

Latest Report Indicates Maryland Labor Market Remained Weak in July

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The latest labor report indicated that the Maryland labor market remained weak in July. In the household survey, the unemployment rate rose for the fourth time in the last five months to 7.1 percent. Payroll employment rose by a scant 800 jobs. The news was not all negative, however. Private employment rose by 2,400, its first increase in four months. Despite the weakness in labor market conditions in recent months, the latest results of our Maryland Survey of Business Activity remained positive as more respondents indicated that they expanded their workforce than shed workers in July.

Looking at the payroll numbers more closely, the increase in private employment was mixed across sectors. Professional and business services employment rose by 2,900, its second consecutive increase after declines in April and May. Leisure and hospitality employment rose by 2,400 due to increases in accommodation and food services jobs. Other services rose by 1,300 jobs, while education, health services, and transportation and public utilities employment increased by more moderate amounts. Offsetting those gains was a sizeable drop in employment in financial services by 3,500 as well as declines in retail trade, construction, and government. There were also very modest declines in manufacturing, wholesale trade, and information jobs. As a result of the modest increase in payroll employment in July and the declines over the previous four months, the year-over-year change in total payroll employment continued to decline, dropping to 0.9 percent growth from 1.9 percent in the beginning of the year. Private payroll employment growth over the last year was slightly higher at 1.0 percent, eight-tenths below the national rate of 1.8 percent.

The household survey also indicated deterioration in labor market conditions. The unemployment rate edged higher by one-tenth to 7.0 percent – up five-tenths from its recent low of 6.5 percent in February. The number of unemployed increased for the sixth consecutive month, this time by 3,700 – higher than the monthly average of 2,600 over the past six months. The labor force decreased for the third consecutive month. As a consequence, the labor force participation rate edged lower again in July to 67.1 percent, the lowest level since 1983. Overall, both surveys indicated continued weakness in the labor market in July which, taken with results over the past five months, indicated a significant change in the direction of the labor market from the steady improvement in the second half of 2011 and early 2012.

The Maryland Survey of Business Activity has been more positive than the labor market reports in recent months. The latest survey results suggested modest improvement in the labor market in July. Almost one-third of respondents indicated that they expanded their workforce for the month, while 14 percent shed workers. However, the number of firms expecting to expand their workforce over the next six months declined in recent surveys. In the July survey, roughly one-quarter of respondents indicated that they anticipate hiring over the next six months, down from nearly 50 percent earlier in the year. In addition, the number of firms expecting to reduce their workforce over the next six months continued to edge higher.

