United States: Hires Disappoint, but the Jobless Rate Continues to Fall

**HIGHLIGHTS**

- The establishment survey shows there were only 138,000 net hires for May following April’s 174,000 (revised from 211,000) job gain.
- The construction sector created 11,000 jobs, but there were 1,000 layoffs in manufacturing. The resources sector had 6,000 net hires.
- Private sector services generated 131,000 jobs, a little less than April’s 154,000 hires. Jobs in retailing contracted by 6,100, while food services added 30,300 jobs. Employment added 38,000 jobs in the professional services sector. The health care and education sectors created 47,000 jobs.
- The jobless rate went from 4.4% to 4.3%. It has fallen below the trough of the previous economic cycle. The household survey posted a loss of 233,000 jobs, while the workforce shrank by 429,000 people.

**COMMENTS**

The establishment survey’s May results make for a second disappointment in three months. Added to that is the net effect of revisions to the previous month’s data, which cuts 66,000 jobs from the total gains previously reported for April and March. Remember that the first estimate for March, another recent source of disappointment, was 98,000. Downgraded twice, hires made during that month have now fallen to just 50,000.

Only 54.8% of the 261 sectors tracked recorded an increase in jobs in May, well below the 61.3% for April and even less than the 55.4% for March. Retailing continues its dismal string; it’s the first time since 2009 that it has recorded four straight months of contraction. We also note that May saw manufacturing’s first net layoffs since October 2016.

**IMPLICATIONS**

It would be surprising for weakness in hiring to be enough to prevent the Federal Reserve from increasing its key rates at the June 14 meeting. But if the slower labour market trend continues, it could dampen the current pace of monetary policy normalization.

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