



MORNING BRIEFING

June 7, 2017

All-Consuming Questions

See the [collection](#) of the individual charts linked below.

(1) Running out of warm bodies? (2) Three measures of payrolls. (3) One job open for every jobless worker. (4) One-third of small businesses have jobs they can't fill. (5) Half of small businesses say no qualified candidates for unfilled positions. (6) Wages should be up 3.0%-4.0% rather than 2.5%. (7) Vehicle miles traveled at record high. (8) Gasoline usage falling recently. (9) Has Trump's "America First" pitch made America last for tourists?

US Labor I: Help Wanted. Is the US economy running out of warm bodies to hire? The answer is no, yes, and maybe; it depends on the data series used to answer this question. Last week on Thursday, ADP reported that private-sector payrolls rose by 253,000 during May, averaging a solid monthly gain of 240,000 since the start of the year ([Fig. 1](#)). Then on Friday, the Bureau of Labor Statistics (BLS) reported that private-sector employment increased 147,000 during May, averaging just 161,000. Yesterday, the BLS JOLTS report showed that hirings less separations totaled 78,000 during April, with the monthly gain averaging only 150,500 since the start of the year.

Debbie and I are big fans of the ADP series since it is based on actual paychecks data. It also doesn't get revised as much as the BLS payroll data. It suggests that companies are hiring at a rapid clip and are finding workers to keep up the impressive pace. However, one out of three isn't a winning combination. The other two measures of employment clearly suggest that more help is wanted than there are helpers who want jobs, or have the skills that match the open positions. Consider the following:

(1) *Job openings.* As Debbie discusses below, job openings rose to a record 6.04 million during April ([Fig. 2](#)). The ratio of unemployed workers to job openings fell to 1.17, the lowest since January 2001! In other words, there's a job out there somewhere for every jobless American wherever they might be. Of course, for various reasons, job seekers aren't matching up with the available jobs.

The JOLTS job openings rate, which is job openings as a percent of the sum of employment plus job openings, is highly correlated with the percentage of small business owners reporting they have one or more job openings, both as 12-month moving averages ([Fig. 3](#)). The former has leveled out at a record high around 4.0% for the past two years. This series starts during December 2001. The small business series, which is compiled by the National Federation of Independent Business (NFIB), is available since December 1986. In May, it rose to 29.8%, the highest since July 2001.

Using the monthly NFIB data, we see that during May the percent of firms with one or more job openings rose to 34%, the highest since November 2000 ([Fig. 4](#)). This series is highly correlated with the percent of small business owners who say that there are few or no qualified candidates for their job openings. This percentage rose to 51% in May, which slightly exceeds the past two cyclical peaks.

(2) *Hiring.* According to the latest JOLTS report, total new hires fell sharply during April ([Fig. 5](#)). Given the abundance of job openings this drop is more likely to reflect the shortage of employable workers rather than a sudden weakening in the labor market. However, the monthly data are quite volatile. On a

12-month-sum basis, new hires have been very stable around 63.0 million since last summer, while separations have also stabilized around 60.5 million ([Fig. 6](#)).

This implies that the labor market is aligned to provide 2.5 million jobs at an annual rate, or a bit over 200,000 per month. It hasn't been doing that recently, suggesting that past performance is no guarantee of future performance. In other words, if it is getting harder to find warm bodies, then lots of employers may have more unfilled openings.

US Labor II: The Wage Question Again. A shortage of employables could slow consumer spending and the economy. In the past, tight labor markets boosted wages, which sustained the growth of consumer incomes and spending, at least in nominal terms. The surprise this time is the subdued pace of wage inflation.

In the past, there was a strong correlation between the growth rate of average hourly earnings of production and nonsupervisory workers, on a y/y basis, and job openings ([Fig. 7](#)). There are lots of possible explanations that Melissa and I have discussed in the past. In fact, we did it again on Monday, when we examined the latest BLS employment report. In any event, the fact remains that wage inflation remains around 2.5%. It isn't 3.0%-4.0%, as suggested by the past relationship between wages and measures of labor market tightness.

US Consumers: Driving Less. While we are worrying about consumers, let's go for a drive with them. The good news is that over the past 12 months through March, vehicle miles traveled in the US rose to a record high of 3.18 trillion miles ([Fig. 8](#)). The bad news, at least possibly, is that gasoline usage has been falling since the week of October 28 based on the 52-week series for millions of barrels per day. In fact, this series is down 0.5% y/y, the lowest since mid-July 2013 ([Fig. 9](#)).

I'm hearing more chatter recently about a significant drop in foreign tourism so far this year. Many would-be tourists from abroad might have been turned off by Trump's "America First" rhetoric. Spring and summer tend to be the months when foreign tourism is especially strong. Tourists tend to drive a lot to see the sites. So it's possible that the recent drop in gasoline usage reflects the weak-tourism phenomenon rather than anything more worrisome about the US consumer.

