

March jobs rebound erases aberrant February

After all the concern, Q1 ended up having a solid average monthly gain of 180,000 jobs.

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BOTTOM LINE

The Labor Department reported this morning that nonfarm payrolls grew by a stronger-than-expected 196,000 jobs in March, compared with consensus expectations for an increase of 177,000 and Federated's estimate of 183,000. Combined with February's upward revision from 20,000 jobs to 33,000, and January's robust final gain of 312,000, that leaves the first quarter with a solid average monthly gain of 180,000.

Importantly, 390,000 people couldn't get to work in February because of the bad weather, which is 78,000 more than normal. In addition, some 800,000 federal workers were temporarily furloughed in January due to the 35-day government shutdown—the longest on record—that ended Jan. 25. Moreover, the Bureau of Labor Statistics (BLS) was unable to calculate the number of private workers who were likewise impacted by the government shutdown. That collective noise, in our view, clearly hampered February's nonfarm payroll

tally, but we expected that temporary dark cloud to begin to lift in March, which it apparently did.

Government hiring added 14,000 jobs in March (up from 5,000 in February), which means that private payrolls rose by a slightly larger-than-expected 182,000 in March, compared with only 28,000 in February. The construction industry also was a noted star last month, adding 16,000 in March compared with the loss of 25,000 in a weather-impaired February.

The unemployment rate (U-3) held steady at 3.8% in March, a tick above last November's 49-year low of 3.7%, while the labor impairment rate (U-6) held steady at an 18-year low of 7.3%. But the labor force participation rate fell from a 5-year high of 63.2% in February to 63% in March. We expect its upward trajectory to resume in coming months.

Some weak spots All was not perfect with the March report, and there were some notable hiccups. The admittedly volatile household survey, for example, lost 201,000 jobs in March versus a gain of 255,000 in February, a loss of 251,000 in January and a gain of 142,000 in December.

Manufacturing soft The manufacturing sector suffered a sharp decline in March, losing a worse-than-expected 6,000 jobs (consensus estimates called for a gain of 10,000), while February was revised down to a modest gain of only 1,000. We believe that the ISM manufacturing index troughed in February at 54.2 and has begun its ascent higher with a 55.3 reading in March.

Bad Christmas and "Frugal February" weigh on retail Retail lost 12,000 jobs in March and another 20,000 in February. The sector had added 9,000 in January when retail sales rebounded. But it cut 6,000 in December amid the worst nominal holiday sales in a decade, due to the fourth quarter's negative wealth effect. With the personal savings rate now at a 3-year high of 7.7% and winter weather fading, we expect better retail sales and hiring trends as we approach the late Easter on April 21.

Temps down again Temporary help (a leading economic indicator) lost 5,000 jobs in March and 26,000 in January, sandwiching a modest gain of 3,000 in February.

Hours worked rises The average private work week for all employees ticked up to 34.5 hours worked in March, a level it's now achieved four times in the past six months. An increase of 0.1 hour worked theoretically adds 350,000 jobs to the economy.

Wage growth slows Average hourly earnings rose a tepid 0.1% month-over-month in March, down from a robust 0.4% gain in February. As a result, the year-over-year gain slipped to 3.2% in March, down from February's 10-year-high gain of 3.4%.

Claims fall to a new record low Initial weekly unemployment claims hit a new half-century cycle low of 202,000 for the week that ended March 30.

ADP slips ADP's private-sector hiring was much weaker than expected in March with a gain of only 129,000 jobs (versus consensus expectations of 175,000), compared with a solid upwardly revised gain of 197,000 in February.

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DISCLOSURES

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The Job Openings and Labor Turnover Summary (JOLTS) is conducted monthly by the U.S. Bureau of Labor Statistics.

The Institute of Supply Management (ISM) manufacturing index is a composite, forward-looking index derived from a monthly survey of U.S. businesses.

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