NEWS ADVISORY

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

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Pleasanton, Calif. (July 3, 2018) — Steven Drexel, Cornerstone Staffing Solutions president and CEO, shares his June 2018 labor observations in advance of the July 6 Bureau of Labor Statistics' ("BLS") press releases describing The Employment Situation. As an economist and seasoned staffing industry professional, Drexel is regularly asked to participate in monthly surveys and discussions that predict key elements of labor market activity.

Drexel says, "I expect the headline net job growth number during June to come in at a respectably sound 195,000 positions. This would be slower than May's surprisingly strong 223,000 growth, but closer to recent smoothed or trend rate of increase. This pattern of job growth confirms a healthy labor market consistent with the broader accelerating and yet aging economic expansion." Drexel also believes the unemployment rate declines will pause in June and hold steady at 3.8 percent.

He explains the average hourly wage growth is the most intriguing element of June's upcoming report because May's rate of growth was stronger than expected. A second strong result would suggest that wage inflation may be finally gaining traction. "On one hand, higher wages would be a long overdue and welcome benefit to workers. On the other hand, with the unemployment rate so low, some economists worry that a notable acceleration in hourly wages could lead to an overheating scenario that foreshadows an end to the expansion. The best case is the Goldilocks situation in which wage growth is neither too hot nor too cold. This month's report should provide some insight in this regard. I expect that June's increase in average hourly earnings will match May's 2.7 percent annual rate which would be the safer side of the Goldilocks principle," he comments.

Drexel notes the following employment related economic indicators suggest June's report will remain strong or improve:

- Initial unemployment claims were improved during June compared to May remaining at or near historically low rates. Further, continuing unemployment claims improved during June as compared to May signaling that more of the unemployed found jobs during June;
- The Wall Street Journal Forecasting Survey for June predicted a rate of employment growth stronger than what was reported during May and consistent with longer term trends;

- The National Federation of Independent Business' Small Business Survey indicated that a net 18 percent of their members have plans to increase employment up from 16 percent during the previous month;
- Federal Reserve Bank Manufacturing Surveys published by the Texas, Philadelphia, Richmond, Kansas City and New York districts all reported improving or otherwise positive employment conditions during June;
- The Institute for Supply Management's New York Report was generally positive in June and the employment sub-index was particularly strong with 63.4 percent of respondents positive about hiring; and
- The American Staffing Association's Staffing Index improved during June compared to May continuing a five-month trend.

Conversely, Drexel provides the following employment related economic indicators that suggest June's report might be softer:

- The Institute for Supply Management's Manufacturing Employment Diffusion Index remained positive and solid but declined slightly during June, and
- The Conference Board's Consumer Confidence Index dipped somewhat during June while the differential between "jobs plentiful" versus "jobs hard to get" also contracted slightly to a still impressive 25.1 percent during June.

Drexel states the very recently concluded second quarter grew at one of the fastest rates of this decade. He expects job growth during 2018 to outpace 2017 while the unemployment rate drifts down closer to 3.5 percent by year-end. "The near-term risk of recession remains low given the absence of any signs of critical imbalances or a looming financial bubble; therefore, the general expansion should continue through the end of the decade," he predicts.

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