



2016's volatility continues, but overall picture remains healthy

U.S. employment situation: August 2016

September 2, 2016

August 2016 employment summary

- **After a rebound in June and July, volatility returns**

- 151,000 net new jobs were created in August, falling below the 250,000+ monthly additions over the previous two months. Although still at average levels of growth, August demonstrated the continued volatility of the labor market in 2016, which has at times both sharply exceeded and underperformed compared to estimates and consensus figures.
- Unemployment once again remained stable at 4.9 percent as growth in the workforce has aligned with employment gains. Due to the stability of the official rate as well as total and white-collar unemployment in recent months, we believe that the market's cyclical low in terms of unemployment has likely been reached.

- **Tech is now correcting, but still far outpacing the overall economy**

- Throughout 2012 through to early 2016, tech was the star performer of the national economy, posting annual gains in excess of 5.5 or even 6.0 percent consistently. Talent shortages and the inability to sustain such rapid levels of growth have begun to show up in data, with year-over-year change now at 4.5 percent. Despite this slowdown, tech is still growing 2.6x faster than the overall economy and will remain a critical component of the labor market.

- **Due to mixed figures, Federal Reserve likely to push back rate hike**

- The Federal Reserve has been keenly watching jobs figures as a key metric to determine the timing of the next rate hike. While the overall fundamentals of the labor market remain strong, with the overall economy is approaching its cyclical peak, unemployment consistently below 5.0 percent, next to no upward movement in initial claims and employment gains relatively diversified, the Federal Reserve is likely to hold off on the next rate hike due to inconsistent monthly additions and weaker-than-expected wage growth.

Source: JLL Research, Bureau of Labor Statistics

August 2016 U.S. labor market at a glance

+151,000

(71 consecutive months
of growth)
1-month net change

4.9%

Unemployment rate

5,624,000

(+8.8% y-o-y)

Job openings

+2,447,000

(+1.7% y-o-y)

12-month change

-20bp

12-month change in unemployment

5,131,000

(-0.3% y-o-y)

Hires

+781,000

10-year average annual growth

62.8%

Labor force participation rate

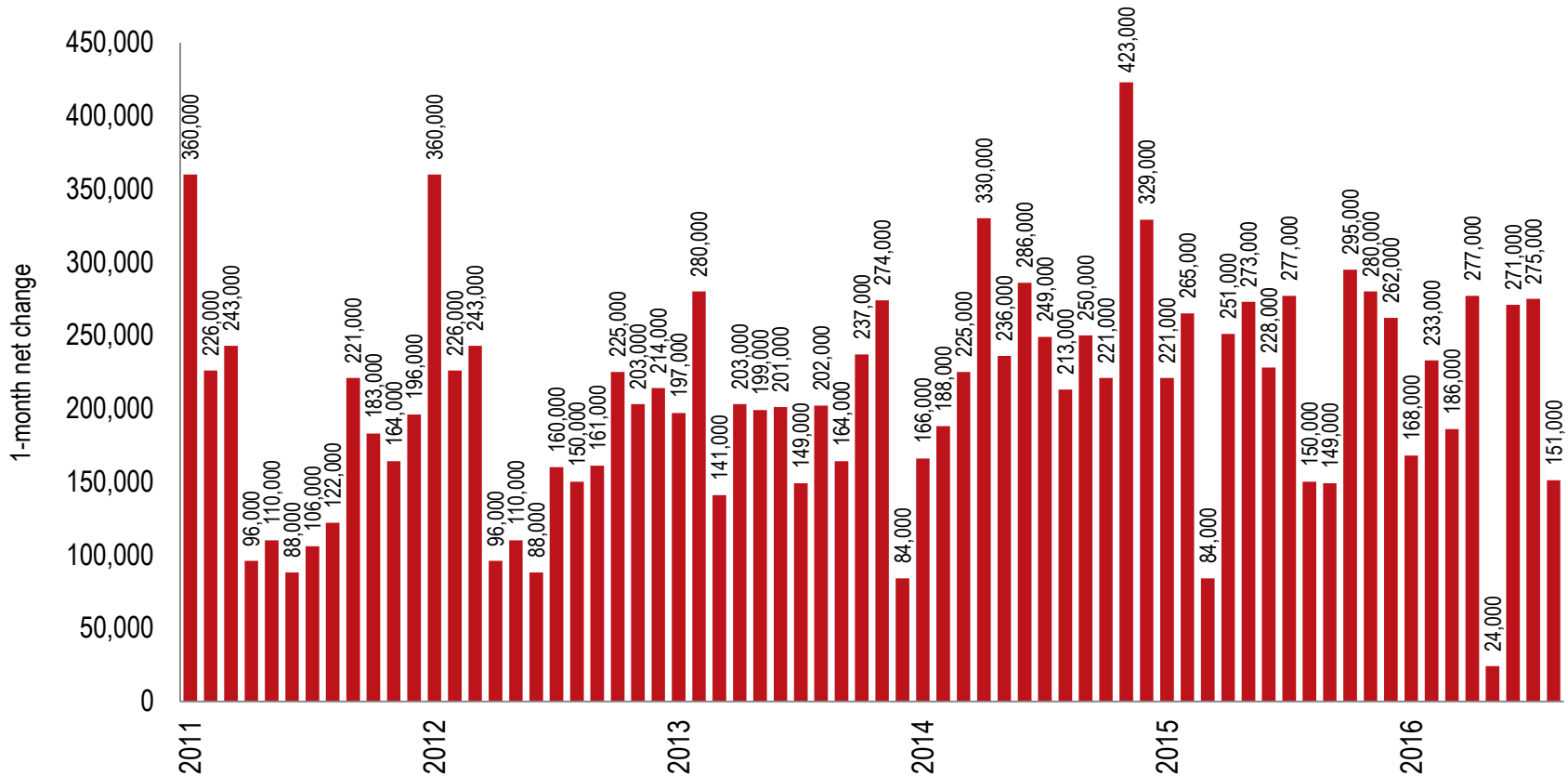
2,723

(+5.7% y-o-y)

Quits

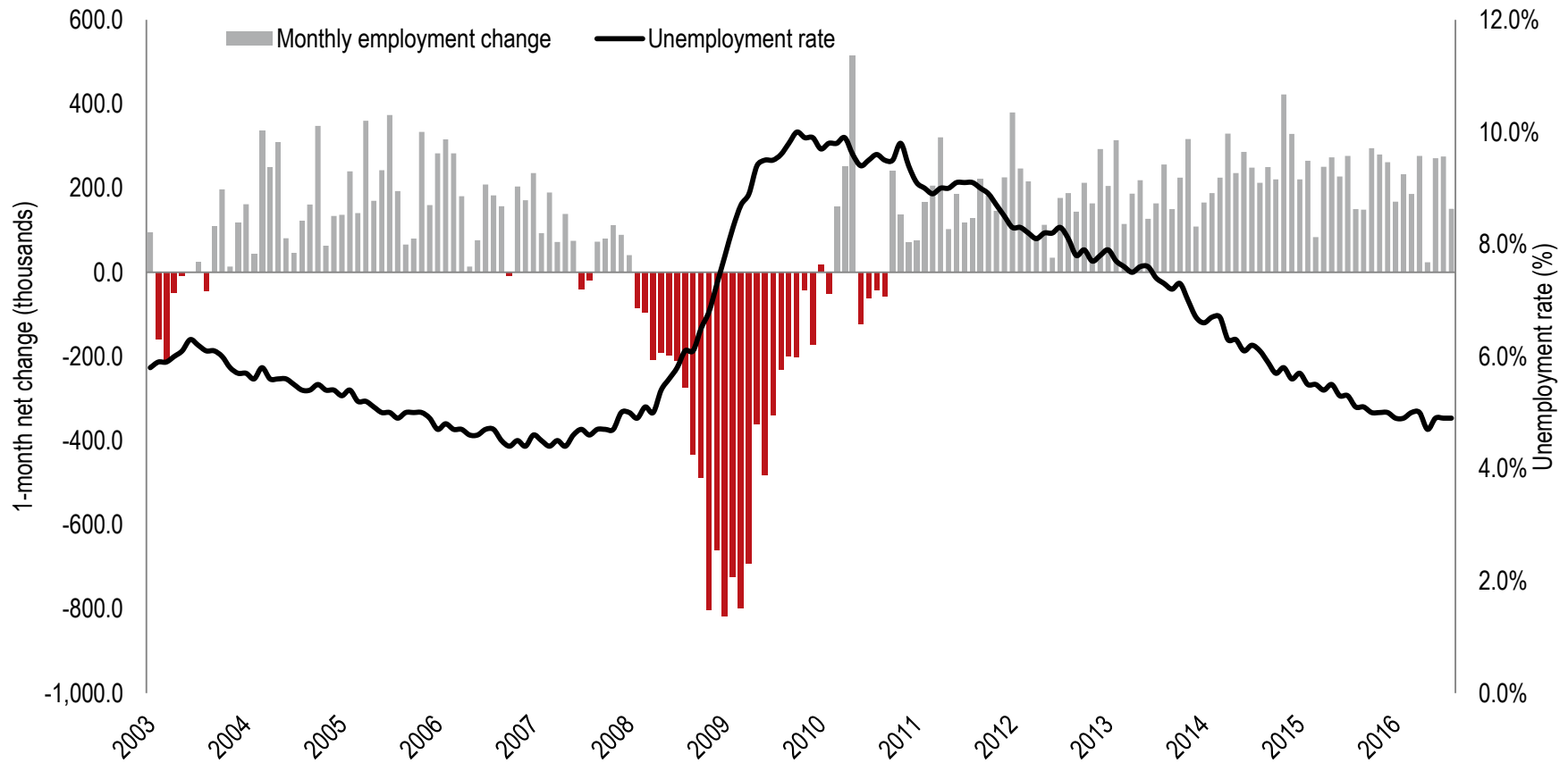
Source: JLL Research, Bureau of Labor Statistics

