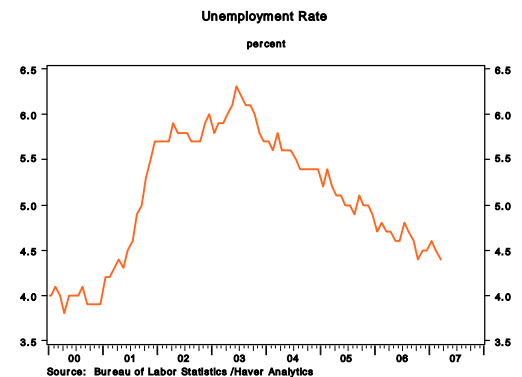
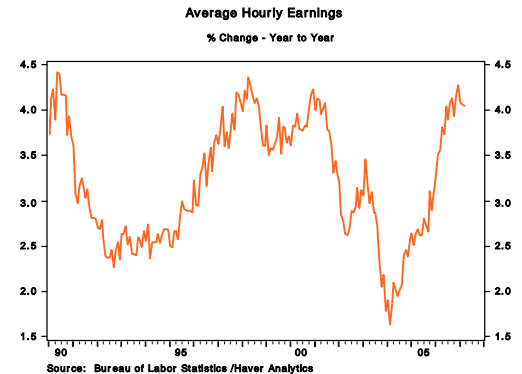


## MARCH EMPLOYMENT REPORT

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- Non-farm payrolls increased 180,000 in March and revisions to January and February boosted the total by an additional 32,000. Combined, payrolls in March were 212,000 higher than reported a month ago. The consensus expected gain was 130,000.
- Construction payrolls gained 56,000, almost reversing last month's weather-related drop. Residential construction jobs expanded by 10,000, the first increase in 10 months. Retail jobs grew by 36,000, the largest increase in 20 months. Manufacturing jobs fell by 16,000, the ninth straight decline.
- The unemployment rate ticked down to 4.4%. Average hourly earnings increased 0.3%. On a year-over-year basis, the 4.0% increase in average hourly earnings in March is stronger than the 3.8% average annual gains from 1995-1999.

**Implications:** The job market remains robust. The unemployment rate has only been lower than March's 4.4% during 28 months of the past 36 years – and all were in the so-called "bubble" of the late 1990s. Payroll employment has increased an average of 152,000 in the past three months and upward revisions continue. Meanwhile, we disagree with the interpretation in some quarters that the employment report suggests diminished wage pressure. As reported, average hourly earnings increased 0.3% in March after rising 0.4% last month. However, average hourly earnings increased 0.3508% in February and 0.3496% in March, so the decelerating trend in wages was due to rounding. The same goes for the supposed slowdown in year-to-year earnings growth, where the change went from February's 4.063% (reported as 4.1%) to 4.048% (reported as 4.0%). One note of caution, however, is that civilian employment (from the household survey) has averaged gains of just 109,000 in the past three months, the slowest increase for any calendar quarter since 2004. This slowdown in job growth, as seen in the better of the two employment survey's, suggests some deceleration in economic activity due to a housing correction. However, the odds of a recession remain extremely low and inflationary pressures continue to build. Fed rate hikes are still on the table for later this year.



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	Mar-07	Feb-07	Jan-07	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	4.4	4.5	4.6	4.5	4.5	4.6
<b>Civilian Employment (monthly change in thousands)</b>	335	-38	31	109	225	215
<b>Nonfarm Payrolls (monthly change in thousands)</b>	180	113	162	152	164	164
<b>Construction</b>	56	-61	34	10	-2	2
<b>Manufacturing</b>	-16	-11	-1	-9	-17	-9
<b>Retail Trade</b>	36	17	34	29	20	3
<b>Finance, Insurance and Real Estate</b>	0	11	2	4	7	11
<b>Professional and Business Services</b>	-7	32	12	12	32	33
<b>Education and Health Services</b>	54	34	39	42	41	40
<b>Leisure and Hospitality</b>	21	32	23	25	40	36
<b>Government</b>	23	33	26	27	20	24
<b>Avg. Hourly Earnings: Total Private*</b>	0.3%	0.4%	0.2%	3.6%	4.1%	4.0%
<b>Avg. Weekly Hours: Total Private</b>	33.9	33.8	33.8	33.8	33.9	33.9
<b>Index of Aggregate Weekly Hours: Total Private*</b>	0.6	0.0	-0.2	1.5	2.5	2.1

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