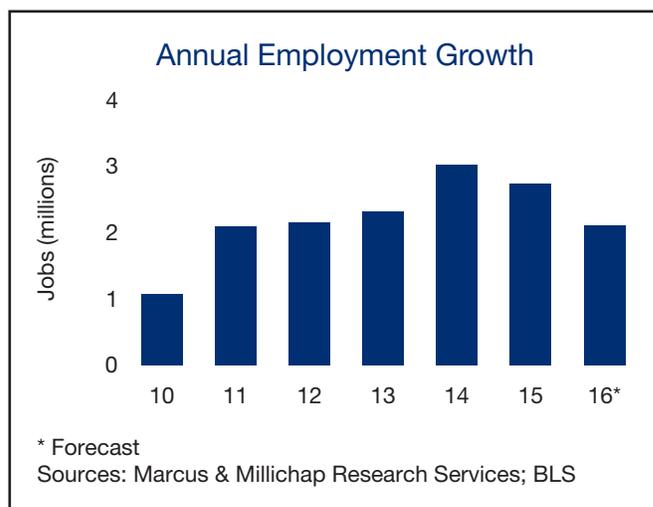


RESEARCH BRIEF: EMPLOYMENT

Employers Display Renewed Vigor in June; Substantial Job Gain Ends First Half on Positive Note

- The substantial jump in hiring during June to the highest monthly level this year suppresses talk of a sharp slowdown in job creation and strongly reaffirms that the U.S. economy remains on a growth track. Although last month's survey occurred before the unexpected outcome of the Brexit vote, secondary employment indicators including initial unemployment claims and elevated job openings point to a stable labor market and prospects for further growth. Employers' ability to add staff to pursue expansion opportunities, however, could be complicated by tightness in the labor pool that may taper the pace of job creation from the heightened levels of the past two years.
- Strong hiring in the service sector and a modest contribution from manufacturers generated a gain of 287,000 jobs in June, the highest monthly total since last October. The return of Verizon employees to work accounted for most of the gain of 44,000 information positions, while expanding consumer and personal services sectors also posted solid increases. Healthcare practices grew, and retailers created nearly 30,000 posts as out-of-school students took summer jobs. Leisure and hospitality payrolls swelled by 59,000 positions, principally at hotels, bars and restaurants. Some of the hiring may be attributed to preparations for the major political party conventions scheduled later this month in Cleveland and Philadelphia.
- Employers added an average 172,000 positions monthly in the first half of 2016, and the aggregate gain during the period marked a moderation from levels recorded in the first six months of the preceding two years. Nonetheless, employers remain on pace to create 2.1 million positions this year, which will further reduce excess capacity in the labor market. Last month's unemployment rate of 4.9 percent nearly matches the Federal Reserve's targeted level of 4.8 percent, while the more encompassing underemployment rate tumbled to 9.6 percent, the lowest recorded in more than eight years.
- Office-using staffing continues to grow and push the limits of existing workplaces. Financial services payrolls are expanding, reflecting additional hiring in real estate fields, and professional and business services establishments created 38,000 positions in June. Included in the total are more than 15,000 temporary positions to fill short-term needs of establishments with fiscal years ending June 30. The growth in permanent office-using employment, however, will generate net absorption of 86.5 million square feet this year and reduce the national office vacancy rate to 14.8 percent.
- Retailers added 192,000 positions in the first half of the year as many national chains continue to build an online presence to complement physical stores. This year, retailers will absorb 67 million square feet of space to lower the national vacancy rate and support growth in the average rent of 2.8 percent. Additionally, growing needs for warehouse space to service online operations will contribute to a 40-basis-point dip in the national industrial vacancy rate to 5.9 percent.



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