Minnesota Unemployment Rate Rises in May

Minnesota did not benefit much from the big bounce-back in May nonfarm payrolls seen nationwide, adding just 9,800 jobs during the month. Moreover, Minnesota’s unemployment rate rose further from 8.7% to 9.9%.

Minnesota Left Out in the Cold

Minnesota employers added just 9,800 jobs in May after shedding 360,000 in April. This was only a 0.4% increase, compared to a 1.9% increase nationwide, likely reflecting a later re-opening of the Minnesota economy. The monthly employment data are a lagging indicator, reflecting employment conditions during the pay period covering the week of the 12th of each month. The state’s first major step towards re-opening did not occur until the middle of May, with easing in other industries like bars & restaurants not until June 1. Given the later re-opening, we should see a more significant bounce-back in June.

Private payrolls were slightly better in May, rising by 27,500, or 1.3%. Overall payrolls were dragged down by a 17,700 job loss in government. Leisure & hospitality employment rose by 13,800, but remains down around 142,000 over the past year. Compared to a year ago, leisure & hospitality is still down 41%, followed by other services, which includes things like repair shops, dry cleaners and hair salons and is down 18% from a year ago. Logging & mining is still down 18%, while health care & social assistance rose by 3,100. Retail trade added 4,100 jobs during the month.

The unemployment rate rose in May, rising from an upwardly revised 8.7% to 9.9%. By contrast, the national unemployment rate declined from 14.7% to 13.3%. The state suggested the increase may “simply be the survey catching up with the labor market situation.” Minnesota’s economy is also highly seasonal, and the seasonal adjustment process may be distorting the data more than usual. But unemployment is clearly at a record high, with more than 302,000 people out of work. Initial jobless claims also continue to pour in, with another 25,000 initial claims filed in the week ended June 13. Continuing claims, or the number of Minnesotans receiving unemployment insurance, totaled 391,000 the week ended June 6. This series more closely tracks the number of unemployed.

Mobility data from Google show Minnesota’s economy has continued to pick up. The improvement has been gradual, however, and hiring in June may have been adversely impacted by the civil unrest in Minneapolis and other metro areas. The recovery from the shutdowns put in place to contain the spread of the coronavirus is likely be to slow and uneven. States that re-opened earlier saw large initial rebounds in hiring at restaurants, retailers and medical practices. Unfortunately, many owners and firms are still having a tough time re-opening their business and complying with social distancing guidelines, which means that, after the initial bounce, the recovery is likely to slow.

Source: U.S. Department of Labor, Google and Wells Fargo Securities