After two very strong months of rebound, August growth was more muted at 151,000 new jobs; revisions had little impact



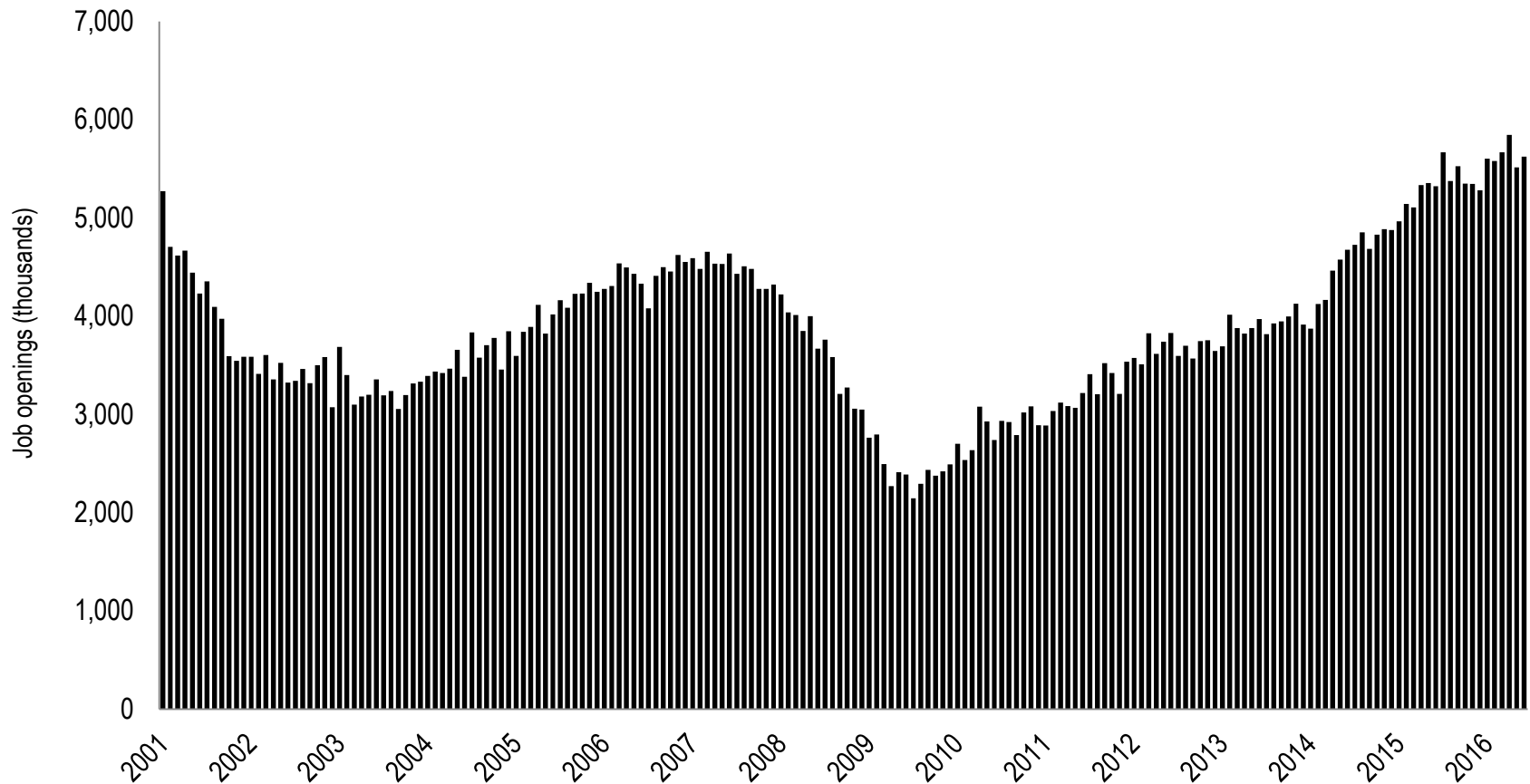
Source: JLL Research, Bureau of Labor Statistics

Unemployment is in its third consecutive month of 4.9 percent as job and workforce growth are in alignment



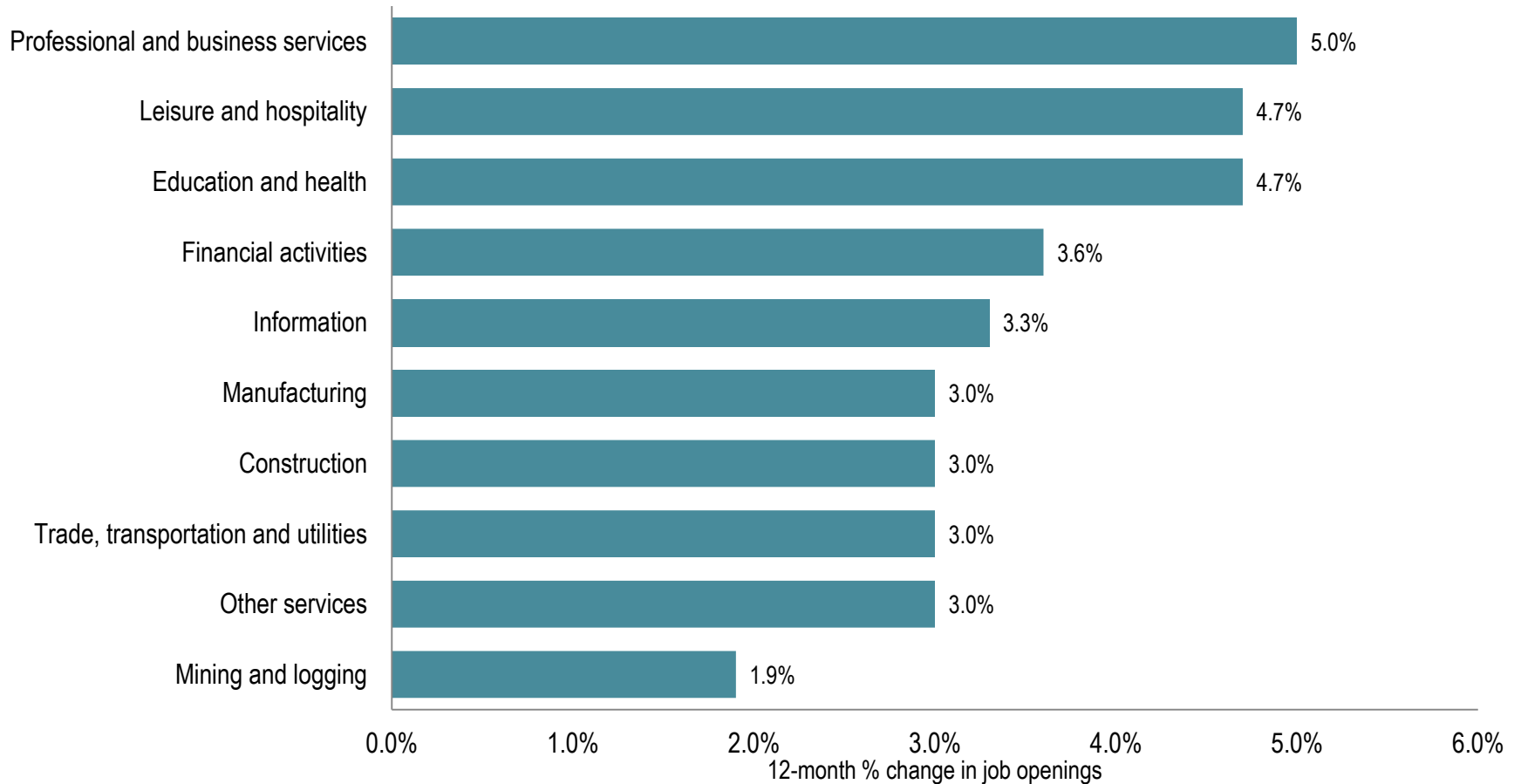
Source: JLL Research, Bureau of Labor Statistics

