weakness."

Some additional perspectives from Drexel regarding May's alarming report:

- Economists had expected slower growth totaling about 160,000 jobs, but even allowing for lower expectations, the report was alarming in its weakness**.** Only 38,000 new jobs were created during May, and moreover, downward revisions to previous months (March and April) further depressed the message. A one-off factor that dampened May's job growth was the now concluded Verizon strike that reduced the increase by about 34,000 jobs.
- The unemployment rate improved from 5.0 percent in April to 4.7 percent during May. Even this normally favorable movement reflects weakness because it was caused by a sharp reduction in job seekers rather than successful landings by unemployed workers. More inclusive measures of unemployment that account for underemployment were unchanged during May.
- An encouraging aspect of the otherwise dismal May BLS report, was the persistence of improvement in average hourly earnings which has been running a fairly consistent 2.5 percent above the prior year. Also, the average hourly workweek held steady at 34.4 hours unchanged during the last three months.
- It is evident, that employment growth is meaningfully slower**.** During the March-April-May period, job growth averaged 127,000 positions, even after adjusting for the Verizon strike. In contrast, during the three months ending in February 2016, job growth averaged 224,000 positions. The weakness was broad-based as only 51.3 percent of the industries reported growth compared to almost 60 percent as recently as January.

- The healthcare industry was the only sector which showed impressive growth during May. This slowing trend in employment growth is very likely a postponed response to weak corporate profits, turbulent financial markets, a stronger dollar and weak foreign demand which were all manifest during recent months and quarters.

It is certainly reassuring to note that other metrics used to measure the strength of the labor markets are not as alarming as the May jobs report. Positive employment-related economic indicators during May included the following:

- Initial Jobless Claims as well as Continuing Jobless Claims decreased during June, particularly during the reference weeks from which the Bureau of Labor Statistics draws its survey. The weekly Jobless Claims are at the same or better levels than they were a year ago when the job market was clearly robust. The long-term trend continues to reflect declining claims suggesting there has been no pickup in layoffs.
- There has been no alarming increase in Announced Layoffs.
- The March Job Opening and Labor Turnover Survey indicated that job openings are remarkably strong and the overall labor market is healthy.
- Recent surveys indicate that U.S. Hiring Plans remain resilient.
- The ADP National Employment Report, which includes actual payroll records covering 20 percent of the workforce, indicates that private job growth during May was 50 percent stronger than what the Verizon adjusted BLS report presents.
- The Conference Board's survey differential between "jobs plentiful" versus "jobs hard to get" improved to a net +0.1 during June, which was improved from a perfectly neutral differential of 0.0 during May.
- The employment component of the Institute for Supply Management's Manufacturing Diffusion index improved to a slightly positive 50.4 percent during June indicating that more sub-industries registered growth than contraction for the first time in eight months.
- The American Staffing Association's Monthly Index was 0.5 percent improved during June compared to May suggesting that job growth was slightly improved during June, particularly during the reference or survey weeks.
- The private employment surveys that I participate in continued to suggest growth during June, albeit at a slow pace based in part by softer order flow, but also, difficulty in finding qualified applicants.

These indications support the assertion that May's employment report overstated the weakness while recognizing that there is less robust job growth evident during the three most recent months (March, April and May).

One less than positive employment related indicator during June was The Wall Street Journal's June Economic Survey of 72 leading economists. Their forecast of employment growth for 2016 was 14 percent lower than the May's forecast reflecting sharply lower expectations.

Drexel also offers some thoughts on Brexit. **"**The British decision to leave the European Union created a degree of shock and uncertainty which upset the financial markets internationally and in the United States. The decision however occurred too late during June to have an effect on the forthcoming BLS report which is based on employment during the pay period that includes the 12th of each month. Fundamentally, Brexit is a bigger risk to England and Europe. The U.S. does not export much to these units so the effect could be a small degrading of U.S. growth but a manageable one."

Drexel observes that ‘slow and steady’ continues to be the best description of the outlook although slow has become “slower” particularly during the near term. Employment growth stalled during May but is expected to rebound during the second half of 2016 to a level sufficient to keep unemployment low. However, employment growth will be slower than what we enjoyed during 2014 and 2015. Expect jobs growth during the remainder of 2016 to average about 160,000 per month while the unemployment rate trends sideways or basically within a narrow range for the remainder of the year.

“Employment growth as measured by the BLS slowed notably during recent months, as did GDP. Other important labor force metrics held steady suggesting that the BLS reports overstated May’s weakness. Inconsistencies between the BLS and other metrics bear watching since this is a potential fault line. This amplifies the importance of Friday’s BLS report. The expectation of slower growth is now a consensus, although so far, slower growth has not markedly increased risk of recession which stands at about 20 percent. In as much as the unemployment rate remains low while wage pressure is building, we should expect continued labor shortages,” says Drexel

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