

# After May 'rock bottom,' economists see reason to expect slow climb in US jobs

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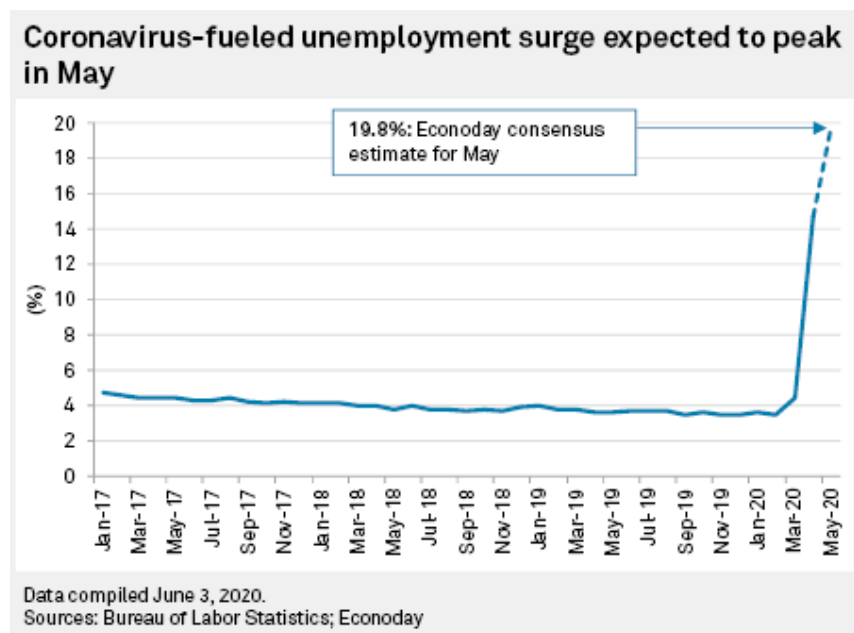
By Evan Fallor  
Market Intelligence

While the May jobs report will likely define a new low in U.S. employment, economists pointed to some signs in recent data that point to the beginnings of a long, though bumpy, recovery.

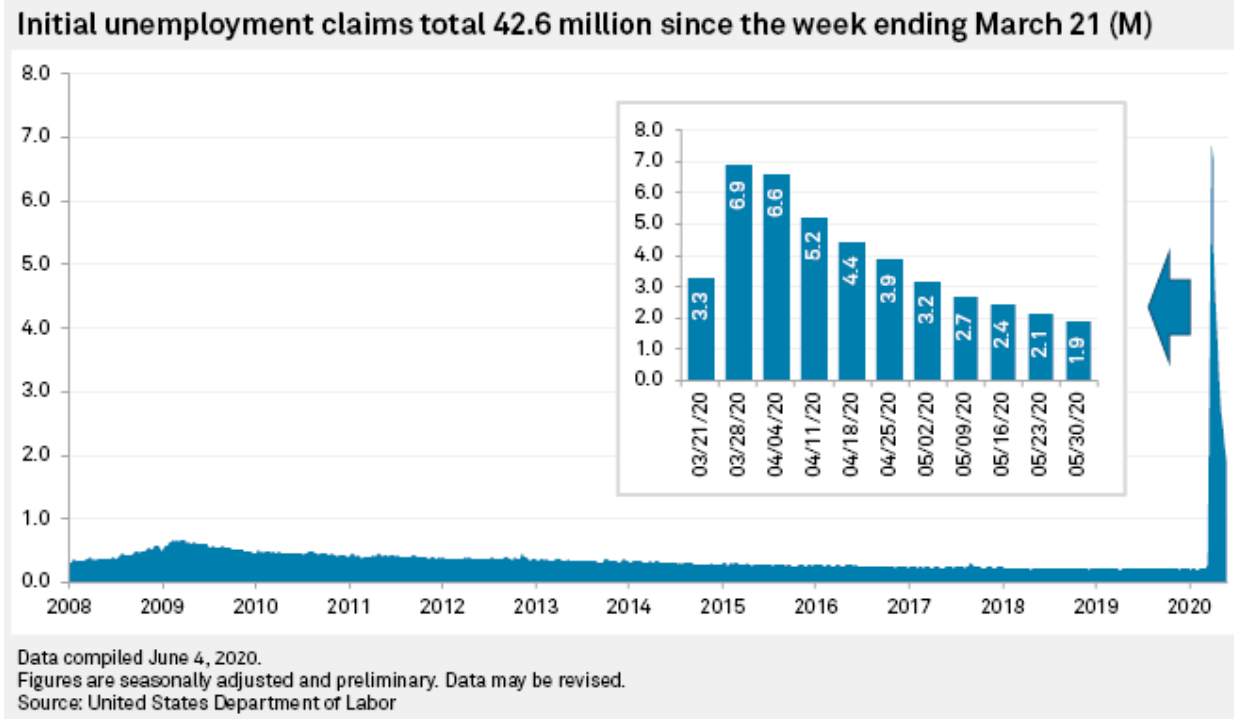
The consensus estimate of economists polled by Econoday is for a 19.8% unemployment rate amid 7.73 million lost jobs in May, on top of a 20.5 million employment reduction the month before.

The May report, due June 5 from the U.S. Department of Labor, will reflect the continued bleeding in an economy where jobless claims since March 15 have matched the total of the previous 186 weeks. Economists interviewed by S&P Global Market Intelligence pointed to private payroll data amid phased reopenings as lessening the economic toll in coming months, but they all also described severe obstacles on the way to a full recovery.

