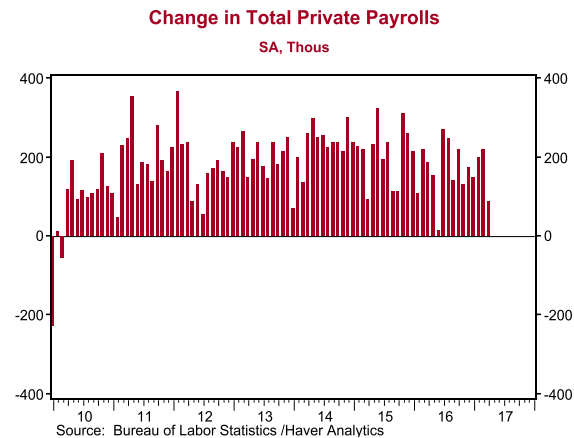


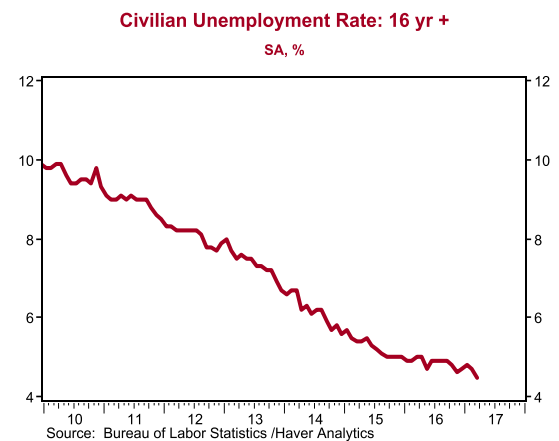
# March Employment Report

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- Nonfarm payrolls increased 98,000 in March, well below the consensus expected 180,000. Including revisions to January/February, nonfarm payrolls were up 60,000.
- Private sector payrolls increased 89,000 in March, although revisions to prior months subtracted 23,000. The largest gain was for professional & business services (+56,000, including temps), while the largest drop was for retail (-30,000). Manufacturing rose 11,000 while government increased 9,000.
- The unemployment rate dropped down to 4.5% in March from 4.7% in February.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in March and are up 2.7% versus a year ago.



**Implications:** Don't get bent out of shape by weak payroll growth in March. Although payrolls grew only 98,000, well below consensus expectations and below even the most pessimistic forecast by any economics group, this is not the start of a new weaker trend. The soft March reading comes after two relatively strong months in January and February. Putting the three months together, payrolls grew an average of 178,000 in the first quarter, almost exactly the average of 182,000 in the past year. In other words, March was payback for an unusually strong January/February. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 472,000 in March and is up 178,000 per month over the past year. That suggests the underlying trend for job growth is still right around 180,000 per month. Due to the March surge in civilian employment the unemployment rate fell to 4.5%, the lowest since May 2007 and clearly below the Fed's long-run forecast of 4.8%. This supports our base case for two more rate hikes in June and September and then a pivot to reducing the Fed's balance sheet in the fourth quarter. Although some claim the jobless rate is only falling due to a shrinking labor force (people who are either working or looking for work), the facts disagree. Since May 2007, the last time the jobless rate was this low, the labor force is up 8.8 million. The labor force is also up 1.4 million in the past year. The participation rate remains low by the standard of the past 40 years, but it's no longer consistently declining. At 63.0% it remains tied for the highest level in almost three years. Nor is job growth due to part-time employment. Since the end of 2009, part-time employment is up 124,000 while full-time employment is up 14.9 million. We like to track what the jobs report means for consumer purchasing power and the data say it remains solid. Wages per hour are up 2.7% in the past year while total hours worked are up 1.4%. As a result, total wages are up 4.1% from a year ago, and this excludes fringe benefits and irregular bonuses/commissions. The bottom line is that the labor market is doing fine. If we could just get some better policies in place, like tax cuts, health care reform, and changes to the disability system and student aid, it would be doing even better.



Employment Report <i>All Data Seasonally Adjusted</i>	Mar-17	Feb-17	Jan-17	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>4.5</b>	4.7	4.8	4.7	4.7	4.8
<b>Civilian Employment (monthly change in thousands)</b>	<b>472</b>	447	458	459	257	178
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>98</b>	219	216	178	163	182
<b>Construction</b>	<b>6</b>	59	34	33	26	15
<b>Manufacturing</b>	<b>11</b>	26	12	16	10	3
<b>Retail Trade</b>	<b>-30</b>	-31	35	-8	-5	5
<b>Finance, Insurance and Real Estate</b>	<b>9</b>	6	30	15	14	15
<b>Professional and Business Services</b>	<b>56</b>	36	59	50	48	53
<b>Education and Health Services</b>	<b>16</b>	66	17	33	38	44
<b>Leisure and Hospitality</b>	<b>9</b>	27	15	17	19	22
<b>Government</b>	<b>9</b>	-2	12	6	0	13
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.2%</b>	0.3%	0.2%	2.5%	2.6%	2.7%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.3</b>	34.3	34.4	34.3	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.1%</b>	-0.1%	0.2%	0.8%	1.1%	1.4%

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