

# MAY EMPLOYMENT REPORT

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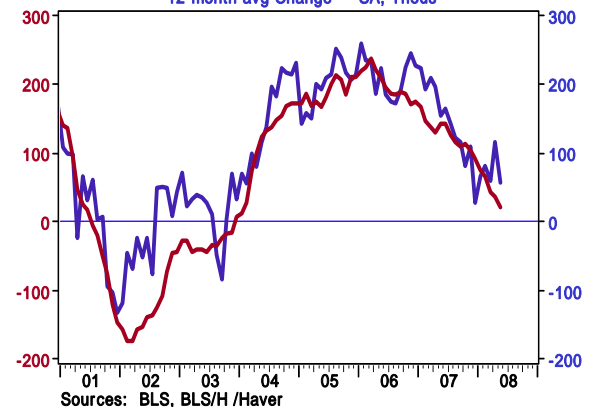
- Non-farm payrolls declined 49,000 in May while revisions to March and April subtracted 15,000. The consensus expected a loss of 60,000.
- Private (non-gov't) payrolls declined 66,000 in May. The weakest sectors were temps (down 30,000), retail (down 27,000), manufacturing (down 26,000), and home construction (down 25,000). The strongest sector was health care (up 42,000).
- The jobless rate spiked to 5.5% from 5.0% last month. The consensus had expected an increase to 5.1%.
- Average hourly earnings rose 0.3% and are up 3.5% versus a year ago.

**Implications:** The major headline from today's report will be the spike in the unemployment rate to 5.5% in May from 5% last month. This is the largest increase in any month since 1986. There was also a 0.4 point increase in April 1995. However, it is important to note that we were not in recession in 1986 or 1995 and both spikes represented mid-cycle peaks for the unemployment rate. Some analysts will point out that the jobless rate is up 0.8 percentage points in the past six months, which has never before happened except in recessions. However, the unemployment rate is up 2.4 points among workers age 16-24 and only 0.4 points among workers age 25+. An increase of 0.4 points for those 25+ is consistent with sluggish growth, not recession. Most of the increase in the jobless rate in May itself was due to workers age 16-24, suggesting the government misjudged the seasonal adjustments needed at graduation time. Other data in the employment report paints a mixed picture of the labor market. Payrolls fell 49,000 in May and total hours worked declined 0.1%. However, the median duration of unemployment fell to 8.3 weeks from 9.3 last month while the labor force participation rate (the share of working-age people who are either working or looking for work) increased to 66.2% from 66.0%. As we said a month ago, there will be some more pain in the labor market as the economy works through the housing correction, but productivity growth will keep the economy growing.

Civilian Unemployment Rate: 16 yr +  
SA, %



All Employees: Total Nonfarm  
12-month avg Change SA, Thous  
Civ. Employment (Pop. Smoothed and Payroll Compatible)  
12-month avg Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	May-08	Apr-08	Mar-08	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	5.5	5.0	5.1	5.2	5.1	4.9
<b>Civilian Employment (monthly change in thousands)</b>	-617	574	153	37	-69	57
<b>Nonfarm Payrolls (monthly change in thousands)</b>	-49	-28	-88	-55	-47	20
<b>Construction</b>	-34	-52	-39	-42	-44	-32
<b>Manufacturing</b>	-26	-49	-46	-40	-38	-28
<b>Retail Trade</b>	-27	-39	-27	-31	-30	-14
<b>Finance, Insurance and Real Estate</b>	-1	1	0	0	-5	-8
<b>Professional and Business Services</b>	-39	32	-59	-22	-12	6
<b>Education and Health Services</b>	54	61	44	53	50	48
<b>Liesure and Hospitality</b>	12	12	16	13	12	23
<b>Government</b>	17	12	15	15	21	18
<b>Avg. Hourly Earnings: Total Private*</b>	0.3%	0.1%	0.3%	3.0%	3.4%	3.5%
<b>Avg. Weekly Hours: Total Private</b>	33.7	33.7	33.8	33.7	33.7	33.8
<b>Index of Aggregate Weekly Hours: Total Private*</b>	-0.1	-0.4	0.3	-0.7	-1.1	0.0

\*3, 6 and 12 month figures are % change annualized