"With the states slowly opening their doors post-COVID-19, the May ... report will likely signal the bottom for the jobs market," Beth Ann Bovino, U.S. chief economist for S&P Global Ratings, said in an interview. "Unfortunately, healing the jobs market will take time. We don't see the unemployment rate reaching its pre-crisis rate until sometime in 2023." The February unemployment rate was 3.5%, tied with other recent months as the lowest in five decades.



But a lower-than-expected decline in the private payrolls report released June 3 by ADP and Moody's (2.76 million net job losses versus 9 million expected) gives Jay Bryson, managing director and acting chief economist for Wells Fargo Securities, a glimmer of hope that a recovery is underway. Bryson projects 8 million job losses and a 20.0% unemployment rate for May.

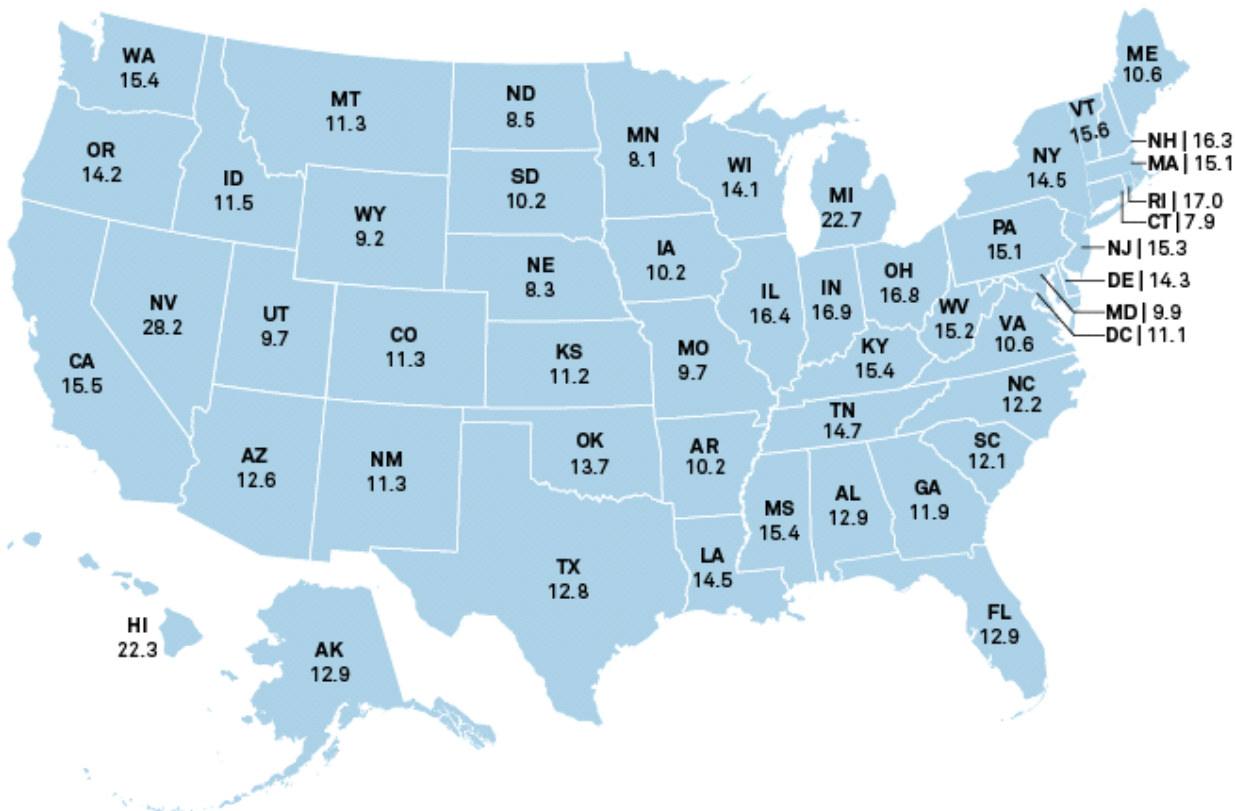


"It would suggest that businesses are quickly recalling furloughed staff," Bryson said in an interview. "Today's ADP data does give some hope that we have hit rock bottom in terms of employment losses."

James Knightley, the chief international economist for ING Economics, agreed. He said the ADP figures mean hiring has been more aggressive in the initial reopening phase than originally thought, which could weaken the blow in the May jobs report. Surprisingly strong applications for home purchases and housing data will likely support construction and employment in that sector and could also drive retail sales to furnish new houses, he said.

"Retail sales will improve as stores reopen and consumers have permission and become more comfortable with shopping again," Scott Huijot, senior director for Moody's Analytics, said in an interview. "However, they will not rebound to anything close to what they were before the pandemic hit."

## Unemployment skyrockets in April (%)



Data compiled June 2, 2020.  
Source: Bureau of Labor Statistics

Economists are confident that long-term recovery will be predicated on the development of a vaccine and the evolution of the virus.

"We will still have a slow recovery even if everything is positive because social distancing and avoiding crowded places is becoming ingrained into life," Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University, said in an interview. He added that he does not anticipate an unemployment rate below 10% by early 2021. "The degree of risk aversion has gone up. It's not like flipping a switch to come out and play with the other human beings quickly."

Oxford Economics projects that the U.S. will recoup 17 million jobs, or 60% of lost jobs, by the end of the year. Some sectors are poised to restore hiring more quickly as all 50 states have now begun a reopening process.

"Manufacturing will recover faster, and the reason is simple," Dhawan said. "People were furloughed and brought back. But the [May jobs report] data won't capture that, and most of auto plants did not open until May 18, so it will show up in next month's report."

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