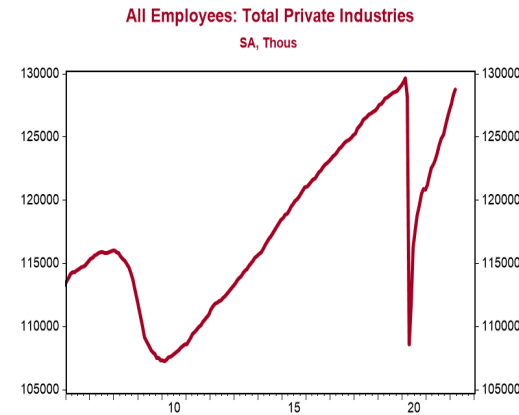


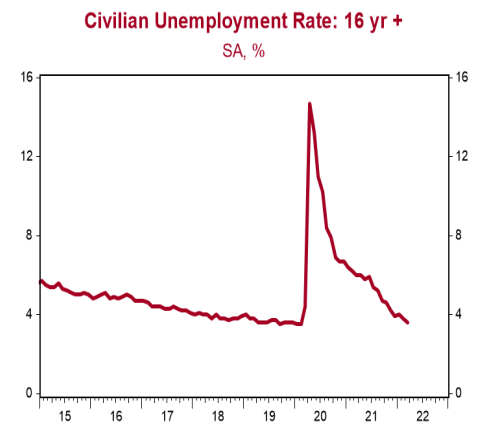
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# March Employment Report

- Nonfarm payrolls increased 431,000 in March versus a consensus expected 490,000. Payroll gains for January and February were revised up by a total of 95,000, bringing the net gain, including revisions, to 526,000.
- Private sector payrolls rose 426,000 in March and revised up an additional 129,000 in prior months. The largest increases in March were for leisure & hospitality (+112,000), professional & business services (+102,000, including temps), education & health services (+53,000), retail (+49,000), and manufacturing (+38,000). Government increased 5,000.
- The unemployment rate fell to 3.6% in March from 3.8% in February.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in March and are up 5.6% versus a year ago. Aggregate hours were unchanged in March but are up 4.1% from a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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**Implications:** The job market continued to improve at a rapid pace in March. Nonfarm payrolls rose 431,000 for the month and were revised up 95,000 for prior months. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 736,000. As a result of the increase in employment, the unemployment rate dropped to 3.6%, a new low for the economic re-opening, even as the labor force participation rate (the share of workers who are either working or looking for work) rose to 62.4%. The participation rate is still below the 63.4% pre-COVID rate, but it's the highest so far in the re-opening. Notably, the median duration of unemployment fell to 7.5 weeks, which is lower than it was pre-COVID, which means those who lose their jobs are not staying unemployed for long. No wonder continuing unemployment claims are the lowest since the late 1960s. However, today's report was not pure unadulterated good news. In spite of the increase in jobs, the total number of hours worked was unchanged in March as weekly hours per worker ticked down to 34.6 from 34.7 in February. Meanwhile, average hourly earnings were up 0.4% in March. That's good by historical standards but not good in an environment when inflation is running higher. Average hourly earnings are up 5.6% versus a year ago while we estimate that consumer prices are up about 8.3% (we get the official CPI report for March on April 12). The bottom line is that workers' earnings are rising, but not enough to keep up with inflation. Also, payrolls are still 1.6 million short of where they were before COVID. But we expect to close that gap later this year and then some, considering the loose stance of monetary policy. Today's report makes it very likely the Federal Reserve will raise rates by 50 basis points when it next meets in the first week of May. The meeting after that is in mid-June and we think the odds favor a 50 basis point rate hike then, as well. The Fed is woefully late in fighting inflation. The good news is that at least the Fed is now aware it's behind the curve. In addition to rate hikes in May and June, we expect more rate hikes in the second half of the year as well as a more aggressive dose of Quantitative Tightening than was implemented in 2017-19.

| <b>Employment Report</b><br><i>All Data Seasonally Adjusted</i> | <b>Mar-22</b> | <b>Feb-22</b> | <b>Jan-22</b> | <b>3-month moving avg</b> | <b>6-month moving avg</b> | <b>12-month moving avg</b> |
|---|---------------|---------------|---------------|---------------------------|---------------------------|----------------------------|
| <b>Unemployment Rate</b>  | <b>3.6</b>    | 3.8           | 4.0           | 3.8                       | 4.0                       | 4.8                        |
| <b>Civilian Employment (monthly change in thousands)</b>        | <b>736</b>    | 548           | 1,199         | 828                       | 775                       | 627                        |
| <b>Nonfarm Payrolls (monthly change in thousands)</b>           | <b>431</b>    | 750           | 504           | 562                       | 600                       | 541                        |
| <b>Construction</b>   | <b>19</b>     | 57            | 6             | 27                        | 34                        | 18                         |
| <b>Manufacturing</b>  | <b>38</b>     | 38            | 26            | 34                        | 41                        | 32                         |
| <b>Retail Trade</b>   | <b>49</b>     | 110           | 121           | 94                        | 64                        | 46                         |
| <b>Finance, Insurance and Real Estate</b>                       | <b>16</b>     | 30            | 2             | 16                        | 20                        | 15                         |
| <b>Professional and Business Services</b>                       | <b>102</b>    | 105           | 88            | 98                        | 122                       | 91                         |
| <b>Education and Health Services</b>                            | <b>53</b>     | 117           | 33            | 68                        | 68                        | 50                         |
| <b>Leisure and Hospitality</b>                                  | <b>112</b>    | 154           | 138           | 135                       | 154                       | 174                        |
| <b>Government</b>   | <b>5</b>      | 11            | 12            | 9                         | 10                        | 26                         |
| <b>Avg. Hourly Earnings: Total Private*</b>                     | <b>0.4%</b>   | 0.1%          | 0.6%          | 4.5%                      | 5.3%                      | 5.6%                       |
| <b>Avg. Weekly Hours: Total Private</b>                         | <b>34.6</b>   | 34.7          | 34.6          | 34.6                      | 34.7                      | 34.8                       |
| <b>Index of Aggregate Weekly Hours: Total Private*</b>          | <b>0.0%</b>   | 0.9%          | -0.2%         | 2.9%                      | 4.4%                      | 4.1%                       |

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