

# MONDAY ECONOMIC REPORT



## Manufacturers Have Added a Robust 213,000 Workers Year to Date

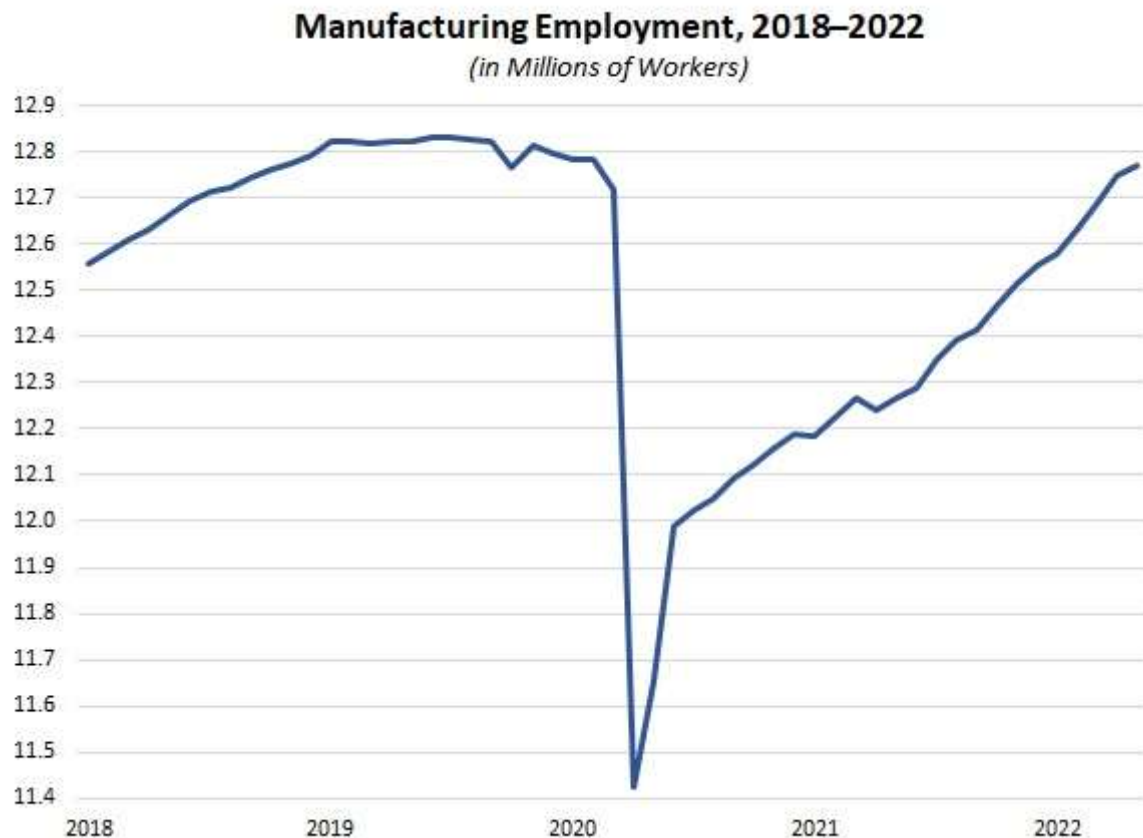
By Chad Moutray – June 6, 2022

### The Weekly Toplines

- [Manufacturing employment](#) rose by 18,000 in May, the weakest monthly increase in 13 months. Despite some softening, as well as significant ongoing challenges with supply chain disruptions, workforce shortages and soaring costs, hiring in the sector has remained robust. Through the first five months of 2022, the sector hired 213,000 employees, building on the 365,000 workers added in calendar year 2021, the most since 1994.
- Currently, the manufacturing sector has 12,768,000 employees, with 17,000 fewer workers today relative to February 2020. Manufacturing employment is on track to return to pre-pandemic levels in the next month or two.
- The average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.4% to \$24.94 in May, up 5.5% from one year ago. The year-over-year pace of wage growth edged down from 5.7% in March and April, which had been the fastest pace since August 1982.
- Meanwhile, nonfarm payroll employment increased by 390,000 in May, averaging a solid 408,000 over the past three months. The unemployment rate remained at a post-pandemic low of 3.6%, and the labor force participation rate ticked up from 62.2% to 62.3%.
- April's report recorded 996,000 [manufacturing job openings](#), a new all-time high. Over the past 12 months, job openings in the sector have averaged nearly 877,250. The number of job postings continued to be well above pre-pandemic levels, as companies ramped up activity and looked for more workers to meet the additional capacity.
- In the larger economy, nonfarm business job openings remained highly elevated, although they pulled back from a record 11,855,000 in March to 11,400,000 in April. The April report also documented 5,941,000 unemployed Americans, which translated into 52.1 unemployed workers for every 100 job openings in the U.S. economy, not far from March's record (50.2).
- The [ISM® Manufacturing Purchasing Managers' Index®](#) rose from 55.4 in April to 56.1 in May, continuing to expand modestly and reflecting resilience in the sector despite numerous economic hurdles. Cost pressures remained highly elevated but decelerated slightly in May.
- [New orders for manufactured goods](#) rose 0.3% to a record \$533.2 billion in April, slowing from the 1.8% gain seen in March but continuing to reflect expanding

demand. New factory orders have soared 14.0% year-over-year, or 12.4% with transportation equipment excluded.

