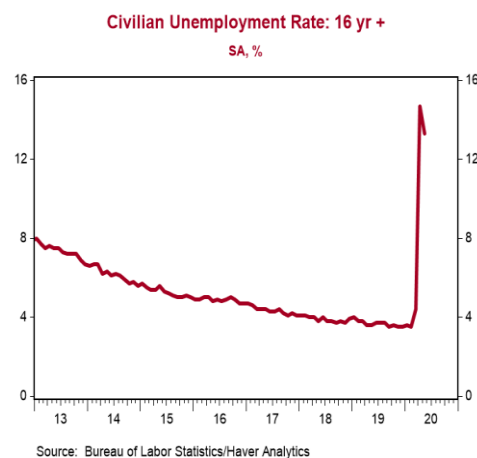
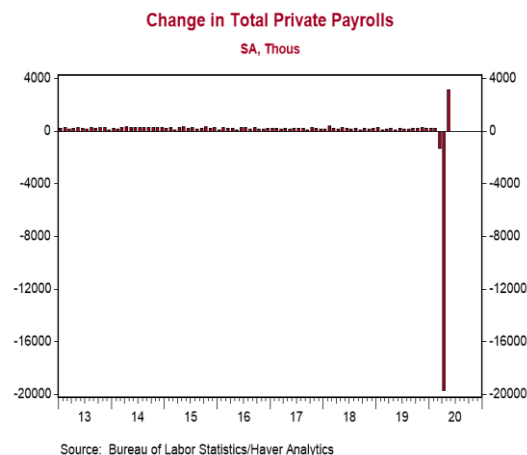


May Employment Report

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elss – Senior Economist

- Nonfarm payrolls rose (!!!) 2,509,000 in May, easily beating the consensus expected decline of -7,500,000.
- Private sector payrolls rose 3,094,000 in May. The largest increases were for restaurants & bars (1,371,000), construction (464,000), health care & social assistance (391,000), and retail (368,000). Manufacturing rose 225,000 while government declined 585,000.
- The unemployment rate dropped to 13.3% in May from 14.7% in April.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – fell 1.0% in May but are up 6.7% versus a year ago. Aggregate hours worked rose 4.3% in May but are down 12.0% from a year ago.

Implications: The US economy is healing much faster than anyone expected, justifying recent optimism in the stock market and showing the benefits of easing lockdowns around the country. Nonfarm payrolls rose 2.5 million in May, easily beating the consensus expected decline of 7.5 million. The private sector did even better, adding 3.1 million jobs. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 3.8 million. The gains in payrolls and civilian employment are both the largest on record for any single month, although, obviously, they both come immediately after the worst month for jobs in history. The largest gains in jobs in May were at restaurants & bars, while construction, health care & social assistance, retail, and manufacturing all did very well, too. The other piece of surprising news was that the unemployment rate, which the consensus expected to rise to 19.0%, and which every economist thought would rise to at least 16.0%, instead fell to 13.3%. That is still extremely high, but at least it's moving in the right direction sooner than anyone thought. The labor force (people working or looking for work) increased by 1.7 million in May, although it's still down substantially from earlier this year. The worst headline of the report was that average hourly earnings fell 1% in May after rising 4.7% in April. However, just like April's wage gains weren't really good news, May's decline isn't really bad news. Job losses in April were concentrated among lower-paid workers, so average hourly earnings rose because those still working typically made more money. Now, as lower-paid workers are rehired, their pay levels reduce average earnings. We like to track what the report means for workers' earnings, and today's news was good. Total hours worked increased 4.3% in May. Multiplying hours by earnings shows that total earnings rose 3.3%. That said, total earnings are still down 6.1% versus a year ago, which means workers have less purchasing power generated by actual production, versus purchasing power coming from government benefits. The unemployment rate is going to remain at unusually high levels for at least the next few months, but today's report is a testament to the entrepreneurial spirit and how quickly businesses have been able to adapt to a global pandemic and unprecedented shutdowns of the US economy. A full recovery is still a long way off, but there should no doubt at this point that the recovery has started.



Employment Report <i>All Data Seasonally Adjusted</i>	May-20	Apr-20	Mar-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	13.3	14.7	4.4	10.8	7.2	5.4
Civilian Employment (monthly change in thousands)	3,839	-22,369	-2,987	-7,172	-3,465	-1,594
Nonfarm Payrolls (monthly change in thousands)	2509	-20687	-1373	-6517	-3150	-1472
Construction	464	-995	-65	-199	-83	-36
Manufacturing	225	-1324	-46	-382	-194	-94
Retail Trade	368	-2286	-85	-668	-327	-163
Finance, Insurance and Real Estate	33	-264	-18	-83	-35	-11
Professional and Business Services	127	-2189	-94	-719	-348	-155
Education and Health Services	424	-2590	-178	-781	-366	-153
Leisure and Hospitality	1239	-7539	-743	-2348	-1153	-558
Government	-585	-963	-17	-522	-247	-114
Avg. Hourly Earnings: Total Private*	-1.0%	4.7%	0.6%	18.4%	10.2%	6.7%
Avg. Weekly Hours: Total Private	34.7	34.2	34.1	34.3	34.3	34.4
Index of Aggregate Weekly Hours: Total Private*	4.3%	-15.1%	-1.9%	-43.0%	-23.4%	-12.0%

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