

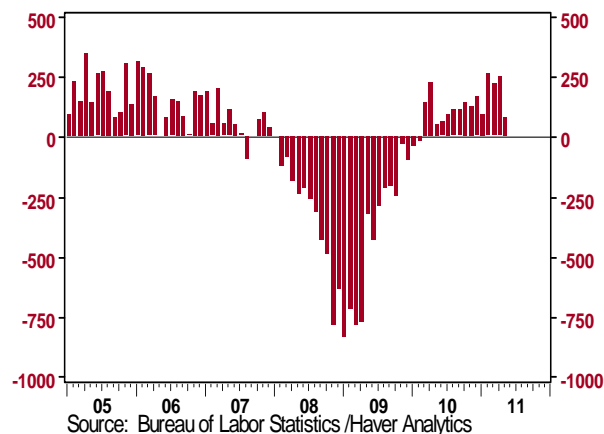
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May Employment Report

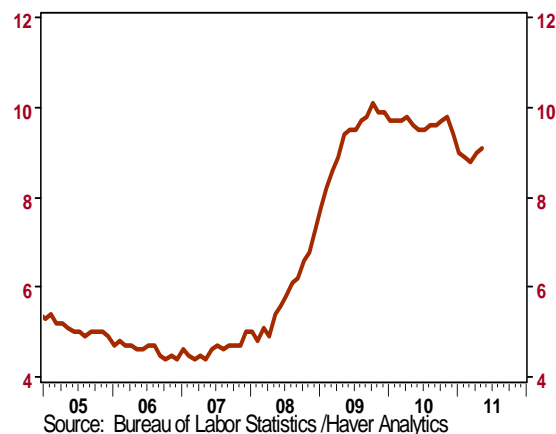
- Non-farm payrolls increased 54,000 in May. Revisions to March/April subtracted 39,000, bringing the net gain to 15,000, falling well short of the consensus expected a gain of 165,000.
- Private sector payrolls increased 83,000 in May. Revisions to March/April subtracted 29,000, bringing the net gain to 54,000. May gains were led by health care and social assistance (+27,000) and accounting/book-keeping (+18,000). The largest decline was for local government (-28,000).
- The unemployment rate increased to 9.1% in May (9.053% unrounded) from 9.0% in April (8.960% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – were up 0.3% in May and up 2.4% versus a year ago.

Implications: The headlines from the employment report are concerning, but the underlying economy is stronger than the over-the-top rhetoric of the Pouting Pundits of Pessimism. Words like “horror,” “collapse” or even “depression,” are not justified by the data. Private payrolls rose 83,000 in May (54,000 including downward revisions), the weakest growth in almost a year, but still growth. The unemployment rate ticked up to 9.1% (9.053% unrounded). If this is what happens when Japan-related disruptions are at their worst, then the economy is very resilient. The best overall measure of labor input (total number of private sector hours worked) grew in May and was revised up in April – up a healthy 2.2% in the past year and an even faster 3.5% annual rate in the past three months. Uncertainty may hold back hiring, but a higher demand for output forces companies to lengthen the workweek. If hours *per worker* had not changed in the past three months, private payrolls would have needed to grow at an average rate of more than 300,000. Combining the rise in hours with increases in hourly pay, private sector wages and salaries – total cash earnings – are up 4.0% versus a year ago and up at a 5.3% annual rate in the last three months. This is more than enough to outpace inflation, so workers have more purchasing power (without including benefits). And don’t forget that the up-tick in unemployment was driven by an expanding labor force (+272,000 in May). The more expansive version of unemployment, which includes discouraged workers and those working part-time who say they want full-time jobs, fell slightly. Yes, May data shows a “soft patch,” but the economy is still expanding and should accelerate in the months ahead.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	May-11	Apr-11	Mar-11	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.1	9.0	8.8	9.0	9.0	9.3
Civilian Employment (monthly change in thousands)	105	-190	291	69	223	73
Nonfarm Payrolls (monthly change in thousands)	54	232	194	160	156	73
Construction	2	5	5	4	4	0
Manufacturing	-5	24	20	13	23	13
Retail Trade	-9	64	-6	17	14	9
Finance, Insurance and Real Estate	3	-2	5	2	-1	-2
Professional and Business Services	44	50	75	56	53	43
Education and Health Services	34	54	33	40	37	37
Leisure and Hospitality	-6	32	46	24	23	17
Government	-29	-19	-25	-24	-23	-71
Avg. Hourly Earnings: Total Private*	0.3%	0.1%	0.0%	1.8%	1.9%	1.8%
Avg. Weekly Hours: Total Private	34.4	34.4	34.3	34.4	34.3	34.3
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.5%	0.2%	3.5%	3.3%	2.2%

*3, 6 and 12 month figures are % change annualized