

Jobs Report: Unemployment Rate Hits 18-Year Low at 3.8 Percent

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June 4, 2018



The construction business accounted for nearly 10 percent of total job growth in May, suggesting that the labor-strapped industry is starting to see some small relief. However, sustained growth at this level will be necessary to balance demand for construction labor with supply, according to industry experts.

WASHINGTON, D.C. — The Bureau of Labor Statistics (BLS) released its monthly jobs report on Friday, June 1, revealing that the U.S. unemployment rate dipped to 3.8 percent following the addition of 223,000 jobs in May.

The total increase in nonfarm payrolls exceeds the running 12-month average of 191,000 new jobs per month. The job growth numbers exceeded economists' expectations, which according to *Reuters* was estimated at 188,000 new jobs. This performance contributed to the unemployment rate reaching its lowest mark since April 2000.

“The new unemployment rate shows that April’s rate of 3.9 percent was not an anomaly,” says Ryan Tharp, director of research at Houston-based Transwestern. “But it’s important to note that the drop is partially attributable to tepid growth in the size of the U.S. labor force, which added just 12,000 workers in May following drops in the previous two months.”

Year-to-date wage growth clocked in at 2.7 percent for May and relative to April 2018, wages increased by 0.2 percent.

The inflation rate, which currently sits at 2.4 percent, is close to the Federal Reserve’s target rate. Tharp says that the current rate of inflation is a point of concern because it is only slightly higher than the current rate of wage growth.

“The sluggish growth in wages suggests there may be some additional slack in the labor market,” he says. “And with the inflation rate where it is, that means that in terms of purchasing power, consumers are barely better off than they were last year.”

Although the number of unemployed persons declined, the labor force participation rate remained the same from May 2017 at 62.7 percent. The unemployment rate is down 0.5 percent year-to-date.

The sectors in which job growth was most pronounced in May included retail (31,000), healthcare (29,000) and professional and technical services (23,000).

The construction industry, long beset by labor issues, added 25,000 new jobs in May, bringing its total year-to-date job growth to roughly 286,000. This level of growth is encouraging for the industry. But the combination of an expanding pipeline and rising land and materials costs ensures that demand for construction labor is still well ahead of supply.

The impacts of e-commerce and demand for industrial space were also captured in the report. Total employment in the manufacturing sector grew by 18,000 jobs while the transportation and warehousing industry added 19,000 jobs for the month.

Revisions from the March and April show a net gain of 15,000 jobs more than was previously reported. Following revisions, job gains have averaged 179,000 over the last three months.

— *Taylor Williams*