

WEEK IN REVIEW

FRIDAY, JUNE 4TH 2021

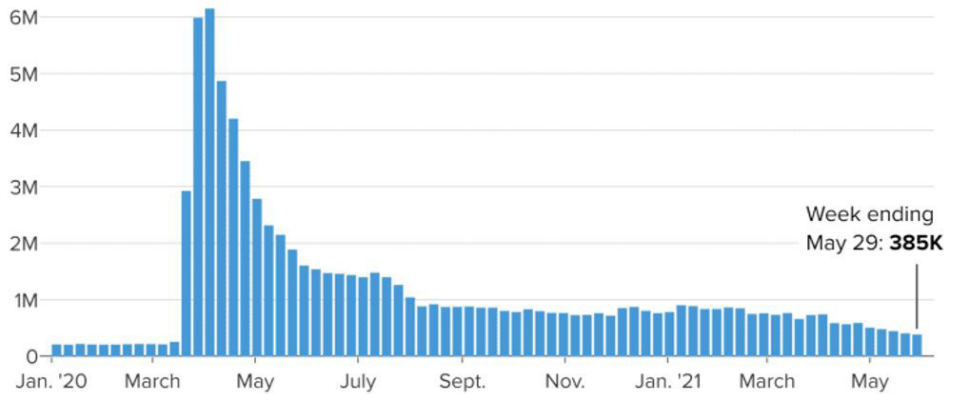
1. JOB GROWTH CONTINUES

US private employers added 978,000 jobs during May, the biggest increase since May 2020. The consensus expectations were for private payrolls to increase by only 650,000 jobs, and so the results significantly exceeded expectations. An easing in the COVID-19 restrictions due to vaccinations has allowed an acceleration in jobs.

Data was also released for initial unemployment claims which came in at 385,000. This figure is the lowest since the escalation of the pandemic in March 2020 but still above the 200,000 – 250,000 range prior to COVID-19 that was associated with a healthy labor market.

Initial claims for unemployment insurance

Weekly since the start of 2020, seasonally adjusted



SOURCE: Dept. of Labor. Data is seasonally adjusted and through May 29, 2021. The DOL began using a new seasonal adjustment methodology the week of August 29. Source: Dept. of Labor

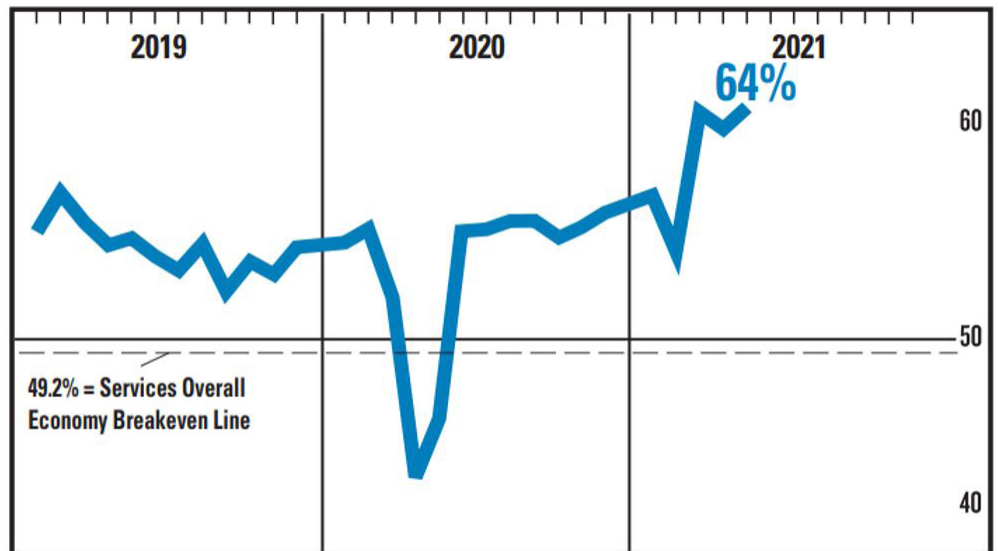


Overcoming the obstacles to getting back to pre-COVID-19 employment levels continues to be a focus for the government and employers. Initiatives to raise pay and reduce funding for unemployment programs are expected to sustain strong job growth for the coming months.

2. ECONOMIC ACTIVITY EXPANDS AT A RECORD PACE IN MAY

Economic activity in the services sector grew in May for the 12th consecutive month as measured by the Institute for Supply Management (ISM) Index. The index reached an all-time high, registering 64% versus the previous record high of 63.7% in March. For the ISM Service Index, a reading over 50% indicates expansion.

ISM Services Index – Services PMI

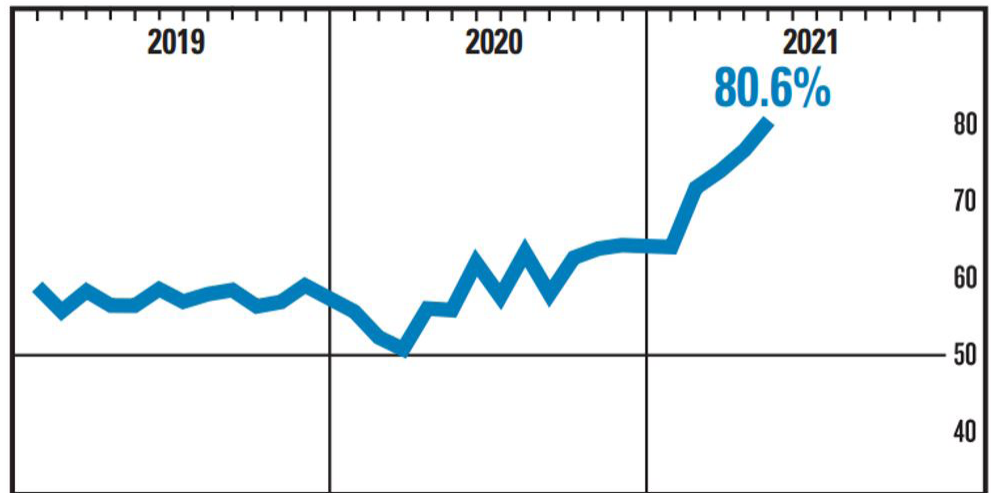


Source: Institute for Supply Management

The survey noted that the rate of expansion is very strong, as businesses have re-opened and production capacity has increased. However, the report also acknowledged that despite the record reading, the rate of growth has been tempered somewhat by capacity constraints, material shortages, weather-related delays, challenges in logistics, and employment resources.

While the pace of growth is a very positive indicator for the economy, the highest-scoring component of the ISM Services Index was prices paid for materials and services registering at 80.6%.

ISM Services Index – Prices Paid by Services Organizations



Source: Institute for Supply Management

Given the inherent inflation being experienced by service businesses and the difficulty finding labor, the pressure on the Federal Reserve to moderate stimulus or at least begin a discussion in this direction is building.

THINKING AHEAD

New data this week continues to support the strong recovery in the economy and employment. However, constraints are also present in part due to the rapidity of the growth putting upward pressure on near-term prices. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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