

## Surprisingly Low Jobs Number Makes Fed Rate Hike Unlikely This Month

*By Kent Hoover*

Employers added only 38,000 jobs in May, a surprisingly low number that increases the odds the Federal Reserve will hold off on raising short-term interest rates when it meets later this month.

“This likely puts an end to the hopes of a rate hike in June, and will probably shift market expectations to September,” said Curt Long, chief economist of the National Association of Credit Unions.

The health care industry added 44,000 jobs, but other industries were weak, according to the Bureau of Labor Statistics. Growth in business and professional services slowed to only 10,000 new jobs, and the Verizon strike led to reduced payrolls in the information industry. Manufacturing lost jobs, and mining — which includes oil and natural gas production — continued its slide.

Average hourly earnings rose by 5 cents to \$25.59, following a 9-cent increase in April. Over the year, wages are up 2.5 percent.

The unemployment rate, which is based on a separate survey of households, fell to 4.7 percent, its lowest level since 2007. But that’s partly due to the fact that fewer people were looking for work. Plus, there was a big jump in the number of people working part-time because their hours had been cut or because they were unable to find a full-time job.

“The dropping participation reversed earlier gains where folks were returning to activity after dropping out during the recession,” said Harry Holzer, former chief economist at the Department of Labor. “But wage growth has been decent - perhaps suggesting that the average employed worker is doing better while those still not working see weak prospects.”

Others see signs of fundamental economic weakness.

“Today’s dismal jobs number is reflective of the softness in the underlying economy, which seven years after the Great Recession ended still isn’t strong enough to produce robust job creation,” said Ed Rensi, former CEO of McDonald’s USA and Famous Dave’s, and a member of the Job Creators Network, an organization representing entrepreneurs. “To truly turbocharge the economy, we must address the barriers that are holding the economy’s key drivers – small businesses – back from hiring: over-taxation, over-regulation, and lack of access to credit.”

*Scott Walter is president of the Capital Research Center in Washington, D.C.*