

Snap | 5 June 2020

US: Jobs - simply astonishing

Somehow the US jobs market has come back from the brink with employment surging 2.509 million despite none of the labour demand surveys suggesting this was remotely possible



2.509mn Number of net jobs created in May

The biggest data surprise in history?

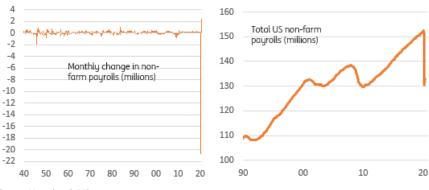
Apologies - this has taken a little longer to write having just fallen off my chair and broken it. US non-farm payrolls have risen 2.509mn in May versus a consensus estimate of a 7.5 million fall. This was so far away from what anyone was expecting. It is simply astonishing given the slow pace of reopening and the fact that more than 12 million people filed a new unemployment claim during the survey period. The ADP payrolls survey had come in stronger than expected, but even that still had a payrolls decline of 2.76mn so this is one of the biggest economic data shocks in history, if not the biggest.

The details show private payrolls rose 3.09mn with a 1.239mn increase in leisure/hospitality, a

Snap | 5 June 2020 1

368,000 increase in retail, a 464,000 increase in construction and a 225,000 increase in manufacturing. The only sector to experience a fall was in government (-585,000).

US non-farm payrolls



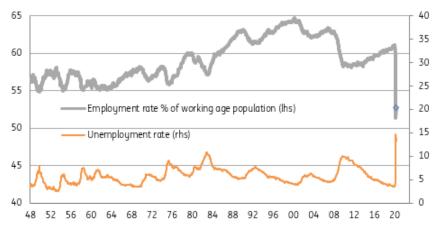
Source: Macrobond, ING

Unemployment down to 13.3%

The household survey, which is used to calculate the unemployment rate, was even stronger. It reported those saying they were employed as rising by 3.839 million, but there are some oddities in here given unemployment fell only 2.09mn so new workers appear to have been magicked up out of no-where. The response rate was well down on usual levels so this could be adding to the sense of confusion as well as how people self identify in the range of responses available to them in the survey. Either way, the unemployment rate has fallen to 13.3% from 14.7% and the proportion of 16-65 year-olds in work has risen to 52.8%.

Rounding out the numbers we have average hourly earnings falling 1%, which again reflects the distortions when you don't mix-adjust the data. Millions of relatively low-paid people now earning a wage will automatically drag down the average hourly earnings rate so this number should be ignored.

Unemployment and employment ratios



Source: Macrobond, ING

Snap | 5 June 2020 2

The recovery could get bumpier

There will naturally be some doubt lingering about these figures given they are telling such a different story to all other data on the labour market, but these are the official ones and on the face of it are fantastic. It suggests the American economy can bounce back very vigorously and we all need to massively revise up our economic projections.

The rebound in hiring should continue, particularly as consumer-orientated retail and hospitality-related industries continue to reopen. Nonetheless, caution is still warranted. Most restaurants and retailers are unlikely to need as many staff as they had before the pandemic hit given social distancing limiting customer numbers at any given time. Many businesses may simply take the view that it isn't economically viable for them to open at this stage and remain closed, particularly in big cities where office blocks will remain shut for some time to come and there isn't a flow of customers.

Furthermore, given the downturn in global economic activity, many manufacturing and professional service firms may also not need as many staff as they face up to the new economic environment of weaker corporate profits and higher debt levels. We also have to remember that even after today's great numbers, US employment is still 19.55mn lower than it was in February. We still have a long way to go...

Author

James Knightley
Chief International Economist, US
james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit http://www.ing.com.

Snap | 5 June 2020 3