THE CONFERENCE BOARD

News Release

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Unemployment drops to its lowest level since the 1960s and will likely fall even further

Comment on U.S. Bureau of Labor Statistics Employment Situation Report
Gad Levanon, Chief Economist, North America, The Conference Board

The headline of today's employment report is the drop in the unemployment rate to 3.7 percent, the lowest rate since December 1969. For close to two-thirds of the US population, this is the lowest unemployment rate in their lifetime.

The tightening of the labor market is leading to a more visible acceleration in wages. In the past four quarters, average hourly earnings increased by 2.8 percent and accelerated to 3.1 percent in the past two quarters. The acceleration in wages is especially visible among blue collar occupations, where it is essentially back to pre-recession rates.

The US economy is growing rapidly now, and we expect this trend to continue in the coming quarters, meaning that the demand for workers should not slow down. In the past 12 months, the US economy added over 2.5 million jobs. Will an economy at a 3.7 unemployment rate be able to add that many jobs in the next 12 months? That will be challenging. We expect employers to more rapidly do what they have been doing in recent quarters: automate, increase working hours and pull people back to the labor force, especially young men, whose labor force participation rate barely recovered yet. At the same time, the labor market will continue to get tighter with the unemployment rate reaching 3.5 percent or even lower in 2019, accompanied by rising inflation pressures.

For more information:
Carol Courter
The Conference Board
(212) 339-0232
courter@conference-board.org