

Getting a Read on the Labor Market
June 4, 2020



The stock market was mixed on Thursday. The S&P 500 fell 11 points, or -0.34% to close at 3112, and the Dow Jones Industrial Average eked out a small gain of 12 points, or 0.05% to close at 26,282. The Nasdaq Composite dropped 87 points, or -0.90%, closing at 9595 and finally the Russell 2000 rose 4 points or 0.29% to close at 1456.



The Labor Department reported that the number of Americans filling for unemployment benefits fell to 1.877 million in the week ended May 30th continuing an improving trend, and the lowest level since the coronavirus crisis began in March. Still, filings came in slightly above market expectations of 1.80 million. On a non-seasonally adjusted basis, the biggest increases in jobless claims were reported in California and Florida, while those in New York dropped sharply

Continuing jobless claims in the US unexpectedly rose slightly to 21.5 million in the week ended May 23rd from 20.8 million in the previous week and compared to market expectations of 20.1 million. Probably not a complete surprise given the precipitous drop from the prior week. We continue to consider the continuing claims as a more relevant statistic than initial unemployment claims at this point in the economic cycle.



In a nod to the ingenuity of U.S. corporations, the little discussed labor productivity in the U.S. non-farm business sector decreased by an annualized 0.9 percent during the first quarter of 2020, compared to an estimate of a 2.5 percent plunge and following a 1.2 percent increase in the previous three-month period. As expected, output slumped 6.5 percent and hours worked fell 5.6 percent, yet, manufacturing sector labor

productivity edged up 0.3 percent, the first gain since Q1 2019.

Today's numbers give us a sense that the labor market is slowly healing and that corporations are innovating to be as productive as possible. The productivity effort is not getting much attention but will certainly bear fruit during the second quarter earnings season. While today's labor reports are important, they are mere warm up acts to Friday's jobs report, which will give us a much better read on the labor market.