

ECONOMIC NEWS

United States: Job Creation Picked Up in May, but Is Still Disappointing

By Francis Généreux, Senior Economist

HIGHLIGHTS

- ▶ The establishment survey indicates that there were 559,000 net hires in May, following gains of 278,000 in April (revised from 266,000) and 785,000 in March (revised from 770,000).
- ▶ Manufacturing created 23,000 jobs, but there were 20,000 net layoffs in construction.
- ▶ Private-sector services created 489,000 jobs. The food services sector gained 186,000 jobs. The increase in the rest of the leisure and hospitality industry was 106,000 jobs. Retailers lost 5,800 jobs. The education and health care sectors created 87,000 jobs and the professional services sector created 35,000 jobs. Public sector employment added 67,000 jobs, mainly in education.
- ▶ The jobless rate decreased from 6.1% in April to 5.8% in May. This is its lowest rate since the beginning of the pandemic. The labour force nevertheless decreased by 53,000 people and the participation rate slipped from 61.7% in April to 61.6% in May.

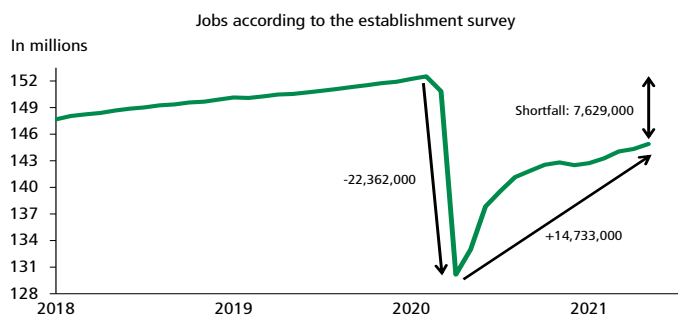
COMMENTS

After a very disappointing April, in which only 278,000 jobs were created, the pick-up in hiring can be considered good news. However, in a context where many states have considerably eased their public health policies, the increase of 559,000 jobs leaves much to be desired. May's result is once again below the consensus expectation of 650,000. Note that the shortfall to reach pre-pandemic job levels is huge, at 7,629,000 workers. Only 65.9% of the jobs lost in March and April 2020 have returned.

In light of the numbers released today, along with the ISM indexes and the Federal Reserve's (Fed) *Beige Book*, it

GRAPH

The U.S. job market's shortfall remains considerable



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

appears that there is now an imbalance between the many job ads and availability of workers. In May, 2,500,000 people said that they were still prevented from looking for work due to the pandemic. Continued vaccination, the return to in-person schooling and the easing of government support measures should sooner or later lead to a balance, which will allow stronger growth of the job market.

IMPLICATIONS

Job growth was better in May than in April, but is still below expectations. The job market's significant shortfall compared with the pre-pandemic situation remains the Fed's main argument in its decision to wait before starting to normalize its monetary policy, despite increasingly apparent inflationary pressures.