

June 4, 2021

# Macro Alert

## Unpacking the May Jobs Report: Further Progress, but Far from Substantial

From the Office of the Global Chief Investment Officer, Scott Miner

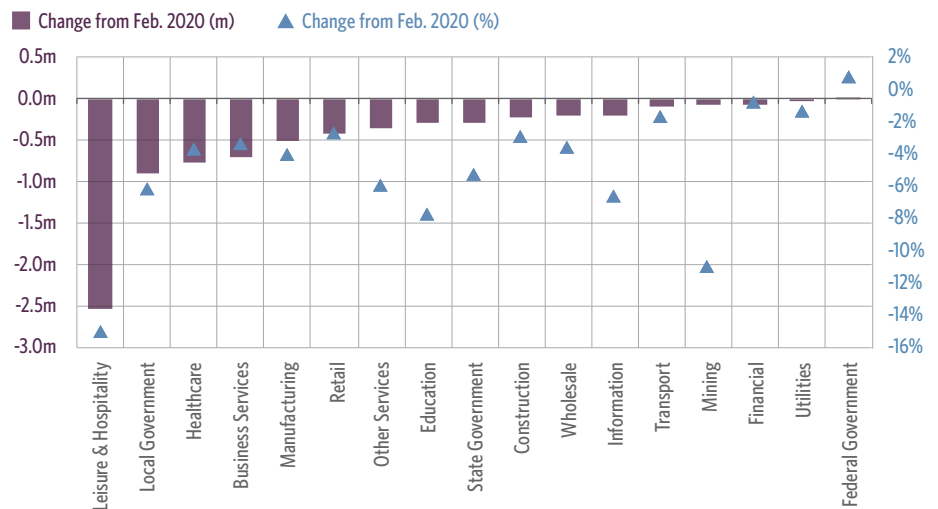
By the Macroeconomic and Investment Research Group

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Another payroll report has come in below expectations, which strengthens our conviction that Fed policymakers will be “resolutely patient” as they wait to see “substantial further progress” toward the Fed’s goals. Headline nonfarm payrolls rose by 559 thousand, with modest upward revisions to the prior two months of 27 thousand. Job gains continue to be led by leisure and hospitality (+292 thousand), but that reflects the deep jobs hole still left in the industry with payrolls still down 15 percent from February 2020. Other notable job gains occurred in public and private education (+144 thousand) and healthcare (+46 thousand).

### Most Job Losses Still in Leisure and Hospitality



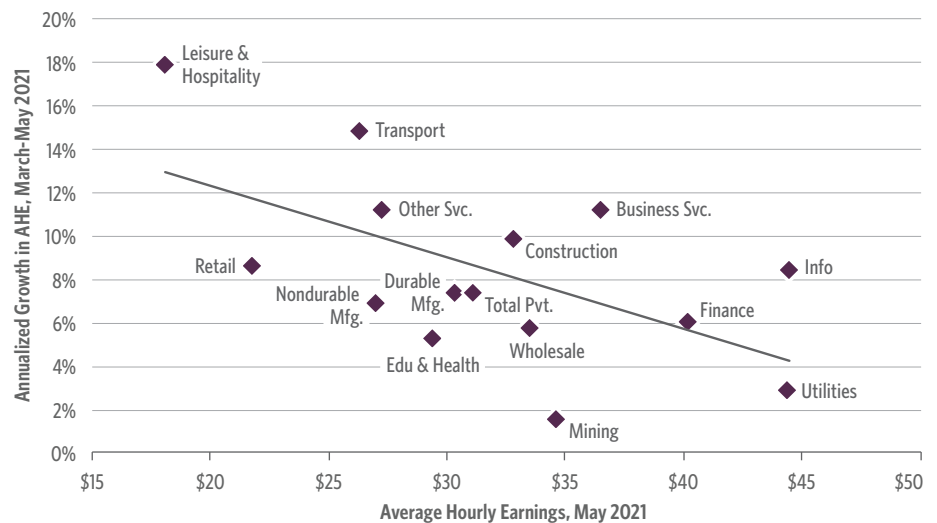
Source: Guggenheim Investments, Haver Analytics. Data as of 5.31.2021.

Construction payrolls fell by 20 thousand despite strong housing activity, as materials shortages may be delaying some construction activity. On a brighter note, motor vehicle manufacturing recovered 25 thousand jobs in May after job losses in April, reflecting some factories restarting production.

The household survey, which should be better at picking up the reopening/creation of businesses, showed job gains of just 444 thousand, validating the message from payrolls of somewhat disappointing jobs growth.

The new employment release further supports widespread reports of labor shortages. Overall average hourly earnings were much stronger than expected, up 0.5 percent following +0.7 percent in April, and wages in the low wage leisure and hospitality sector jumped 1.3 percent. As the chart below shows, low wage industries, where unemployment insurance (UI) benefits are more competitive with wages, are seeing larger wage gains. With 25 states now opting out of federal unemployment benefits around the end of June, we should get an interesting case study in how big of a role the benefits are playing in labor supply challenges.