- [Private manufacturing construction spending](#) rose 1.6% to \$96.36 billion at the annual rate in April. Private construction activity in the sector has trended strongly higher since bottoming out at \$65.92 billion in December 2020.
- In contrast to some of those measures, overall assessments about economic conditions in the Dallas Federal Reserve Bank's district [declined](#) in May for the first time since July 2020. The sample comments noted challenges with supply chain disruptions, workforce shortages and inflation. Responses were conflicted in terms of sales growth, with some citing continued strength while others noted some slowing.
- [Consumer confidence](#) ticked down from 108.6 in April to 106.4 in May, a three-month low, according to the Conference Board. Americans felt less upbeat in their assessments of the current and future economic environment in May, with consumers remaining anxious about inflation and "a perceived softening in labor market conditions."



#### Economic Indicators

**Last Week's Indicators:**  
(Summaries Appear Below)

**Monday, May 30**

**This Week's Indicators:**

**Monday, June 6**  
None

## MEMORIAL DAY HOLIDAY

### Tuesday, May 31

Conference Board Consumer Confidence  
Dallas Fed Manufacturing Survey

### Wednesday, June 1

Construction Spending  
ISM® Manufacturing Purchasing Managers' Index®  
Job Openings and Labor Turnover Survey

### Thursday, June 2

ADP National Employment Report  
Factory Orders and Shipments  
Productivity and Costs (Revision)  
Weekly Initial Unemployment Claims

### Friday, June 3

BLS National Employment Report

### Tuesday, June 7

Consumer Credit  
International Trade Report

### Wednesday, June 8

None

### Thursday, June 9

Weekly Initial Unemployment Claims

### Friday, June 10

Consumer Price Index  
University of Michigan Consumer Sentiment

## Deeper Dive

- **[ADP National Employment Report](#)**: Manufacturing employment rose by 22,000 in May, building on the gain of 15,000 seen in April, according to ADP estimates. At the same time, the U.S. economy added just 128,000 employees in May, well below the consensus estimate of 300,000 and the slowest rate in 25 months. Employment at small establishments (with fewer than 50 employees) fell by 91,000 in May, with net hiring at medium-sized (with 50 to 499 employees) and large establishments (with 500 or more employees) rising by 219,000 for the month. On average, private nonfarm and manufacturing employment has risen by 338,000 and 34,000 year to date, respectively.

In May, in addition to manufacturing, education and health services (up 46,000), professional and business services (up 23,000), leisure and hospitality (up 17,000), financial services (up 10,000), trade, transportation and utilities (up 8,000) and natural resources and mining (up 5,000) each had higher employment for the month.

- **[BLS National Employment Report](#)**: Manufacturing employment rose by 18,000 in May, slowing from the gain of 61,000 seen in April and marking the weakest monthly increase in 13 months. In May, net hiring in the durable and nondurable goods sectors was 11,000 and 7,000, respectively. Despite some softening, as well as significant ongoing challenges with supply chain disruptions, workforce shortages and soaring costs, hiring in the sector has remained robust. Through the first five months of 2022, the sector hired 213,000 employees, building on the 365,000 workers added in calendar year 2021, the most since 1994. Currently, the manufacturing sector has 12,768,000 employees, with 17,000 fewer workers today relative to February 2020. Manufacturing employment is on track to return to pre-pandemic levels in the next month or two.

The sector continued to report significant upward pressure on wages, with manufacturers citing difficulties in finding workers. The average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.4% from \$24.83 in April to \$24.94 in May, up 5.5% from \$23.64 one year ago. The year-over-year pace of wage growth edged down from 5.7% in March and April, which had been the fastest

pace since August 1982.

Meanwhile, nonfarm payroll employment increased by 390,000 in May, averaging a solid 408,000 over the past three months. The unemployment rate remained at a post-pandemic low of 3.6%, and the labor force participation rate ticked up from 62.2% to 62.3%. Of note, the participation rate remained below pre-pandemic levels, with 63.4% in February 2020. The so-called “real unemployment rate”—a term that refers to those marginally attached to the workforce, including discouraged workers and the underemployed—inched up from 7.0% to 7.1%.

