

News Release

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Strong late cycle job growth trend shows more signs of boosting wages

Comment on U.S. Bureau of Labor Statistics Employment Situation Report Brian Schaitkin, Senior Economist, The Conference Board

The US labor market continues to tighten as the creation of 223,000 jobs in May helped drive the unemployment rate down to 3.8 percent, its lowest rate since December 1969. Tightening labor markets led to a small acceleration in average hourly earnings to 2.7 percent during the last 12 months through May, compared to 2.6 percent last month. Today's pickup in wage growth will increase the likelihood of the Federal Reserve raising interest rates three more times during 2018. Given the strong economic environment and increased signs of upward pressure on prices, faster wage growth represents an additional signal to the bank that the economy is bumping up against capacity constraints.

Job growth was broad based in May with lagging sectors like retail trade joining booming sectors like transportation and warehousing in positive territory. The manufacturing sector too saw continued job growth, suggesting that shortages of blue collar workers, and upward wage pressure in those occupations, will continue. With so many sectors creating new job opportunities, the number of workers who have been unemployed for more than six months has fallen by almost one-third during the past year.

For more information:

Carol Courter

The Conference Board

(212) 339-0232

courter@conference-board.org