Job openings are likely at an inflection point, remaining relatively consistent throughout late 2015 and so far in 2016



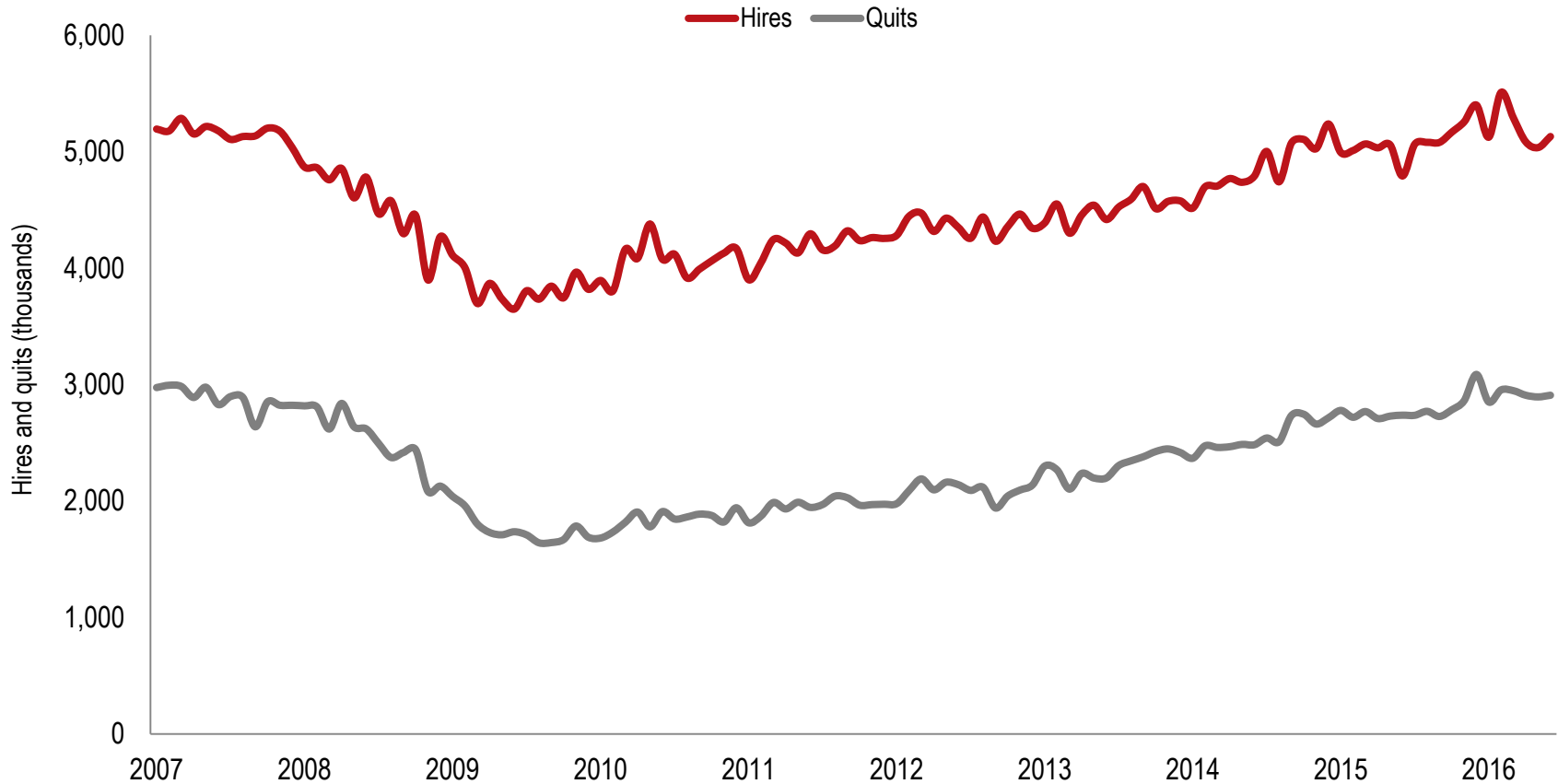
Source: JLL Research, Bureau of Labor Statistics

Facing a talent shortage and sustained demand for services, PBS job openings continue to outpace other industries



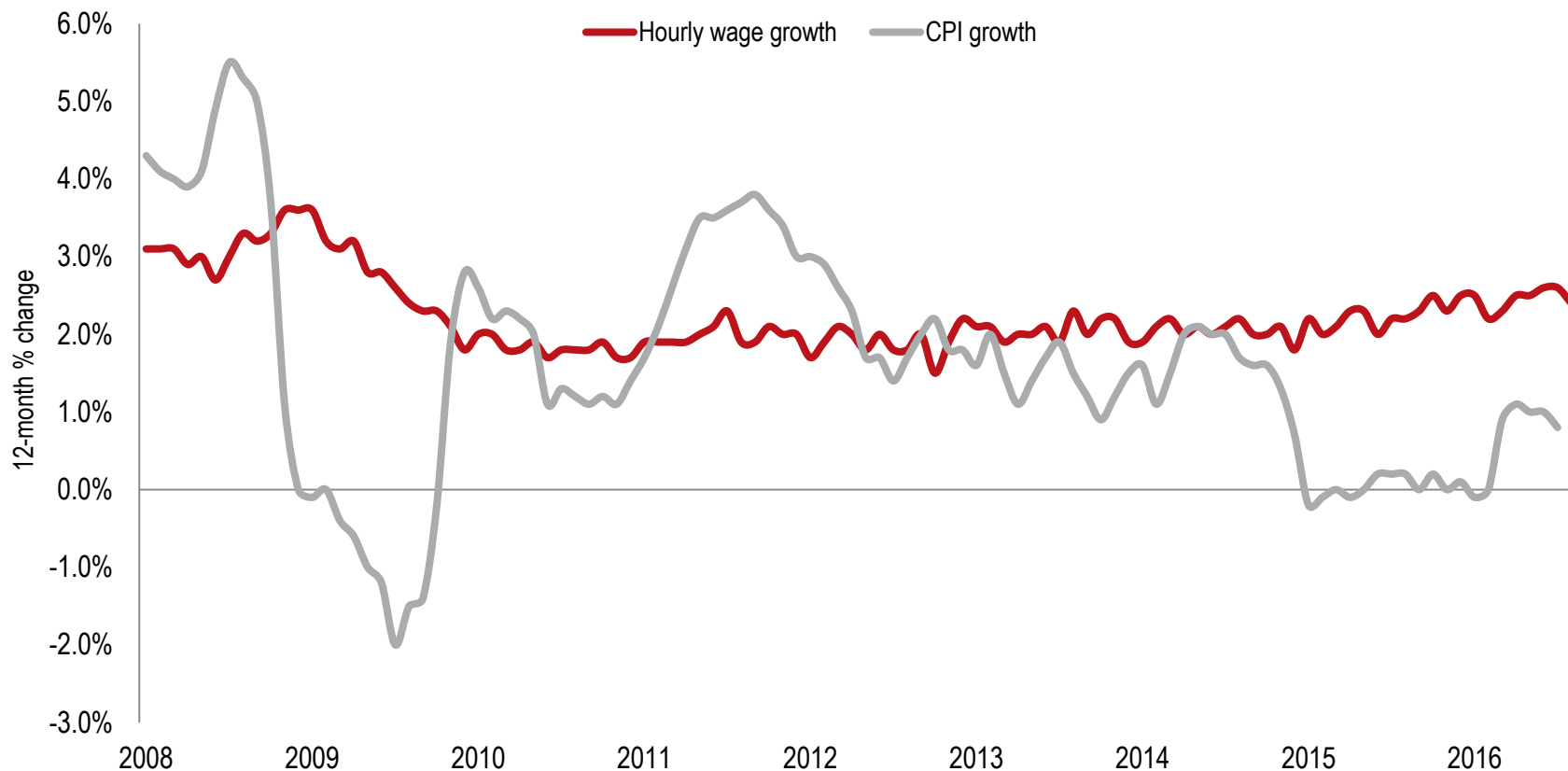
Source: JLL Research, Bureau of Labor Statistics

Like job openings, hires and quits are beginning to plateau but still trending up