In May, the largest increases in manufacturing employment occurred in fabricated metal products (up 7,100), food manufacturing (up 6,100), computer and electronic products (up 4,400), wood products (up 3,800) and chemicals (up 3,700). In contrast, sectors that reported reduced employment in May included transportation equipment (down 7,900, including 3,500 fewer in motor vehicles and parts), machinery (down 3,200) and miscellaneous nondurable goods (down 2,900).

Eight major manufacturing sectors have exceeded their pre-pandemic employment levels as of May: food manufacturing (up 41,800), chemicals (up 40,600), wood products (up 27,900), miscellaneous nondurable goods (up 26,500), plastics and rubber products (up 20,900), electrical equipment and appliances (up 12,600), miscellaneous durable goods (up 11,900) and furniture and related products (up 2,600).

- **[Conference Board Consumer Confidence](#):** Consumer confidence ticked down from 108.6 in April to 106.4 in May, a three-month low, according to the Conference Board. Americans felt less upbeat in their assessments of the current and future economic environment in May, with consumers remaining anxious about inflation and “a perceived softening in labor market conditions.”

The percentage of respondents suggesting that business conditions were “good” inched up from 20.8% to 21.1%, while the percentage feeling that conditions were “bad” decreased from 22.2% to 20.7%. At the same time, the percentage of respondents suggesting jobs were “plentiful” declined from 54.8% to 51.8%, while those saying jobs were “hard to get” increased from 10.1% to 12.5%.

Regarding the outlook, the percentage of consumers anticipating better business conditions over the next six months declined from 18.6% to 17.7%, while those predicting a worsening of conditions rose from 21.7% to 24.9%. Meanwhile, the percentage of respondents expecting more jobs in the next six months edged up from 18.4% to 18.5%, while those expecting fewer jobs decreased from 19.8% to 18.7%. In addition, 19.0% of consumers predicted higher incomes in the months ahead, up from 17.8%, while the percentage anticipating reduced incomes increased from 13.2% to 14.5%.

- **[Construction Spending](#):** Private manufacturing construction spending rose 1.6% from \$94.88 billion in March at the annual rate to \$96.36 billion in April. Private construction activity in the sector has trended strongly higher since bottoming out at \$65.92 billion in December 2020. Over the past 12 months, activity has soared 33.9%. These data speak to the strength and resilience of the manufacturing sector and the need to increase capacity to meet demand.

Total private nonresidential construction spending edged down 0.2% in April, but with activity rising 10.1% over the past 12 months. In addition, total private construction

spending increased 0.5% for the month, with a 0.9% gain for private residential construction. Private single-family and multifamily construction rose 0.5% and 0.8%, respectively. Overall, total private construction has soared 15.3% since April 2021, with private residential activity up 18.4%. Meanwhile, public construction spending declined 0.7% in April, although activity rose 1.8% year-over-year.

- **[Dallas Fed Manufacturing Survey](#)**: Overall assessments about economic conditions declined for the first time since July 2020, with the composite index of general business conditions falling from 1.1 in April to -7.3 in May. With that said, the underlying data on manufacturing activity in May provided mixed results. Production, shipments and capacity utilization growth improved, but new orders, hiring, hours worked and capital spending each softened for the month. The increase in wages remained very strong, even as the index pulled back for the second straight month from a record high in March. The sample comments noted challenges with supply chain disruptions, workforce shortages and inflation. Responses were conflicted in terms of sales growth, with some citing continued strength while others noted some slowing.

Looking ahead, manufacturers in the Texas district expressed some concern in their outlook for the next six months. The forward-looking composite measure dropped from 1.8 to -6.5, the lowest reading since May 2020. Yet, manufacturing activity was largely seen expanding over the coming months, albeit at a slower pace.

- **[Factory Orders and Shipments](#)**: New orders for manufactured goods rose 0.3% from \$531.4 billion in March to a record \$533.2 billion in April, slowing from the 1.8% gain seen in March but continuing to reflect expanding demand. In April, durable and nondurable goods orders increased 0.5% and 0.2%, respectively. Excluding transportation equipment, manufacturing orders increased 0.3% from \$445.2 billion to \$446.4 billion, an all-time high, with durable goods orders excluding transportation up 0.4% for the month.

Despite lingering supply chain, workforce and pricing pressures, the manufacturing sector proved to be quite resilient over the past year. New factory orders have soared 14.0% year-over-year, or 12.4% with transportation equipment excluded.

At the same time, new orders for core capital goods (or nondefense capital goods excluding aircraft)—a proxy for capital spending in the U.S. economy—rose 0.4% from \$72.9 billion in March to a record \$73.2 billion in April. Core capital goods orders increased a solid 7.7% over the past 12 months.

