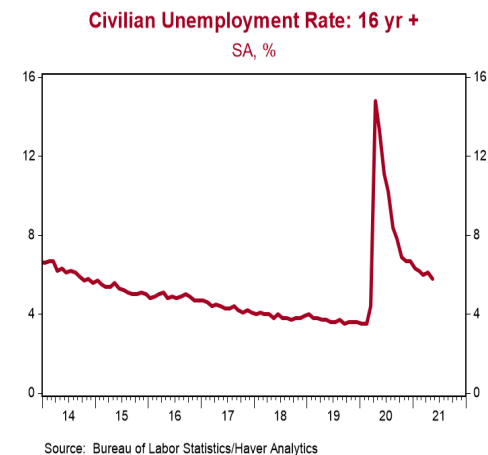
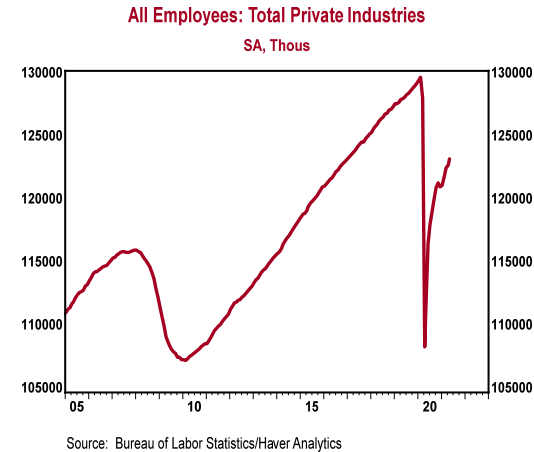


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# May Employment Report

- Nonfarm payrolls increased 559,000 in May versus a consensus expected 675,000.
- Private sector payrolls rose 492,000 in May. The largest increase was for leisure & hospitality (+292,000). Manufacturing increased 23,000 while government rose 67,000.
- The unemployment rate fell to 5.8% in May from 6.1% in April.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.5% in May and are up 2.0% versus a year ago. Aggregate hours worked rose 0.5% in May and are up 11.0% from a year ago.

**Implications:** At any other time in US history a payroll gain of 559,000 would be a blowout great report. But in the bizarre world of COVID and its aftermath, some analysts and investors will be disappointed that payrolls grew less than the consensus expected 675,000. In spite of this shortfall, we think the most important news in today’s report is that the labor market is healing at a robust pace. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 444,000 in May. Average hourly earnings rose 0.5% for the month while the total number of hours worked rose 0.5%. Compared to February 2020 (the last pre-COVID month), average hourly earnings are up 6.4% while total hours worked are down 3.6%. That’s the labor market in a nutshell right now, with many companies having to pay workers more to compete with unemployment benefits that have never been more generous and which are preventing total jobs and hours worked from ramping back up more quickly. However, in the past several weeks, about half the states in the country, representing more than 40% of the US labor force and more than a third of unemployed workers, have decided to reduce or eliminate those extra benefits early, including many in June. As a result, we anticipate that payroll growth, which has averaged 478,000 per month so far this year, is going to accelerate in the next few months. Today’s jobs report also showed a decline in the unemployment rate to a new post-recession low of 5.8%, versus 6.1% in April. However, part of that decline was due to a 53,000 drop in the labor force (people who are working or looking for work), which also signals the need to cut overly generous jobless benefits. Given the improvement in the overall economy due to the distribution of vaccines, looser COVID-related rules on economic activity, and policies oriented toward short-term economic growth (which we will pay for in the long run!), we still project a gain in 7 million jobs in 2021, the largest for any calendar year on record. Right now, we are still 7.6 million jobs short of where we were pre-COVID. But, given the re-opening of the economy plus the withdrawal of overly generous jobless benefits, we expect to add close to about 675,000 jobs per month through year end, narrowing the gap to 3 million by the end of 2021. The US labor market has a long way to go for a full recovery, but it is on track.



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>May-21</b>	<b>Apr-21</b>	<b>Mar-21</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>5.8</b>	6.1	6.0	6.0	6.2	7.4
<b>Civilian Employment (monthly change in thousands)</b>	<b>444</b>	328	609	460	332	1,213
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>559</b>	278	785	541	348	992
<b>Construction</b>	<b>-20</b>	-5	93	23	12	35
<b>Manufacturing</b>	<b>23</b>	-32	51	14	16	53
<b>Retail Trade</b>	<b>-6</b>	-30	42	2	11	130
<b>Finance, Insurance and Real Estate</b>	<b>-1</b>	16	13	9	8	16
<b>Professional and Business Services</b>	<b>35</b>	-81	74	9	62	126
<b>Education and Health Services</b>	<b>87</b>	25	104	72	38	117
<b>Leisure and Hospitality</b>	<b>292</b>	328	227	282	124	353
<b>Government</b>	<b>67</b>	59	61	62	30	30
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.5%</b>	0.7%	-0.1%	4.5%	4.9%	2.0%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.9</b>	34.9	34.9	34.9	34.8	34.8
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.5%</b>	0.2%	1.4%	8.6%	3.8%	11.0%

Source: Bureau of Labor Statistics \*3, 6 and 12 month figures are % change annualized