



U6 Fix

The Fed to Proceed With Caution

FRED ASHTON | JUNE 7, 2024

Payroll employment bounced back in May as employers added 272,000 new workers, a noticeable jump from the 165,000 jobs added in April. The report reflected strong gains in health care and social assistance and a rebound in the pace of government hiring. The household survey diverged, painting a very different picture of the labor market. The labor force participation rate slipped to 62.5 percent as 250,000 workers left the labor force. Wage growth ticked above 4 percent. The strong topline payroll number and increased wages likely push back the timing of any rate cuts by the Federal Reserve.

Employers added 272,000 new hires to their payrolls in May, according to the Bureau of Labor Statistics. Private-sector firms hired 229,000 new workers, while federal, state, and local government hiring bounced back from 7,000 workers in April to 43,000 in May. Goods-producing industries added 25,000 new workers, with construction leading the way as 21,000 workers were added to the payrolls. Manufacturing logged its second straight monthly gain, hiring 8,000 new workers. Service-providing industries' employment rose 204,000. Private education and health services continued to lead the sector, adding 86,000 jobs. The pace of hiring in the leisure and hospitality sector reaccelerated, up 42,000 compared to the 12,000 added in April. Continuing to lag was employment in temporary help services, which shed another 14,100 jobs. No new jobs were added to the information sector. Downward revisions were made to prior months. March data was revised down by 5,000 and the change in April was cut by 10,000. Combined, employment gains were 15,000 lower than previously reported.

The unemployment rate inched higher to 4.0 percent, snapping a 27-month streak below that level. The labor force participation rate dipped 0.2 percentage points to 62.5 percent as 250,000 workers left the labor force. The household and payroll surveys deviated this month. According to surveyed households, the number of unemployed workers in the United States jumped by 157,000, while the number of employed sank by 408,000.

Gains in average hourly earnings accelerated, up 14 cents – a 0.4-percent monthly gain – after rising 0.2 percent in April. Earnings were up 4.1 percent from a year ago. Average hourly earnings for production and non-supervisory workers jumped by 14 cents, for a 0.5-percent monthly gain.

Data junkies, here's your fix: The May U-6 (the broadest measure of unemployment) held steady at 7.4 percent.