First Trust DATAWATCH

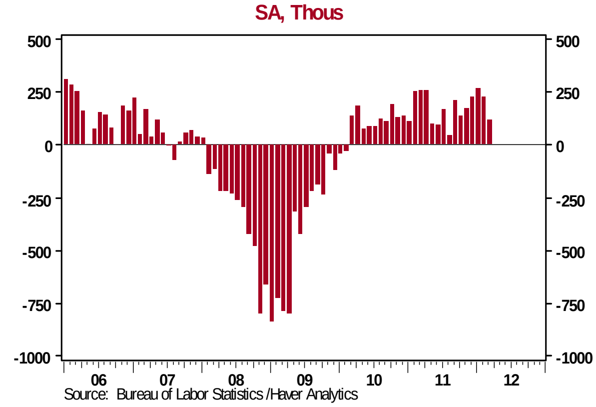
April 9, 2012 • 630.517.7756 • www.ftportfolios.com

March Employment Report

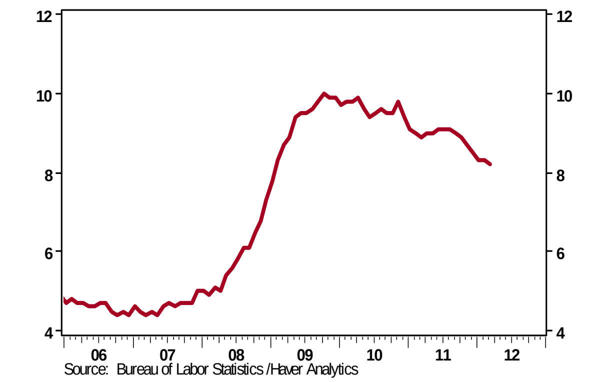
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst

- Non-farm payrolls increased 120,000 in March and were up 127,000 including revisions to January/February. The consensus expected a gain of 205,000.
- Private sector payrolls increased 121,000 in March. Revisions to January/February subtracted 8,000, bringing the net gain to 113,000. March gains were led by manufacturing (+37,000), education & health care (+37,000), and restaurants/bars (+37,000). The weakest sector was retail (-34,000).
- The unemployment rate ticked down to 8.2% from 8.3% in February.
- Average weekly earnings – cash earnings, excluding benefits – rose 0.2% in March and are up 2.1% versus a year ago.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Implications: Payroll jobs fell short of consensus expectations for March, growing 120,000. As a result, equities have temporarily slumped and Treasury securities have rallied. Investor expectations of another round of quantitative easing have increased. We think all these movements are way overdone. The context and details of Friday's report suggest nothing to worry about. The modest gain in payrolls in March follows three months where payroll gains averaged 246,000, in part due to unusually good winter weather. As a result, some payback was inevitable. The unemployment rate dipped to 8.2% in March (versus 8.9% a year ago). Although the drop in March was in part due to a slip in the size of the labor force, that same labor force is up 1.1 million in the past twelve months. In other words, the trend decline in the jobless rate in the past year is definitely not due to fewer people looking for work. The typical duration of unemployment fell to 19.9 weeks in March, tying the shortest length since 2009. Meanwhile, the share of unemployed who voluntarily quit their prior job leaped up to 8.7%, the highest since 2008. Those workers, plus new entrants to the labor force, now make up almost 20% of the unemployed, very close to the norm in 2005-07, before the recession. This shows rising confidence in the strength of the labor market; those without jobs think they will soon get one. Total hours worked slipped 0.2% in March, but for the first quarter as a whole were up at a 3.7% annual rate, the fastest pace for any quarter since the recession. That, combined, with continued increases in wages per hour, means total wages were up at a 5.6% annual rate in Q1, more than enough to outstrip inflation, even with food and energy included. In other recent news on the job market, initial claims for unemployment insurance declined 6,000 to 357,000, the lowest since April 2008. Continuing claims for regular state benefits declined 16,000 to 3.34 million, the lowest since August 2008.

Employment Report *All Data Seasonally Adjusted*	Mar-12	Feb-12	Jan-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	**8.2**	8.3	8.3	8.3	8.5	8.8
Civilian Employment (monthly change in thousands)	**-31**	428	631	343	286	172
Nonfarm Payrolls (monthly change in thousands)	**120**	240	275	212	188	158
Construction	**-7**	-6	18	2	4	5
Manufacturing	**37**	31	52	40	27	20
Retail Trade	**-34**	-29	25	-13	3	11
Finance, Insurance and Real Estate	**15**	9	1	8	8	3
Professional and Business Services	**31**	86	79	65	58	50
Education and Health Services	**37**	66	31	45	37	39
Leisure and Hospitality	**39**	45	39	41	37	27
Government	**-1**	7	-2	1	-9	-17
Avg. Hourly Earnings: Total Private*	**0.2%**	0.3%	0.1%	2.4%	2.0%	2.1%
Avg. Weekly Hours: Total Private	**34.5**	34.6	34.5	34.5	34.5	34.4
Index of Aggregate Weekly Hours: Total Private*	**-0.2%**	0.5%	0.2%	2.1%	2.8%	2.5%

*3, 6 and 12 month figures are % change annualized