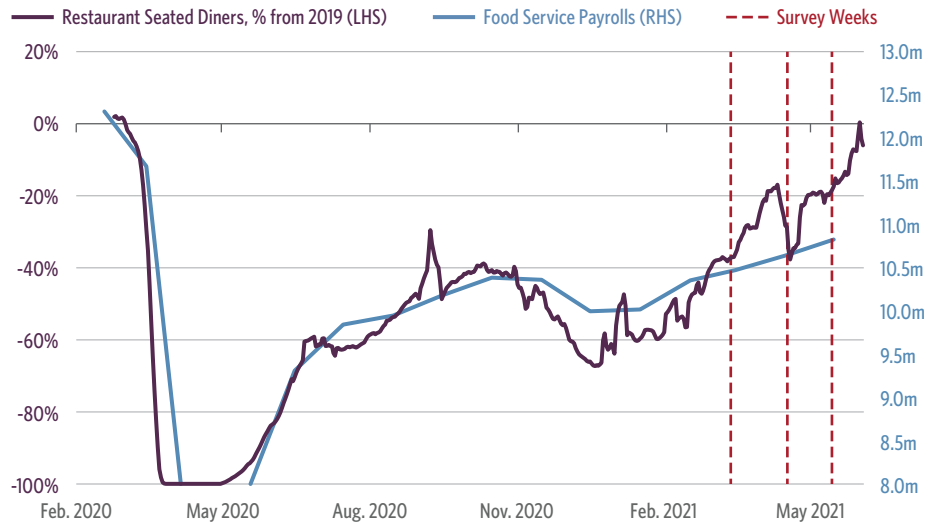
### Low Wage Industries Seeing Fastest Wage Growth



Source: Guggenheim Investments, Haver Analytics. Data as of 5.31.2021.

It's also notable that restaurant business activity has nearly completely recovered but employment remains 12 percent below pre-pandemic levels.

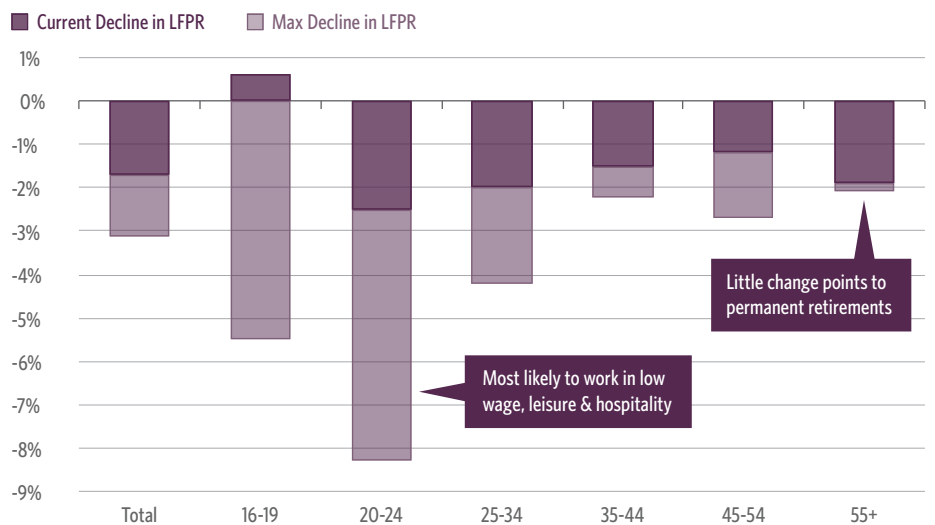
## Restaurant Activity Has Outpaced Hiring



Source: Guggenheim Investments, Haver Analytics. Data as of 5.31.2021 for payrolls, 6.2.2021 for diners.

Concerns over labor supply are also validated by a decline in the labor force participation rate, down 10 basis points (bps) to 61.6 percent, which helped the unemployment rate fall by 30 bps to 5.8 percent. But returning participation to its pre-pandemic level has been cited as a goal by several Fed speakers, so this development is a setback in “substantial further progress” required before tapering of asset purchases can begin.

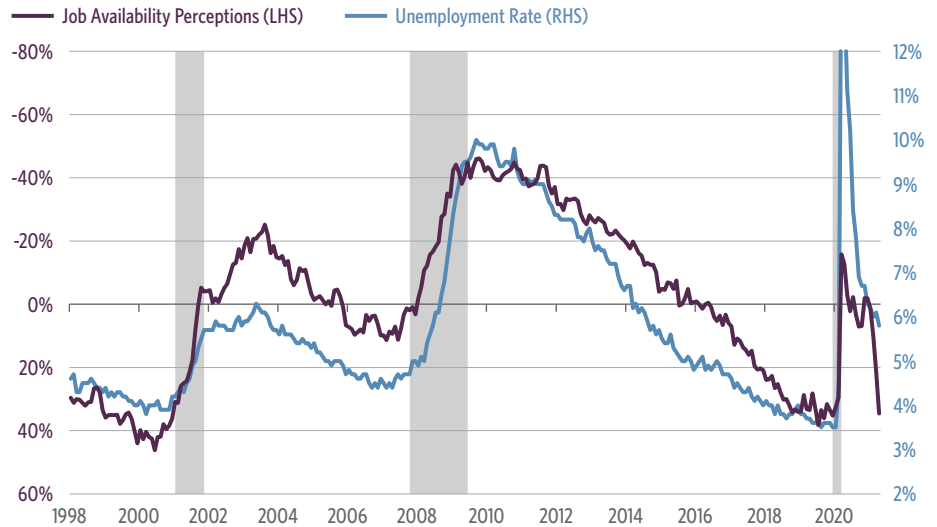
## Change in Labor Force Participation Rate by Age



Source: Guggenheim Investments, Haver Analytics. Data as of 5.31.2021.

Going forward we still expect strong momentum in the labor market: Job openings are historically elevated, business hiring plans are high, and consumers report that it has almost never been easier to find a job.

### Consumers Say It's Easy to Find a Job



Source: Guggenheim Investments, Bloomberg, Haver Analytics. Data as of 5.31.2021.

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Basis point - One basis point is equal to 0.01%.

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