



Cornerstone
Staffing Solutions



RightStone
WE'RE ON IT



NEWS ADVISORY

Steven Drexel, Cornerstone Staffing Solutions President/CEO, Shares Labor Market Observations in Advance of July's 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. (July 31, 2018) — Steven Drexel, [Cornerstone Staffing Solutions](#) president and CEO, shares his July 2018 labor observations in advance of the August 3 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, "The headline net job growth number during July should come in with another strong 205,000 positions. This would be roughly consistent with June's growth as well as the second quarter average rate of change. This pattern of job growth confirms a healthy labor market consistent with the broader accelerating, albeit aging, economic expansion." Drexel also believes the unemployment rate will decline by one tick to 3.9 percent during July. "This would keep the unemployment rate in the range it has been hovering around for the last nine months. It is not surprising that after 93 months of employment growth the unemployment rate is quite low. It is encouraging to note the rate has been relatively stable at this level for an extended period suggesting that the labor force is keeping up with demand rather than running dry or overheating."

He explains the recently released estimate for Gross Domestic Product (GDP) during the second quarter of 2018 was a strong 4.1 percent. This was consistent with the last three monthly employment reports which posted net job growth at a robust 211,000 new positions. Moreover, the unemployment rate is quite low and wage growth, as well as general inflation, are increasing but at a muted rate. Objectively, Drexel confirms these are very good economic conditions. "Analysts will be interested to see if the July Employment Situation Report, the first report that covers the third quarter, suggests that the good times will continue. The sheer momentum is certainly positive and there are tax cuts and increased government spending providing stimulus. The short-term headwinds, which may affect the positive momentum, are an increasingly tight labor market and uncertainty regarding our national trade policy," comments Drexel.

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

- Initial unemployment claims stabilized during July, remaining at or near historically low rates. Continuing unemployment claims increased during July as compared to June suggesting that the unemployed had a bit of difficulty finding jobs during July;

- The Conference Board's Consumer Confidence Index improved during July while the differential between "jobs plentiful" versus "jobs hard to get" also increased to a remarkably impressive 43.1 percent;
- The National Federation of Independent Business' Small Business Survey indicated that a net 20 percent of their members have plans to increase employment up from 18 percent during the previous month;
- The California Manufacturing Survey published by Chapman University indicated that their employment index increased from 60.3 during the second quarter to 61.6 during the third quarter suggesting that employment will increase;
- Federal Reserve Bank Manufacturing Surveys published by the Dallas, Kansas City, Richmond and New York districts reported improving or otherwise positive employment conditions during July; and
- The American Staffing Association's Staffing Index improved during July compared to June continuing a six-month positive trend.

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

- Federal Reserve Bank Manufacturing Survey published by the Philadelphia district reported declining employment conditions during July; and
- The Wall Street Journal Forecasting Survey for July predicted a rate of employment growth at 188,000 positions which is softer than what was reported during June and below longer-term trends.

Drexel states the second quarter was strong with GDP growing at 4.1 percent, the fastest rate since early 2014, and likewise, employment grew at an impressive and accelerating rate. Moreover, S&P 500 corporate earnings appear to be up 25 percent year over year during the second quarter. "The economy is still benefiting from tax cuts and increased government spending so there is plenty of momentum and fiscal stimulus pushing continued growth forward through the end of 2018 and likely the rest of the decade. Emerging but not yet critical headwinds include rising interest rates, intensifying labor shortages and international trade uncertainties. Moreover, only about 15 percent of the recent economic releases have fallen short of expectations," he remarks.

Drexel comments that labor shortages seem to be the dog that barks but never bites. He notes that it's true employment has been growing for a record seven years and nine months and the unemployment rate is quite low. Further, every anecdotal survey including the well documented Federal Reserve Bank's Beige Book reports that employers are struggling to fill open positions. He goes on to mention there are plenty of reasons to believe that the labor force could be the constraining factor. And yet, contra indications include the absence of rapidly growing wages, lower than expected labor force participation and employment to population ratios, even among prime-aged workers, and still elongated average periods of unemployment suggest that the labor market is not yet tapped out.

"Expect job growth during 2018 to remain strong while the unemployment rate drifts down closer to 3.7 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. Make hay while the sun shines and we expect sunshine for a few more years," he declares.

More About Cornerstone Staffing

Cornerstone Staffing Solutions is among the largest staffing firms in America and received Inavero's Best of Staffing® Client Award in 2016, 2017 and 2018. Since 2003, Cornerstone has grown from a neighborhood staffing provider to a national firm that employs thousands of people at hundreds of companies from coast to coast, including: California – San Francisco, Oakland, Sacramento and Los Angeles metropolitan areas; central Michigan; New Jersey; Maryland; and Las Vegas, Nev. The Cornerstone family of companies also includes Dallas, Texas-based Rightstone (www.rightstone.com), and Chicago, Illinois-based Arlington Resources, Inc. (www.arlingtonresources.com) and Casey Accounting & Finance Resources (www.caseyresources.com). Providing candidate searching and job placement for administrative, industrial, technical, sales and transportation positions, Cornerstone truly is where talent and jobs meet. Visit Cornerstone at: <http://www.cornerstone-staffing.com>.

###