THE CONFERENCE BOARD

News Release

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Slowing economy and accelerating labor costs spell bad news for corporate profits

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

The biggest surprise in February's jobs report was the meager gain in jobs, just 20,000. But this number reflects a bounce back from the huge job gain of 311,000 in January. The average of the two months, 165,500, better reflects the current trend in employment growth. At this point, our forecast is still for a gradual slowdown in job growth during 2019.

Another important message from this report is the continuing tightening of the labor market. U6, the broader measure of labor market slack, is now at 7.3 percent, the lowest rate since January 2001, and down 0.9 percentage points in the last 12 months. Most importantly, wage growth continues to accelerate. In the last 12 months, average hourly earnings grew by 3.4 percent, versus 2.6 percent in the previous 12 months.

As the labor market continues to tighten, wages and labor costs will continue to accelerate, creating inflation pressure. With the economy and business revenue growth slowing, profits will be squeezed, forcing businesses to become more efficient. This may already be happening, judging by the improvement in labor productivity reported earlier this week.

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