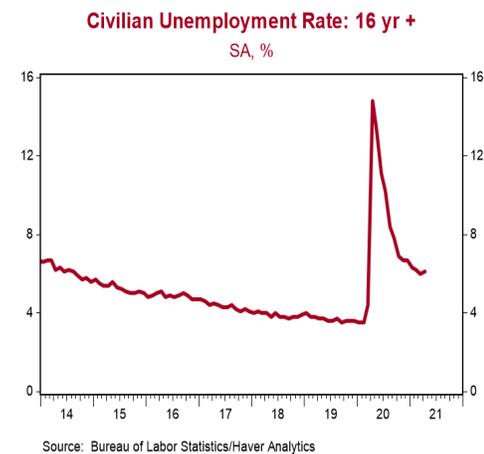
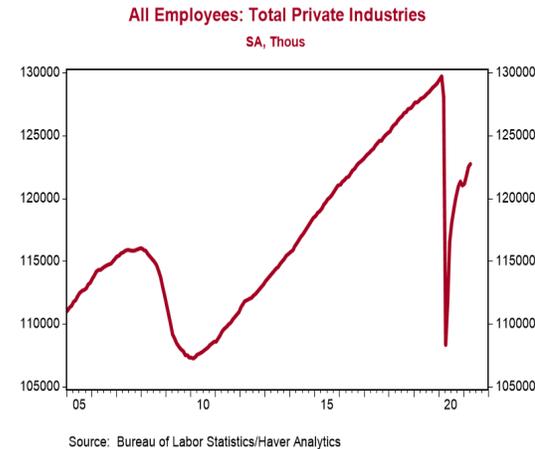


April Employment Report

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- Nonfarm payrolls increased 266,000 in April, falling well short of the consensus expected 1,000,000.
- Private sector payrolls rose 218,000 in April. The largest increase was for leisure & hospitality (+331,000). The largest decline was for professional & business services (-111,000, including temps). Manufacturing declined 18,000 while government rose 48,000.
- The unemployment rate rose to 6.1% in April from 6.0% in March.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.7% in April and are up 0.3% versus a year ago. Aggregate hours worked rose 0.5% in April and are up 15.9% from a year ago.

Implications: The April employment report was disappointing, but not a total dud. It was disappointing because payrolls increased only 266,000 for the month, a huge miss versus the 1,000,000 gain the consensus expected and well lower than the forecast from any economics group. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased a similar 328,000 and the unemployment rate ticked up to 6.1%. Manufacturing, retail, transportation & warehousing, professional & business services, and education all lost jobs in April. But all the news on the labor market wasn't bad and some of it was downright positive. Average weekly hours hit 35.0 in April, tying a record high, and the total number of private-sector hours worked increased 0.5%. This kind of increase in hours would normally be associated with an increase in private payrolls of about 600,000, not the 218,000 by which private payrolls actually grew in April. Meanwhile, average hourly earnings rose 0.7% in April, even as many employers were bringing back lower-paid workers; for example, leisure and hospitality payrolls increased 331,000. Combining average hourly earnings and hours worked, total earnings rose 1.2% in April and are now 1.9% higher than they were in February 2020, pre-COVID. Put it all together and we have a labor market where employers are willing to pay more (higher wages!) and want more workers (more hours!), but are having trouble enticing people to take jobs. This is a sad situation that is largely a result of government policy. We think the key factor here is the extra unemployment benefits, which will run through early September, that enable many workers to earn about as much (or more!) by not working as by getting a job. Notably, the entire increase in the jobless rate in April was due to workers who never went to college, for whom government benefits might be a more attractive alternative. Given the improvement in the overall economy in reaction to the distribution of vaccines, looser COVID-related rules on economic activity, and policies oriented toward short-term economic growth, look for stronger payroll reports in the months ahead, particularly if other states follow Montana's lead and reject beefed-up unemployment benefits. In spite of today's report, the US economy is still getting back on its feet. Removing overly generous government benefits would help it become sturdier even faster.



Employment Report <i>All Data Seasonally Adjusted</i>	Apr-21	Mar-21	Feb-21	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.1	6.0	6.2	6.1	6.3	8.0
Civilian Employment (monthly change in thousands)	328	609	208	382	281	1,496
Nonfarm Payrolls (monthly change in thousands)	266	770	536	524	294	1179
Construction	0	97	-57	13	21	76
Manufacturing	-18	54	35	24	22	73
Retail Trade	-15	33	14	11	13	165
Finance, Insurance and Real Estate	19	19	-7	10	11	18
Professional and Business Services	-79	67	93	27	71	137
Education and Health Services	-1	104	57	53	27	139
Leisure and Hospitality	331	206	413	317	74	448
Government	48	62	-86	8	1	-20
Avg. Hourly Earnings: Total Private*	0.7%	-0.1%	0.3%	3.4%	4.5%	0.3%
Avg. Weekly Hours: Total Private	35.0	34.9	34.6	34.8	34.8	34.8
Index of Aggregate Weekly Hours: Total Private*	0.5%	1.4%	-0.7%	5.0%	4.0%	15.9%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized