



**The Daily Dish**

## June 5th Edition

DOUGLAS HOLTZ-EAKIN | JUNE 5, 2015

Last month's jobs numbers were more of the same, solid (but not dramatic) growth with 223,000 jobs and essentially stagnant wages. March's numbers were even revised down from an already weak month. Weekly hours remained flat, capping potential growth of labor income. Will May's numbers begin to heat up like the summer months? For a reminder, here is a recap of key economic indicators since last month's report:

- The price index of U.S. imports decreased 0.3 percent in April;
- The Producer Price Index for final demand decreased 0.4 percent in April;
- The Consumer Price Index was increased 0.1 percent in April;
- Real average hourly earnings were unchanged from March to April;
- Orders for durable goods decreased 0.5 percent;
- Consumer Confidence Index increased from 94.3 to 95.4;
- New home sales increased 6.8 percent in April;
- ISM manufacturing index was increased to 52.8 percent in May;

ISM non-manufacturing decreased to 55.7 percent in May;

- ADP reported private-sector employment was up by 201,000 jobs in May.

### ***Eakinomics: Will May Employment Report Disappoint?***

At 8:30 the Department of Labor will release the jobs report for May. Which labor market will show up? Will it be the labor market one expects in a strong recovery — approaching 300,000 jobs, declining unemployment even as labor force participation rises, and strong growth in wages and hours? Or, will it resemble April, with a solid-but-unspectacular 223,000 jobs, unemployment down by 0.1 percentage points, but weak growth in wages and hours? Or, and worse, will we see another deterioration in labor force participation along with the wages Achilles heel?

The near term data provide a mixed picture. Job creation in the [ADP Employment Report](#) strengthened from April to May (up to 201,000 from 165,000), the employment index in the ISM manufacturing survey rose 3.4 percentage points to 51.7, but the [non-manufacturing](#) (“services”) index backed off by 1.4 percentage points. Meanwhile, new [claims](#) for unemployment insurance dropped early in the month, but rose as June neared. This approach suggests that May will resemble the April report.

Interestingly, another approach gets to nearly the same bottom line. My estimate is that the trend growth rate in the economy is about 2.5 percent (annually), with productivity growth at about 0.5 percent annually. That yields an annual growth in labor demand of about 2 percent, which in turn implies 233,000 new jobs in May.

However, I expect about 225,000 new jobs and a tick down in the unemployment rate to 5.3 percent. There is little evidence of an acceleration in wages, so I expect both wage and hours to be up only modestly.

### ***From the Forum***

[The State Share of Unfunded Regulations: Nearly \\$35 Billion, 75 Million Paperwork Hours](#) by Sam Batkins, AAF Director of Regulatory Policy

[Reducing Legal Immigration Is A Bad Idea](#) by Laura Collins, AAF Director of Immigration Policy

[Trade & The U.S. Economy](#) by Laura Collins, AAF Director of Immigration Policy

[Updated King v Burwell Impact: Who Loses Subsidies?](#) by Conor Ryan, AAF Senior Health Care Data Analyst

[Doing more harm than good: the FSB’s Approach to Designating Asset Managers](#) by Meghan Milloy, AAF Director of Financial Services Policy

[Trends in Federal Infrastructure Spending](#) by Gordon Gray, AAF Director of Fiscal Policy