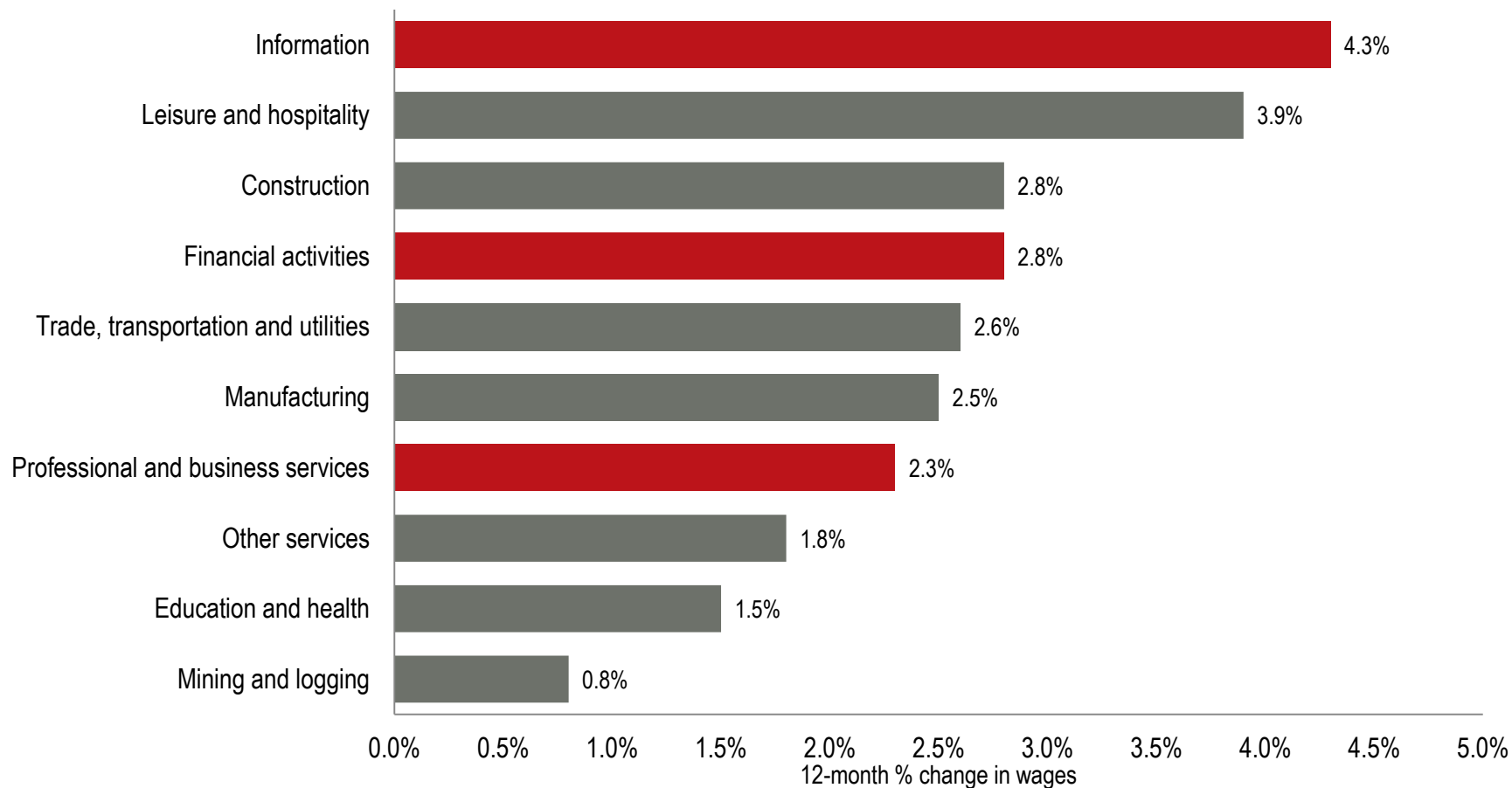
Source: JLL Research, Bureau of Labor Statistics

Wage growth dropped by 20bp to 2.4 percent, although a similar decline in inflation kept real earnings growth positive



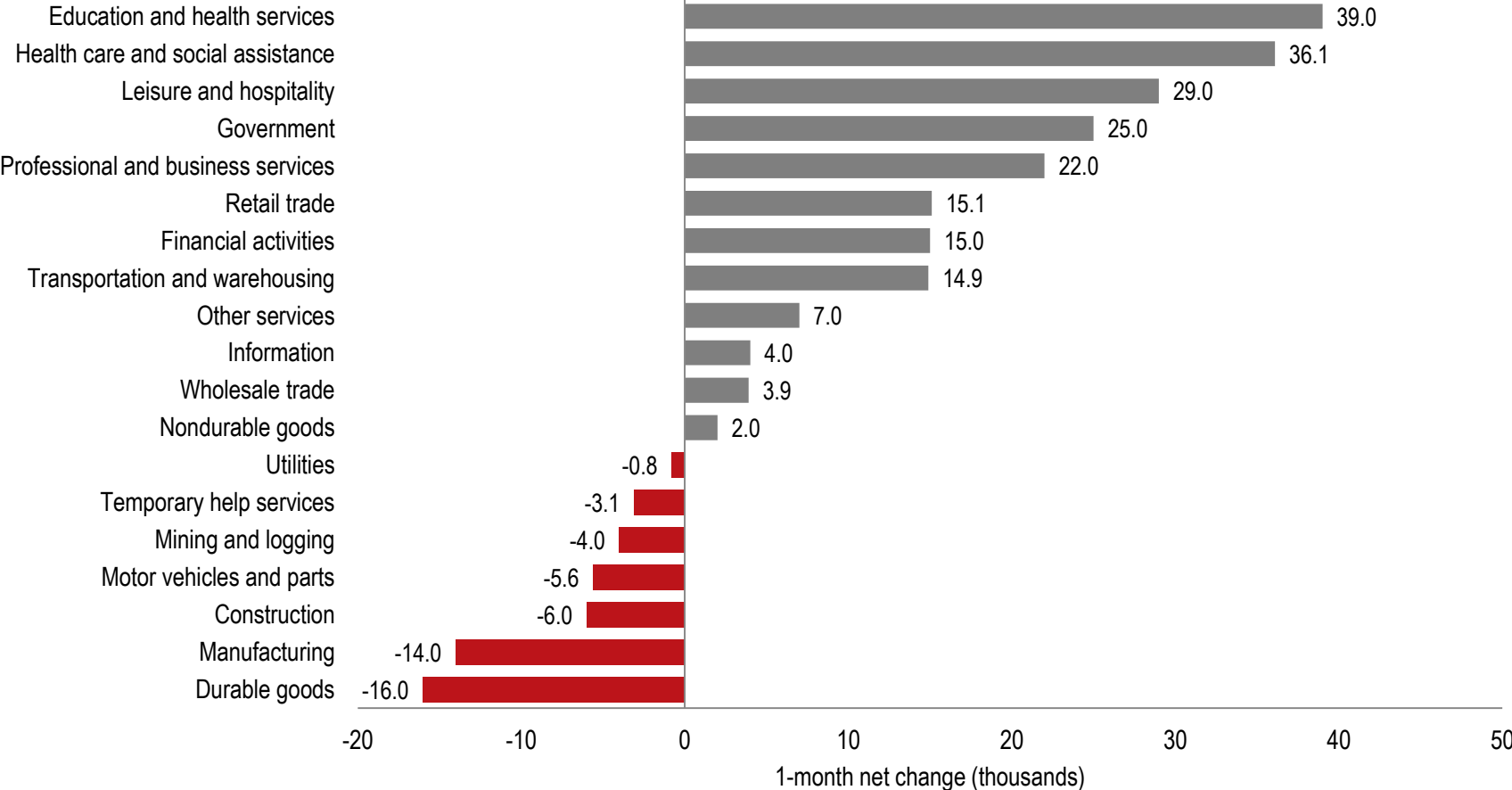
Source: JLL Research, Bureau of Labor Statistics – CPI data as of March 2016

Mining wage growth continues to slow and will likely be flat by year-end; information and leisure outpacing other sectors



