

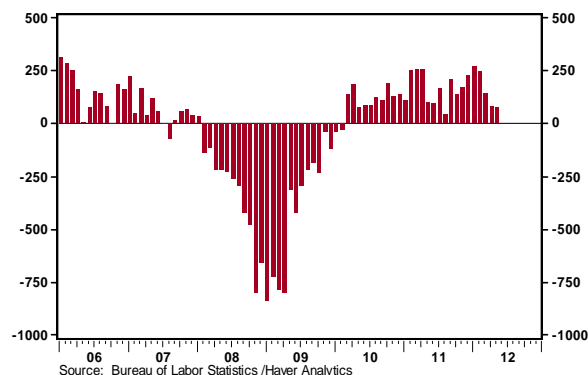
May Employment Report

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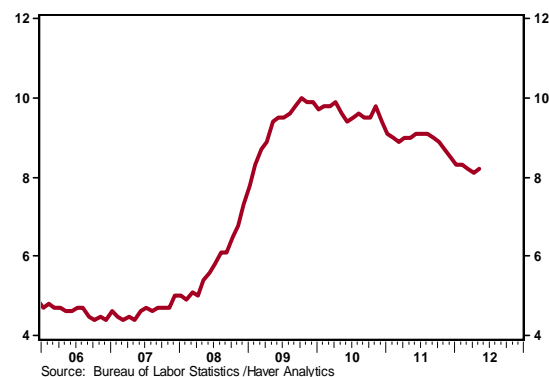
- Non-farm payrolls increased 69,000 in May and were up only 20,000 including revisions to March/April. The consensus expected a gain of 150,000.
- Private sector payrolls increased 82,000 in May. Revisions to March/April subtracted 62,000, bringing the net gain to 20,000. May gains were led by education & health care (+46,000) and transit/ground passenger transport (+20,000). The weakest sector was construction (-28,000).
- The unemployment rate ticked up to 8.2% from 8.1% in April.
- Average weekly earnings – cash earnings, excluding benefits – were up 0.1% in May and up 1.7% versus a year ago.

Implications: Improvement in the labor market slowed noticeably in May. Including downward revisions for prior months, payrolls – both overall and for the private sector – expanded only 20,000. In addition, the total number of hours worked declined 0.2% in May while average hourly earnings increased only 0.1%. Total cash wages are still up a hardy 3.5% from a year ago, but they’ve been essentially unchanged over the past three months. In addition, the duration of unemployment increased and the share of the unemployed who quit their prior job dropped for the second straight month. However, not all the data in today’s report was negative; in fact, some of it was actually quite strong. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 422,000 in May. In the past year, civilian employment is up at a 190,000 monthly rate versus a 149,000 pace for nonfarm payrolls. Although the unemployment rate ticked up to 8.2% in May, this was due to a 642,000 increase in the labor force. In the past year, the labor force is up 1.1 million, while the unemployment rate has dropped 0.8 percentage points. Another piece of good news was that the diffusion index, the share of private companies that are adding jobs versus cutting jobs, increased to 59.4% in May. One plausible explanation for the relative weakness of recent payroll numbers is the unusually mild winter. In the past six months (December – May), nonfarm payrolls are up an average of 174,000. December through February was above average and now we’ve had three months below. Supporting the case for a weather affect, construction jobs were up an average of 14,000 in December to February but down an average of 16,000 the past three months. Another possibility is that some firms are waiting for the outcome of the health care ruling and election to see whether the coast is clear for more hiring. At this point, there is no clear sign that problems in Europe are the source of slower job creation in the US.

Change in Total Private Employment
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	May-12	Apr-12	Mar-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	8.2	8.1	8.2	8.2	8.3	8.6
Civilian Employment (monthly change in thousands)	422	-169	-31	74	243	190
Nonfarm Payrolls (monthly change in thousands)	69	77	143	96	174	149
Construction	-28	-5	-14	-16	-1	2
Manufacturing	12	9	42	21	29	19
Retail Trade	2	27	-15	5	5	11
Finance, Insurance and Real Estate	3	4	13	7	6	3
Professional and Business Services	-1	37	18	18	49	43
Education and Health Services	46	29	51	42	44	40
Leisure and Hospitality	-9	-6	43	9	23	25
Government	-13	-10	-4	-9	-6	-13
Avg. Hourly Earnings: Total Private*	0.1%	0.1%	0.2%	1.4%	1.6%	1.7%
Avg. Weekly Hours: Total Private	34.4	34.5	34.5	34.5	34.5	34.4
Index of Aggregate Weekly Hours: Total Private*	-0.2%	0.0%	-0.1%	-1.2%	1.9%	1.8%

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