

The US economy is on a roll

The U.S. economy is on a roll.

Coupled with last Friday's strong jobs report, data released Tuesday morning continue to show that the U.S. economy is firing on all cylinders.

The latest data on job openings and two separate releases on activity in the services sector released Tuesday indicate that the labor market remains strong while we see continued growth in the sector which accounts for about 85% of overall GDP growth.

The Institute for Supply Management's reading on service sector activity in May came in at 58.6, up almost 2 points from April and better than forecast by economists. Any reading over 50 indicates expansion in the sector.



Recent economic data continue to show an economy that is on a roll. (Photo by Drew Angerer/Getty Images)

More

Most notably, comments from the ISM's report indicated that with economic activity expanding many suppliers currently cannot keep up with demand.

"The supply chain is shuttering because of a lack of drivers and equipment causing delays in multiple modes of transportation," said an executive from the wholesale trade industry. "The activity to adjust to this is not causing stockouts yet, and we are increasing inventory levels in anticipation of worsening conditions."

An executive in the broad services business said, "We have spent two years reducing our inventories to a level to support the current business climate. Now the uptick is faster than anticipated and supply is out of alignment with demand, which is causing many stockouts and shortages, and the need to expedite inventory."

Compared to April, May's ISM report showed a notable increase in the backlog and price sub-indexes, indicating that prices and wait times continue to rise across the sector. On the whole, this report reflects a number of inflationary pressures building in the economy which could potentially reveal themselves via higher consumer prices later this year.

"The US economy kicked up a gear in

May”

Markit Economics also released its own look at U.S. service sector activity in May on Tuesday, which showed that by its measure growth in the sector accelerated at the fastest pace since April 2015 during May.

“The US economy kicked up a gear in May,” said Chris Williamson, chief business economist at IHS Markit. “A markedly improved service sector performance takes the final composite PMI reading above the flash estimate and to its highest for over three years. The composite PMI is a reliable leading indicator of GDP, and has risen to a level which is consistent with the economy growing at an annualized rate of approximately 3.5%.”

Additionally, the latest data from the BLS on job openings and labor turnover showed that a record 6.7 million jobs were open in April.

This report also showed that the ratio of unemployed workers to open jobs now stands at 0.95, indicating that there is more than one open job for each person out of work. After the financial crisis, there were more than 6 unemployed workers for each open job.

Cathy Barrera, chief economist at ZipRecruiter, noted Tuesday that April marks just the second time since 2000 that there were fewer unemployed workers than jobs open. March is the only other month in which this was the case.

“While the number of unemployed individuals has dropped by about 1 million over the last year, the number of job openings has climbed by roughly the same amount,” Barrera added.

“Given these trends, the sluggish wage growth rate is even more perplexing. If employers want to fill these 6.7 million job openings, they are either going to have to raise wages or find more clever and creative ways to recruit workers off the sidelines.”

And all of this follows last Friday’s May jobs report which showed the U.S. economy created 223,000 jobs in May while the unemployment rate fell to 3.755%, the lowest since 1969.

—

Myles Udland is a writer at Yahoo Finance. Follow him on Twitter [@MylesUdland](#)

Source: <https://finance.yahoo.com/news/u-s-economy-roll-155312392.html>

[Disclaimer]