Meanwhile, factory shipments increased 2.3% from \$543.7 billion in March to \$556.4 billion in April, an all-time high. On a year-to-date basis, factory shipments have risen 14.5%, a very strong figure, or 15.4% with transportation equipment excluded. In addition, core capital goods shipments increased 0.8% from \$71.6 billion in March to a record \$72.2 billion in April, with 11.6% growth over the past 12 months.

- **[ISM® Manufacturing Purchasing Managers' Index®](#)**: Manufacturing activity expanded modestly in May, picking up from April's pace and continuing to reflect resilience in the sector despite numerous economic hurdles. The ISM® Manufacturing Purchasing Managers' Index® rose from 55.4 in April to 56.1 in May. Overall, manufacturers remained challenged by supply chains, workforce shortages, soaring costs and geopolitical uncertainties. In the sample comments, respondents noted ongoing strength in demand but also lingering problems with supply chain bottlenecks, including the COVID-19-related shutdowns in China, and significant inflationary



pressures.

In May, new orders (up from 53.5 to 55.1), production (up from 53.6 to 54.2) and exports (up from 52.7 to 52.9) improved, but employment (down from 50.9 to 49.6) contracted for the first time since August. Yet, this index is likely consistent with the difficulties in hiring new workers, with respondents continuing to note a willingness to add to their workforce amid lots of churn in the labor market.

Cost pressures continued to be highly elevated, even with the index for prices declining from 84.6 in April to 82.2 in May. The index for supplier deliveries (down from 67.2 to 65.7) reflected a slight improvement in wait times for deliveries for the month, although wait times remained too long. Customer inventories (down from 37.1 to 32.7) deteriorated further, remaining too low. However, this trend should be a positive indicator for future production if orders accelerate further, as it would necessitate additional manufacturing activity to meet that demand.

- **Job Openings and Labor Turnover Survey:** April's report recorded 996,000 manufacturing job openings, a new all-time high, with increased postings for both durable and nondurable goods firms. Over the past 12 months, job openings in the sector have averaged nearly 877,250. The number of job postings continued to be well above pre-pandemic levels, as companies ramped up activity and looked for more workers to meet the additional capacity.

Manufacturers hired 506,000 workers in April, down from a record 514,000 in March. Total separations slipped from 488,000 to 482,000 for the month. Therefore, net hiring (or hiring minus separations) totaled 24,000 in April, easing from 26,000 in March. Net hiring has averaged 33,667 over the past 12 months.

In the larger economy, nonfarm business job openings remained highly elevated, although they pulled back from a record 11,855,000 in March to 11,400,000 in April. The April report also documented 5,941,000 unemployed Americans, which translated into 52.1 unemployed workers for every 100 job openings in the U.S. economy. That number marked an increase from the record set in March of 50.2 unemployed workers for every 100 job openings. Overall, the data speak to the extreme tightness of the labor market, with significantly more job openings than people looking for work.

In addition, total quits in the manufacturing sector eased from a record 362,000 in March to 354,000 in April. That figure translated into 2.8% of the manufacturing workforce and continued a trend of very significant churn in the labor market, exacerbating the workforce difficulties that companies are experiencing. Similarly, the April survey reported 4,424,000 quits in the nonfarm business economy, down from 4,449,000 in March and still not far from November's record pace (4,510,000).

Meanwhile, layoffs in the nonfarm business sector hit an all-time low, down from 1,416,000 in March to 1,246,000 in April. In manufacturing, layoffs edged up from 102,000 to 105,000 for the month but remained low overall.

- **Productivity and Costs (Revision):** Manufacturing labor productivity rose 0.2% in the first quarter of 2022, bouncing back somewhat after declining in each of the previous two quarters. Output in the sector soared 5.1%, continuing to reflect solid growth in demand for goods despite ongoing challenges with supply chain and workforce issues. The number of hours worked rose 4.9% in the first quarter, with unit labor costs up 5.7%.

Labor productivity for durable goods increased 0.9% in the first quarter, with output jumping 6.9%. The number of hours worked rose 6.0%, with unit labor costs increasing 5.1% in the first quarter. At the same time, labor productivity for nondurable goods firms flattened in the first quarter, with output up 3.2%. The number of hours worked increased 3.2%, with hourly compensation up 5.5%. Unit labor costs for nondurable goods manufacturers rose 5.5%. Meanwhile, nonfarm business labor productivity fell 7.3% in the first quarter, a sharp decline following the 6.3% gain in the fourth quarter. Output decreased 2.3%, but with the number of hours worked rising 5.4%. As a result, unit labor costs rose 12.6%.

- **[Weekly Initial Unemployment Claims](#):** The week ending May 28 saw 200,000 initial unemployment claims, down from 211,000 for the week ending May 21. These data have seesawed from week to week recently, averaging 199,000 year to date. At the same time, the week ending May 21 saw 1,309,000 continuing claims, down from 1,343,000 for the week ending May 14 and the lowest level since the week ending Dec. 27, 1969.

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