NEWS ADVISORY

Steven Drexel, Cornerstone Staffing President/CEO,
Shares February Observations in Advance of BLS Employment Situation Release

For more information or to book an interview, contact:
Brian Hatfield
Director of Recruitment & Special Projects
Office: 925-399-4711

Pleasanton, Calif. (March 8, 2018) — As an economist and seasoned staffing industry professional, Steven Drexel is regularly asked to participate in surveys and discussions that predict key elements of the Bureau of Labor Statistics' ("BLS") press releases describing The Employment Situation. On Friday March 9th, the BLS will release its monthly summary of labor market activity covering February 2018.

"My prediction is that stronger job growth will be evident during February advancing to 215,000 net new jobs given the strength in the employment related statistics reported during the last four weeks. Following a four month pause at 4.1 percent, the unemployment rate will drop by one tenth of a point during February to 4.0 percent. This small decline will be in response to two consecutive months of above trend employment growth of 200,000 or more positions," comments Drexel.

Drexel suspects analysts will study February's BLS report to see if it resembles the strong employment growth reported for January (200,000 net new jobs) or if a softer month emerges, more like the 160,000 net new jobs reported during December. He also notes that a secondary metric of unusual importance this month is the growth in average hourly earnings which finally accelerated to 2.9 percent on a year over year basis during January. Drexel says if this indication is relatively strong again in February, many will be happy to see confirmation that employees are finally benefiting from the long expansion and low unemployment rates. Conversely, he believes observers in the financial markets may be unsettled by the possibility of rising inflation.

Drexel points to numerous indicators suggesting labor markets remain strong or improving:

- Initial unemployment claims as well as continuing unemployment claims both declined or improved during February as compared to January;
- The Institute for Supply Management's Manufacturing Diffusion Index improved during February suggesting more growth in the labor market;
- The Conference Board's Consumer Confidence Index improved during February and the differential between "jobs plentiful" versus "jobs hard to get" was a strong net 24.7 during February, up from 20.9 during January. This is an improvement over already remarkably good results;
- The Wall Street Journal Forecasting Survey's February results predicted a faster rate of employment growth than the BLS reported during January;

- Federal Reserve Bank Manufacturing Surveys published by the Texas, Kansas City, Richmond, Philadelphia, and New York districts all reported improving employment conditions during February;
- The National Federation of Independent Business' Small Business Survey indicated that a net 20% of their members have plans to increase employment and a growing percentage indicated that they have open positions that are hard to fill; and
- The American Staffing Association's Staffing Index was slightly improved during February compared to January.

Additionally, the private surveys Drexel participates in report continuing strength in the labor market with stronger demand and higher wages.

If there is one indicator to watch, Drexel states it is the Institute for Supply Management's Non-manufacturing Diffusion Index. He explains this is the only employment related economic indicator that contracted suggesting a slower rate of growth during February.

"I expect that wage growth will moderate very slightly during February to 2.8 percent annually -- but will climb to above 3 percent by year end. The average workweek will recover during February to 34.4 hours after having unexpectedly and inconsistently declined by two tenths of an hour during January. The increase in average hourly earnings was expected while the decrease in hours worked was not," says Drexel. "One credible theory that explains the two movements is the idea that bad weather or the severe flu season held back hourly workers during January depressing the average hours worked. If so, higher paid salary workers would play a larger role in the average wage inflating the average wage rate. Absent the seasonal impacts of weather and the flu, February's metrics should moderate to something closer to December's trend rates."

More About Steven R. Drexel

Steven R. 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/.

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