Key measures of labor market activity were mixed in May. The pace of job creation for the month was well below average for the current expansion. The unemployment rate fell back to the record low of 4.2% reached earlier this year.

Nonfarm payrolls, measured by the establishment survey, increased only 11,000 in May following an exceptionally large increase of 343,000 (revised) in April. Job losses occurred consistently in various goods-producing sectors. Construction and manufacturing jobs decreased 40,000 and 45,000, respectively. Construction losses were partly attributable to unusual winter weather patterns and adjustment for seasonal variations in hiring. Manufacturing has lost a total of 453,000 in the last 14 months. Indeed, for the three months ending April 1999, only about 30% of surveyed manufacturing companies reported payroll increases.

The service-producing sector was not immune to weakness in May. Noticeably, a weak overall gain in retail-sector employment reflected job losses in many specific retail industries, including food stores and materials and garden supplies. Of the 349 private, nonfarm industries surveyed, less than half reported adding jobs in the three months ending April 1999.