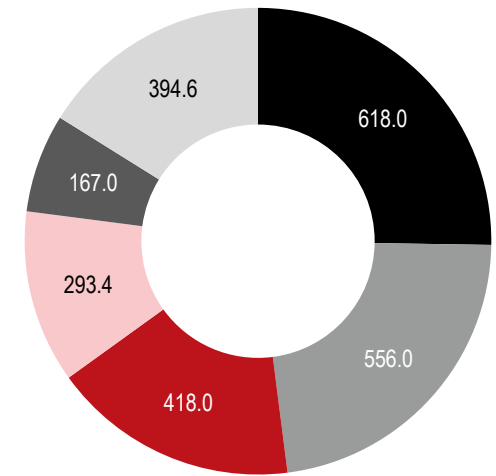
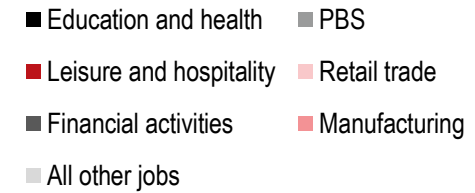
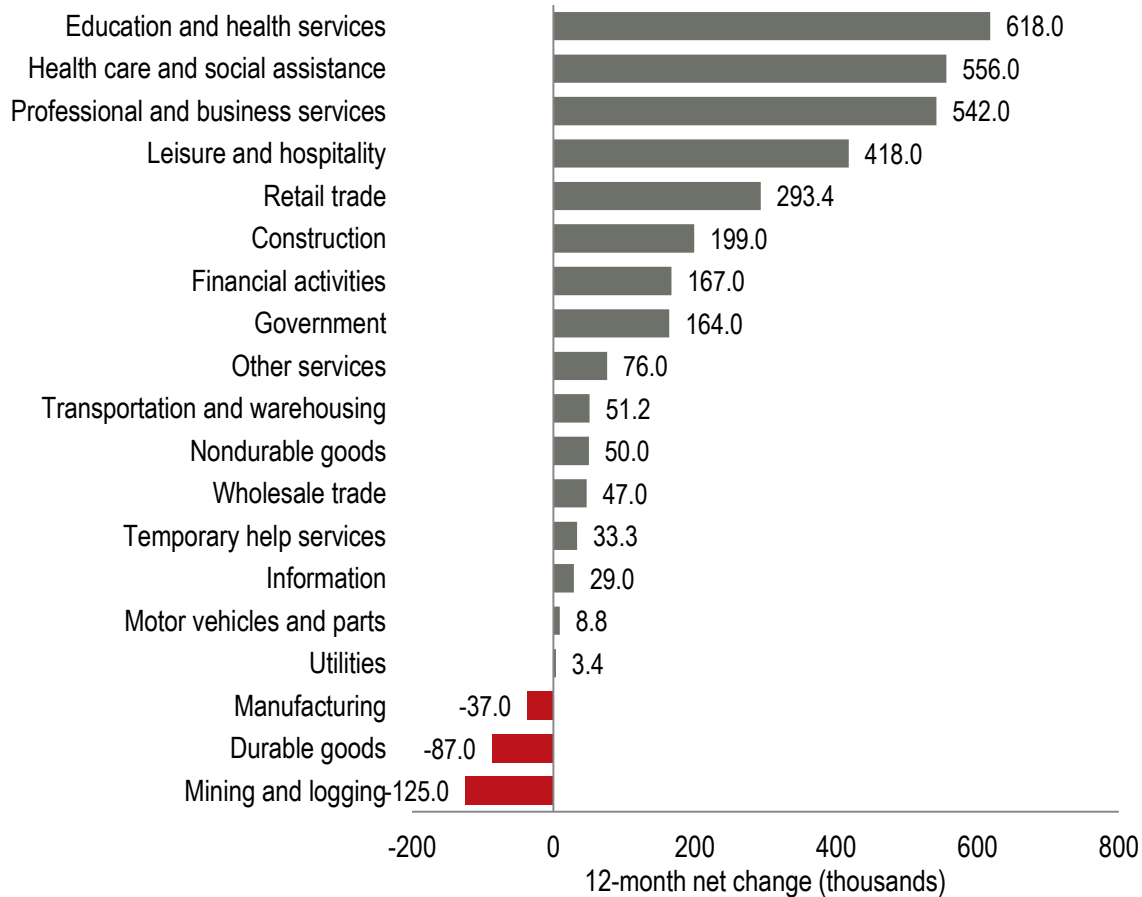
Source: JLL Research, Bureau of Labor Statistics – *office-using sectors in red*

Monthly figures pulled downward by slight contraction in construction and below-average PBS and health gains



Source: JLL Research, Bureau of Labor Statistics

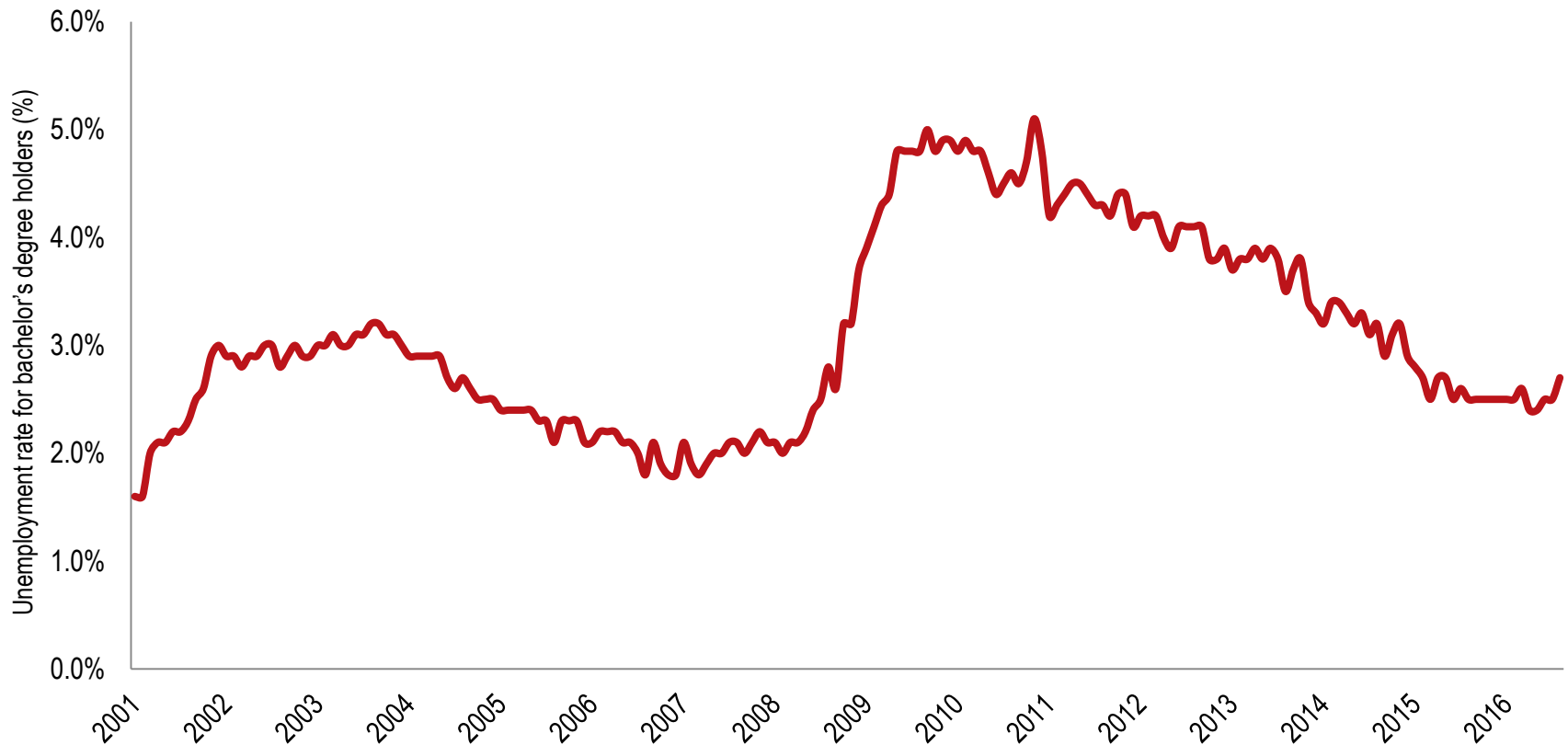
Over the course of 2016, annual levels of growth have yet to budget and composition remains consistent



Core subsectors added 83.9 percent of all jobs over the past 12 months.

