

U.S. Data Review

- The May employment report: respectable

Michael Moran

Daiwa Capital Markets America
212-612-6392
michael.moran@us.daiwacm.com

The Labor Market

Job growth of 559,000 (0.4 percent) in May was lighter than the expected gain of 675,000, but nevertheless it represented a reasonable pace of improvement. Payroll employment is now 7.6 million shy of the total before the onset of the pandemic, having recouped 66 percent of the ground lost last spring.

Employment growth by industry was mildly encouraging in that gains were most notable in sectors sharply affected by the pandemic. The leisure and hospitality industry has received careful attention in the media, and job growth of 2.1 percent was notably stronger than the overall advance of 0.4 percent, and this area has now regained 69 percent of the decline during the worst of the pandemic, slightly better than the total. With schools reopening, jobs related to education rose 1.2 percent in May, and with more individuals traveling, employment in air transportation rose 2.0 percent. The information industry, which has been lagging badly, is starting to pick up, with job growth totaling 1.0 percent in May after average gains of 0.3 percent in the prior five months.

Normally reliable sources of job growth posted mediocre or soft results in May, including health care and business services (both up 0.2 percent). Manufacturing employment also rose 0.2 percent, which represented only a partial offset to a drop in the prior month. Employment in financial services was essentially unchanged, while construction employment fell 0.3 percent.

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2019	168	150	3.7	7.2	166	121	60.8	9.2	4,408	0.2	34.4
2020	-785	-679	8.1	13.7	-742	-334	56.8	12.6	7,227	0.5	34.6
2021	478	436	6.1	10.7	358	74	57.8	18.5	5,676	0.3	34.9
Qtrly. Average											
20-Q1	-360	-375	3.8	7.6	-1,066	-619	60.7	8.0	4,818	0.4	34.3
20-Q2	-4,333	-3,860	13.1	20.7	-4,479	-975	52.9	7.6	10,190	0.7	34.5
20-Q3	1,342	1,174	8.8	14.5	1,814	94	56.1	16.5	7,405	0.2	34.7
20-Q4	213	346	6.8	11.9	762	163	57.4	18.2	6,493	0.5	34.8
21-Q1	518	489	6.2	11.0	339	-3	57.6	17.8	5,956	0.1	34.8
2020 Monthly											
July	1,726	1,523	10.2	16.5	1,677	288	55.2	15.1	8,400	0.1	34.6
Aug.	1,583	1,066	8.4	14.2	3,499	733	56.5	16.7	7,533	0.3	34.7
Sept.	716	932	7.8	12.8	267	-740	56.6	17.8	6,283	0.1	34.8
Oct.	680	954	6.9	12.1	2,126	640	57.4	19.0	6,668	0.1	34.8
Nov.	264	359	6.7	12.0	140	-182	57.4	18.9	6,641	0.3	34.8
Dec.	-306	-274	6.7	11.7	21	31	57.4	16.8	6,170	1.0	34.7
2021 Monthly											
Jan.	233	122	6.3	11.1	201	-406	57.5	15.3	5,954	0.0	35.0
Feb.	536	622	6.2	11.1	208	50	57.6	18.3	6,088	0.3	34.6
Mar.	785 (770)	724	6.0	10.7	609	347	57.8	19.7	5,826	-0.1	34.9
Apr.	278 (266)	219	6.1	10.4	328	430	57.9	19.8	5,243	0.7	34.9
May	559	492	5.8	10.2	444	-53	58.0	19.3	5,271	0.5	34.9

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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The unemployment rate fell 0.3 percentage point to 5.8 percent; slightly better than the expected reading of 5.9 percent. However, part of the decline was the result of a dip in the size of the labor force (off 53,000). Employment as measured by the household survey rose 444,000, a respectable total but less than vigorous for the current setting. The broad unemployment rate fell 0.2 percentage point to 10.2 percent. The influence of the drop in the narrow jobless rate was partly offset by small increases in individuals working part time involuntarily and individuals marginally attached to the labor force.

Average hourly earnings rose 0.5 percent, a strong increase after a jump of 0.7 percent in the prior month. Recent increases seemed to represent genuine gains in wage rates rather than shifts related to compositional changes in employment. Job growth in traditionally low-wage sectors has been firm in the past two months, which would tend to restrain average hourly earnings. The fact that growth jumped despite this influence suggested strong underlying gains in wage rates.

The length of the average workweek was unchanged at an elevated level (34.9 hours). The combination of a steady workweek and respectable job growth resulted in a gain of 0.5 percent in the index of work time, suggesting a decent rate of growth in output.