A 5/25 USNews.com [story](#) reported: "A new study finds international tourism to the U.S. has dropped in the Donald Trump era. America's share of international tourism saw a 16 percent decline in March when compared to the same month last year, according a data analysis released on Wednesday by Foursquare, a technology company with a focus on location intelligence.

"The decline dates to October 2016, one month before the U.S. presidential election that pitted Republican President Donald Trump against Democratic challenger and former U.S. Secretary of State Hillary Clinton, according to the study. The decline has been steady with leisure tourism-related traffic to the U.S. falling an average of 11 percent between October and March, compared to the same period a year before.

"Conversely, Foursquare analysts found tourism in the rest of the world increased 6 percent year-over-year during that same period."

CALENDARS

US. Wed: Consumer Credit \$17.0b, MBA Mortgage Applications, EIA Petroleum Status. **Thurs:** Jobless Claims 241k, Weekly Consumer Comfort Index, EIA Natural Gas Report. (Bloomberg estimates)

Global. Wed: Germany Factory Orders -0.3%/m/m/4.7%/y/y, Japan GDP (annualized) 2.4%/q/q, Australia GDP 0.3%/q/q/1.6%/y/y, OECD Economic Outlook. **Thurs:** Eurozone GDP 0.5%/q/q/1.7%/y/y, Germany Industrial Production 0.5%/m/m/2.1%/y/y, China Trade Balance \$48.2b, ECB Rate Decision 0.00%, ECB Marginal Lending Facility & Deposit Facility Rates 0.25%/-0.40%, ECB Asset Purchase Target (euros) 60b, Draghi, UK Parliamentary Elections. (DailyFX estimates)

US ECONOMIC INDICATORS

JOLTS ([link](#)): Job openings rose for the fourth month, by 359,000 in April and 505,000 ytd, to a new record high of 6.044 million. Meanwhile, hirings sank 253,000 to 5.051 million, while separations dropped 225,000 to 4.973 million. The latest hirings and separations data yielded an employment advance of 78,000 for April, 96,000 below April's payroll gain of 174,000—coming in below payroll employment for only the second time since last September. April's job-opening rate (4.2%) was back up at its record high of 4.2% recorded last July, while the total hires rate (3.8) dropped further below its cyclical high of 4.2%. The quit rate (2.3) slipped just below its record high of 2.4% posted every month but two since last summer. The ratio of unemployed workers per job opening fell to a new cyclical low of 1.17.

Productivity & Costs ([link](#)): Revisions show that productivity growth during Q1 was flat—rather than posting a 0.6% decline—after gains of 1.8% and 3.3% (saar) the prior two quarters. Output growth slowed for the second month from 4.2% (saar) during Q3-2016 to 1.7% last quarter—faster than the preliminary estimate of 1.0%. Hours worked also rose 1.7% (saar) little changed from its 1.6% initial gain. Unit labor costs accelerated 2.2% (saar) last quarter, after contracting 4.6% at the end of last year, as hourly compensation rebounded 2.2% after a 3.0% decline over the comparable periods. Last quarter's gains in both unit labor costs and hourly comp were slower than initial estimates of 3.0% and 2.4%, respectively. On a y/y basis, nonfarm productivity rose only 1.2%, fluctuating in a range from -0.6% to 1.6% over the past six years; output was 2.5% above a year ago, with hours worked 1.3% higher. Unit labor costs rose 1.1% y/y, with hourly comp 2.3% higher.

GLOBAL ECONOMIC INDICATORS

Eurozone Retail Sales ([link](#)): Eurozone retail sales in April continued to set new record highs. Sales rose for the fourth straight month, up 0.1% m/m and 1.0% over the period. The increases during the first four months of this year more than reversed the 0.4% decline during the final two months of last year. April's advance was driven by a 0.6% increase in food, drink & tobacco, which more than offset declines in automotive fuels (-0.8%) and nonfood products—excluding fuel (-0.4); the latter had jumped 1.6% the prior two months. Among member states for which data are available, the biggest increases were registered in Finland (2.0), Portugal (1.5), Luxembourg (1.4), Slovakia (0.9), and Spain (0.6); the biggest decline occurred in Austria (-1.2). Data were available for two of the Big Three economies: Sales in Germany fell 0.2% after a two-month gain of 1.3%, while France's edged down 0.1% following a three-month gain of 1.2%. Both were at record highs in March. Eurozone sales were up 2.5% y/y, led by Luxembourg (+11.3% y/y), Slovenia (10.4), and Ireland (8.4). Data available for three of the four largest Eurozone economies all showed gains: France (3.4), Germany (2.0), and Spain (1.6).

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