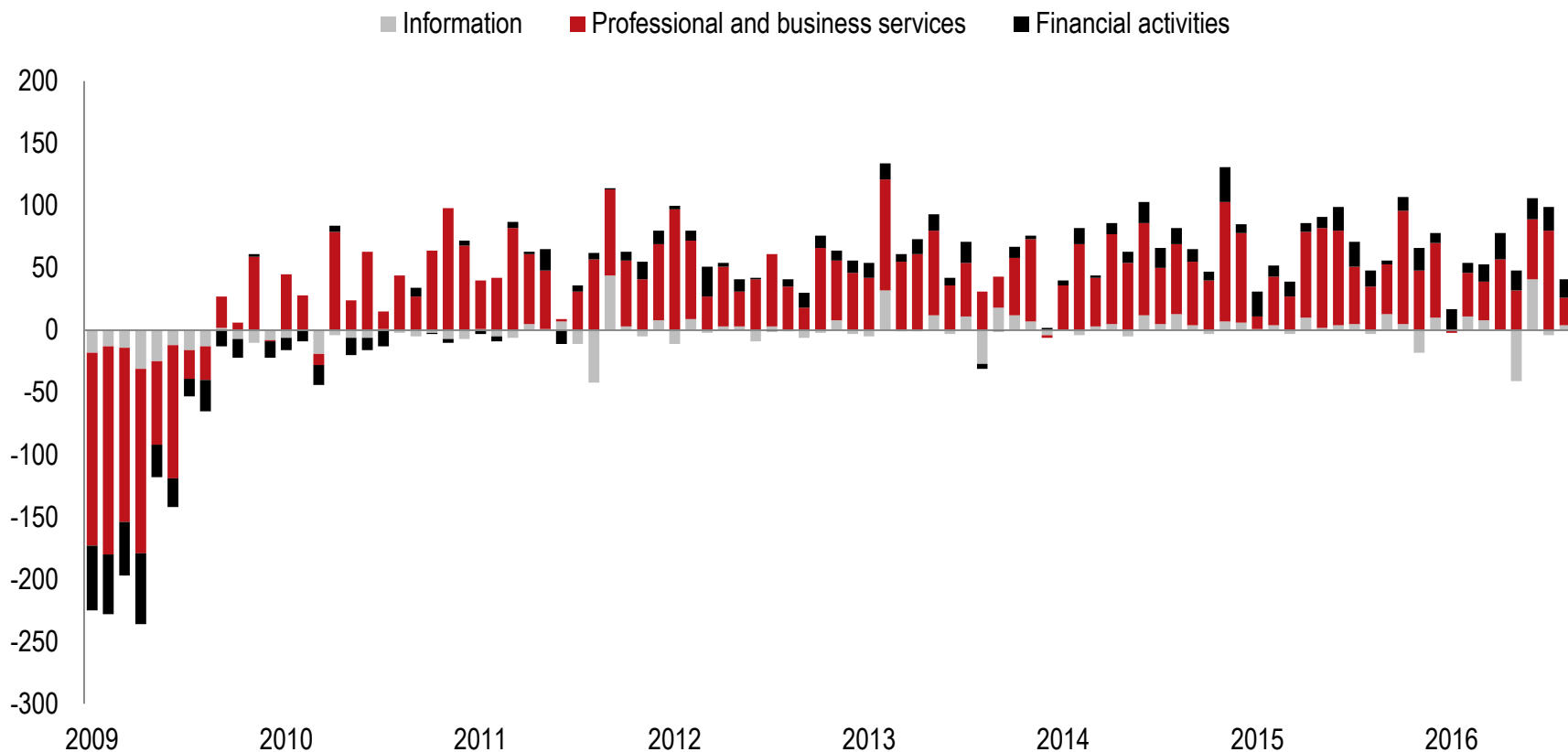
Source: JLL Research, Bureau of Labor Statistics

Unemployment for bachelor's degree holders rose slightly to 2.7 percent, but remains near its cyclical low



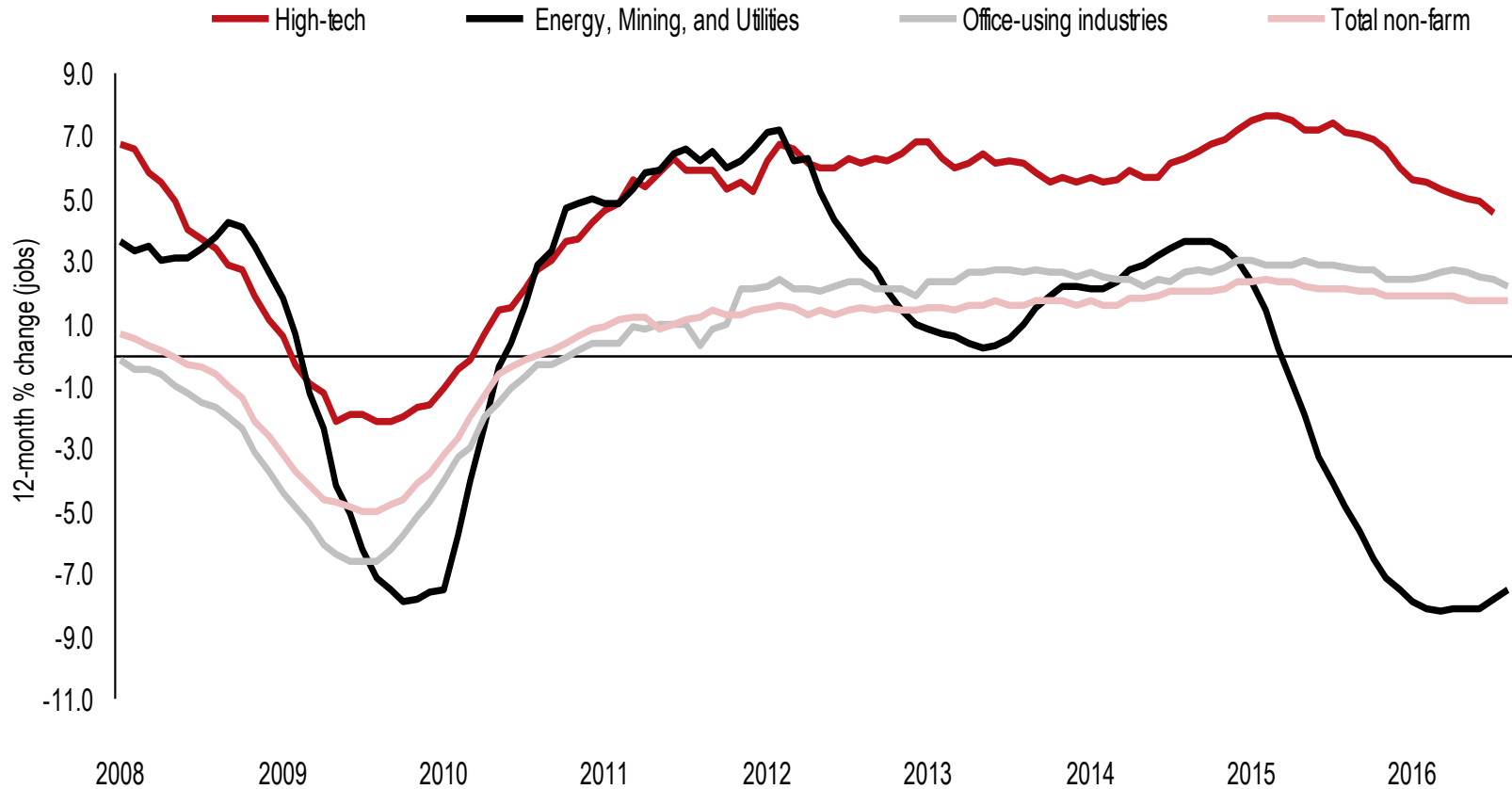
Source: JLL Research, Bureau of Labor Statistics

As with the general labor market, office-using industries saw much slower growth in August, particularly PBS



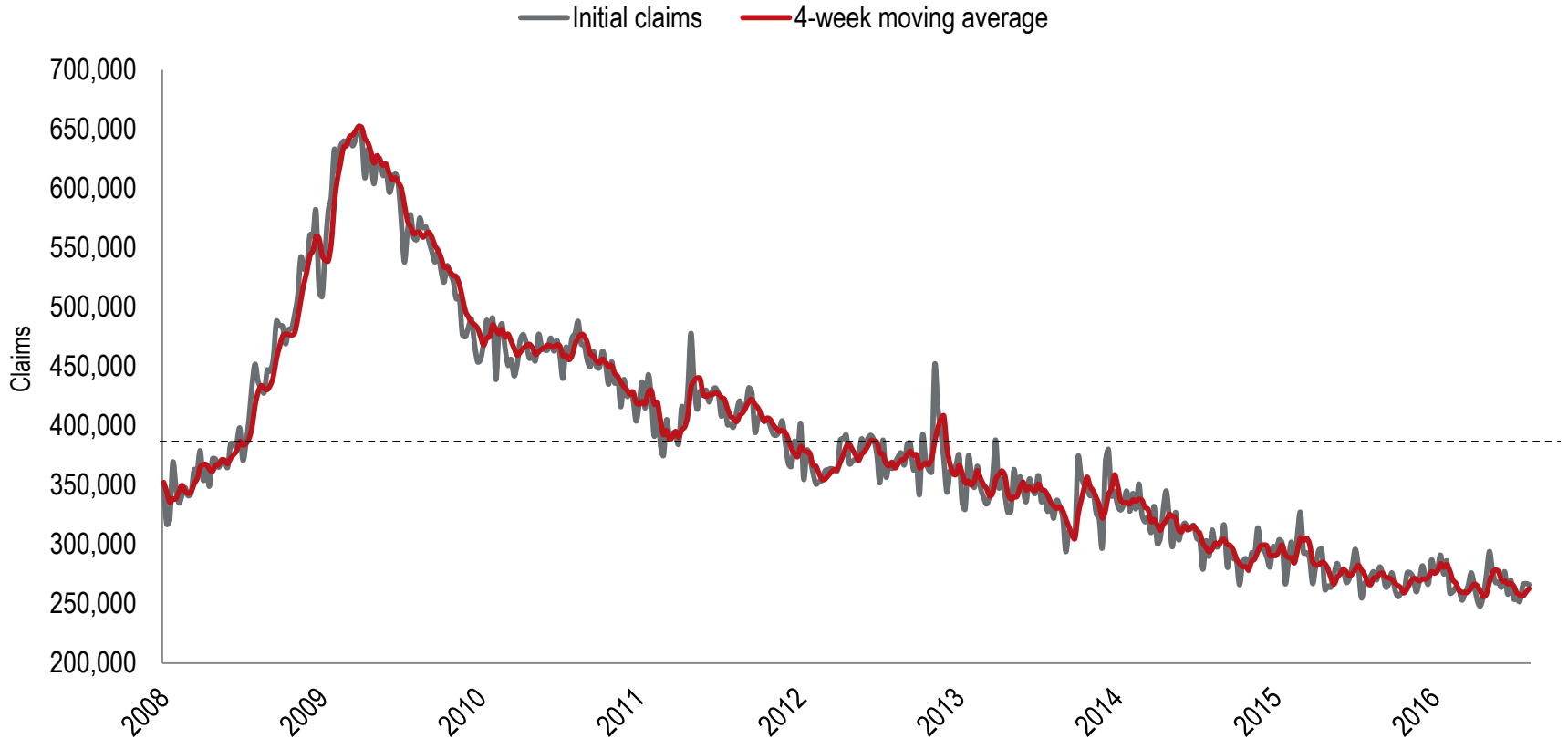
Source: JLL Research, Bureau of Labor Statistics

