

Jobs report misses estimates with 559,000 jobs added, unemployment rate falls to 5.8%

Unemployment rate hits pandemic low.

U.S. employers added fewer than expected jobs last month as extended unemployment benefits encouraged workers to stay home.

Employers added 559,000 jobs in May, the Labor Department said Friday, missing the addition of 650,000 jobs that analysts surveyed by Refinitiv were expecting. April's reading was revised higher by 12,000 to 278,000.

The unemployment rate, meanwhile, declined 0.3 percentage points to 5.8%, its lowest since the pandemic caused businesses to shut their doors in March 2020.

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Despite the gains, the U.S. economy has 7.6 million, or 5%, fewer workers from its February 2020 pre-pandemic level.

“Only a few months ago we had expected to see several months’ worth of gains north of one million as the economy reopened, but labor supply is bouncing back much more slowly than demand,” said Paul Ashworth, chief U.S. economist at research firm Capital Economics.

The leisure and hospitality sector added 292,000 workers as COVID-19 restrictions continued to ease across most of the country. Almost two-thirds of those gains, or 186,000 jobs, were in food services and drinking places. Strong gains were also seen in amusements, gambling, and recreation (+58,000) and in accommodation (+35,000). The sector has 2.5 million, or 15%, fewer jobs than before the pandemic.

Meanwhile, the resumption of in-person learning in more parts of the country boosted employment in public and private education with gains in local government education (+53,000), state government education (+50,000) and

private education (+41,000).

Solid gains were also seen in health care and social assistance (+46,000), information (+29,000), manufacturing (+23,000), transportation and warehousing (+23,000) and wholesale trade (+20,000).

The construction sector lost 20,000 jobs in May and has 220,000 fewer workers as a result of the pandemic.

U.S. companies have had a difficult time finding workers as a supplemental unemployment benefit of an extra \$300 per week has encouraged many to stay home. At least 25 states have announced plans to end the benefits earlier than their September expiration.

The labor force participation rate was little changed at 61.6% and has remained between 61.4% and 61.7% since last June. The reading was 1.7 percentage points below where it was in February 2020. Average hourly earnings rose 15 cents to \$30.33 while the average workweek held at 34.9 hours for the third month in a row.

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Economists say the labor market's recovery could continue to run below its potential until the benefits are phased out.

"With unemployment benefits set to fade in the fall, we may be waiting until the end of summer before we see clear evidence of a fundamentally healing labor market," said Seema Shah, chief strategist at Principal Global Investors.

Source:

<https://www.foxbusiness.com/economy/jobs-nonfarm-payroll-report-may-2021>

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