Tech continues to stabilize and now stands at 4.5-percent growth, while energy has surpassed its cyclical trough



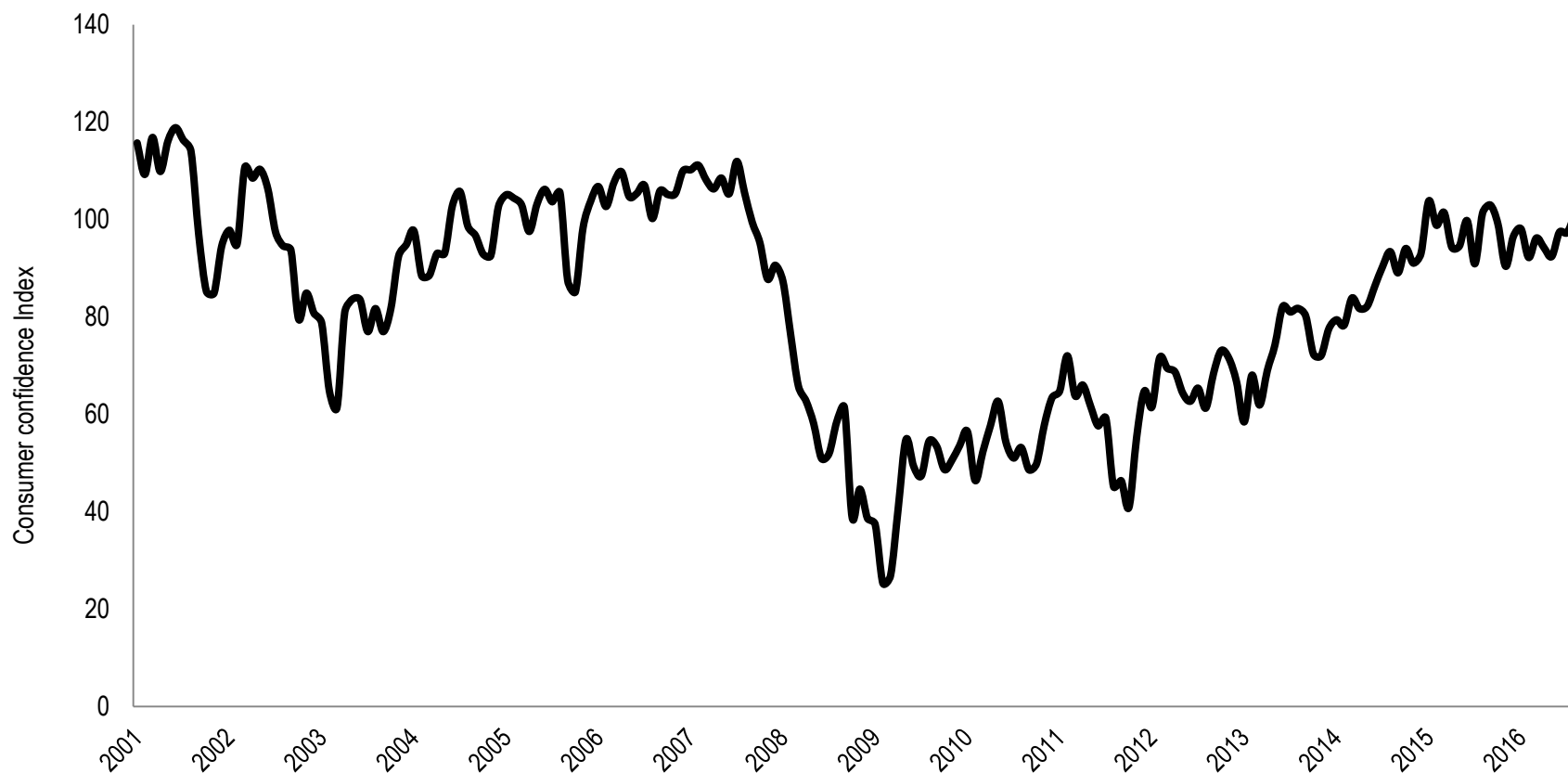
Source: JLL Research, Moody's. Note: Due to data lags, high-tech employment only available through January 2015.

Initial claims have yet to budge over the course of 2016, demonstrating economic momentum in spite of volatility



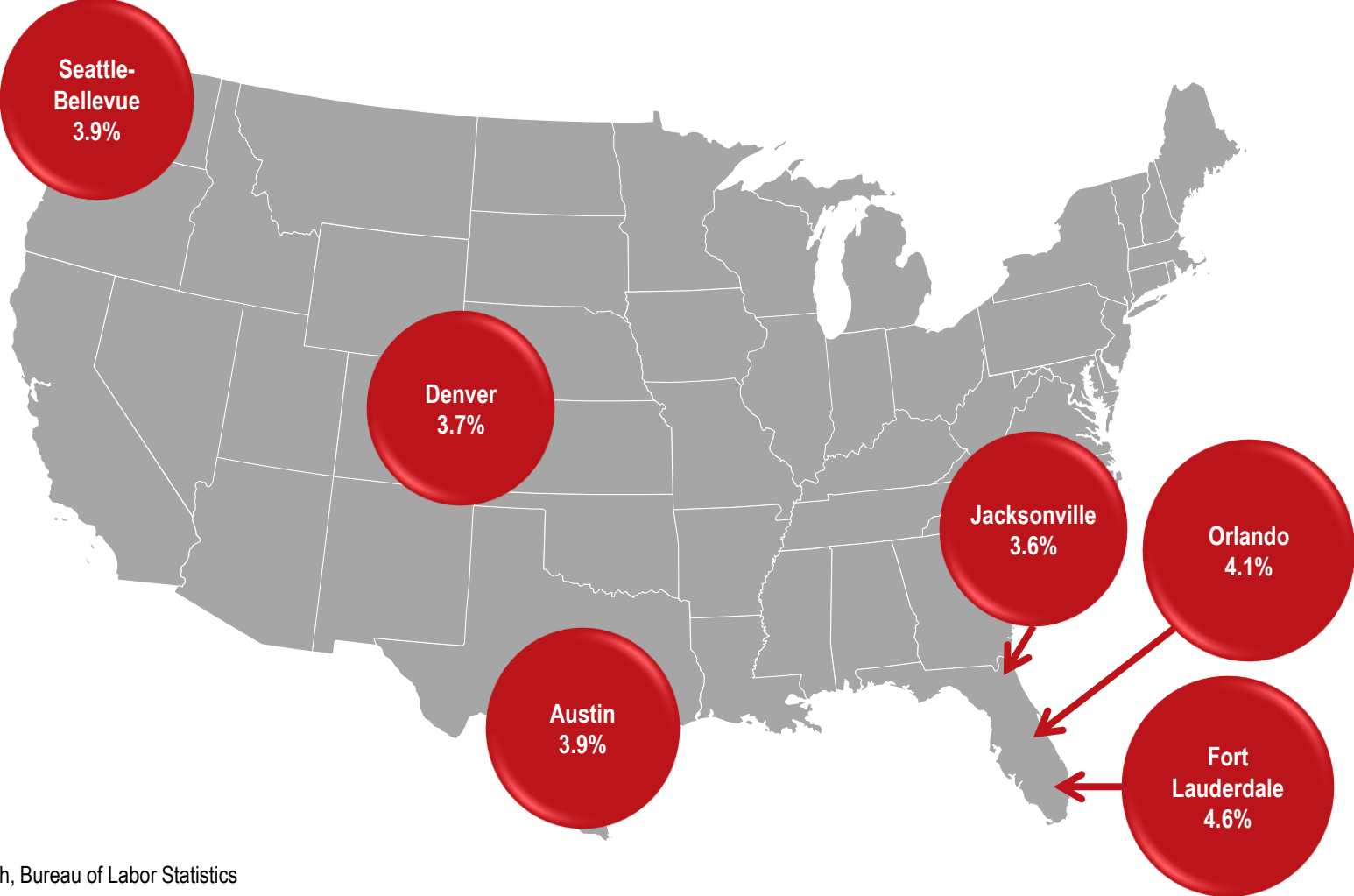
Source: JLL Research, U.S. Department of Labor

Consumer confidence broke the 100-point mark for the first time this year, but has yet to reach 2015 levels



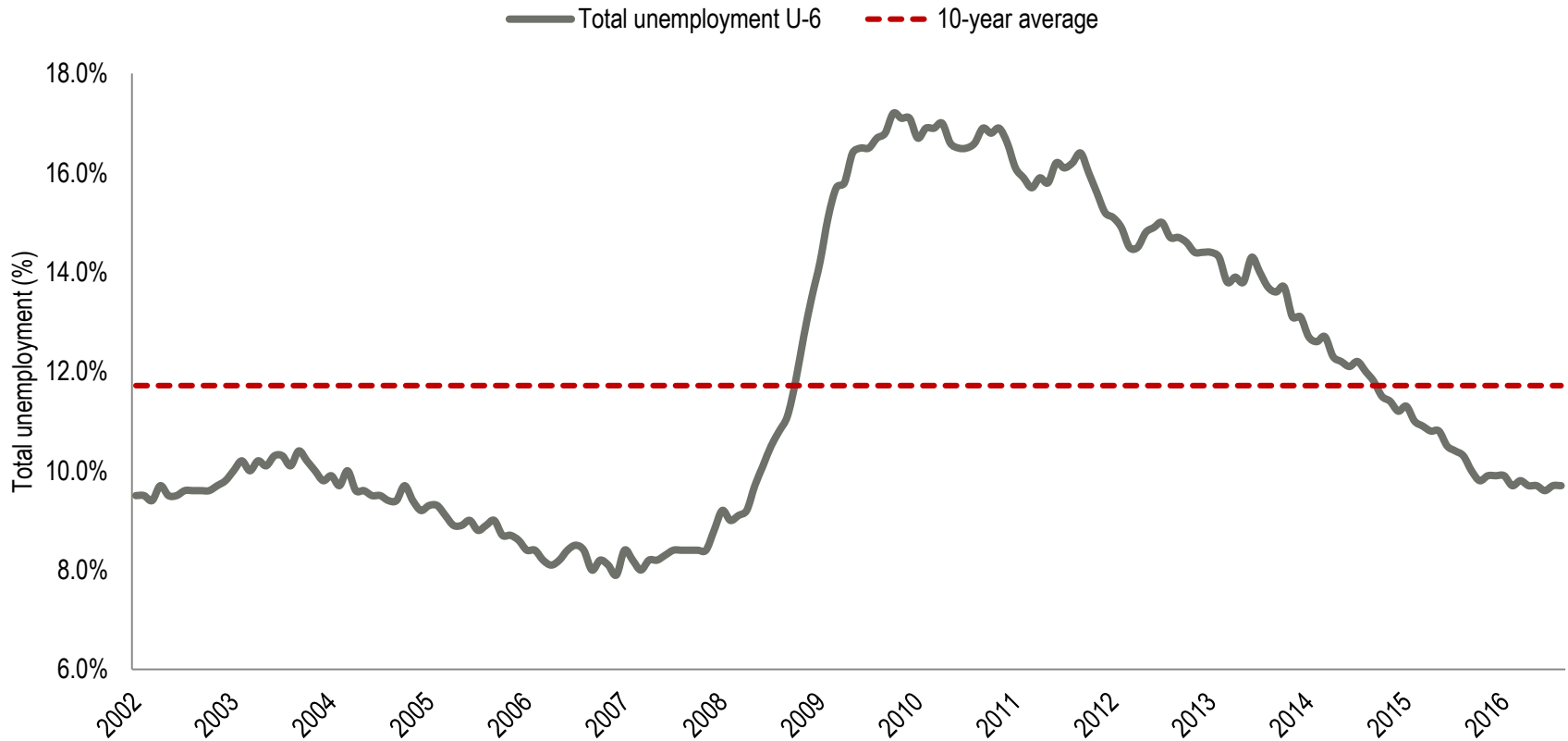
Source: JLL Research, Conference Board

Ongoing tech correction has resulted in the Bay Area no longer being among the fastest-growing labor markets



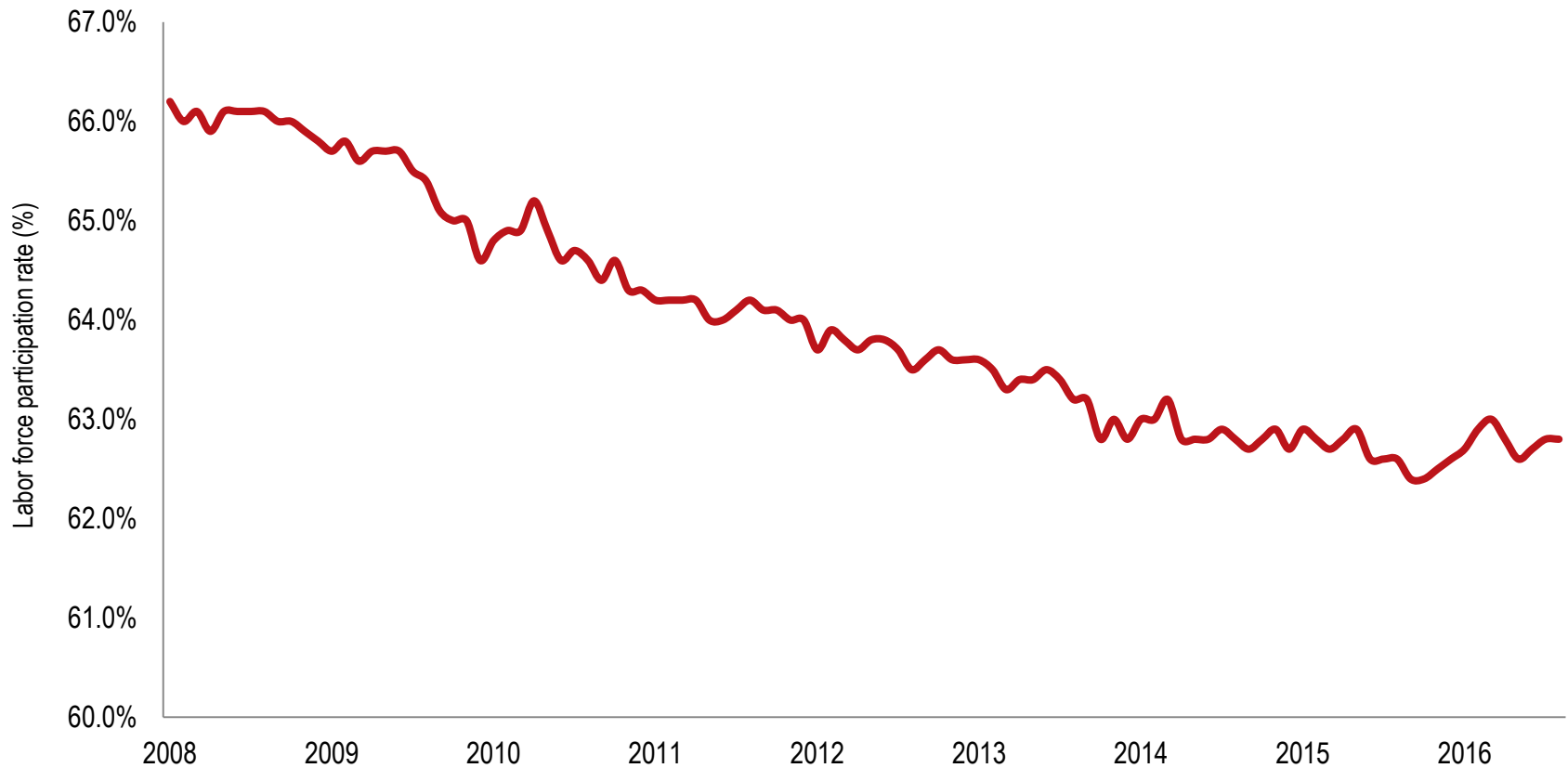
Source: JLL Research, Bureau of Labor Statistics

As with the official unemployment rate, total unemployment is beginning to reach its trough at 9.7 percent



Source: JLL Research, Bureau of Labor Statistics

Balanced increases in the workforce (+176,000) and employment (+151,000) kept participation flat at 62.8 percent



Source: JLL Research, Bureau of Labor Statistics



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