

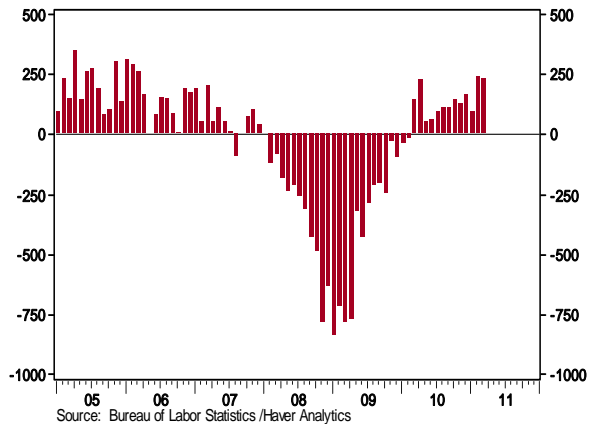
MARCH EMPLOYMENT REPORT

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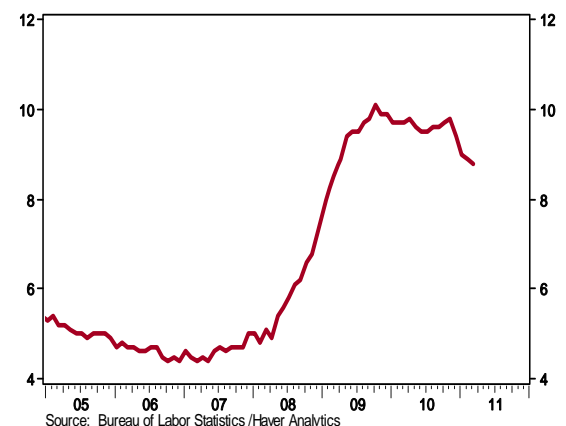
- Non-farm payrolls increased 216,000 in March. Revisions to January/February added 7,000, bringing the net gain to 223,000. The consensus expected a gain of 190,000.
- Private sector payrolls rose 230,000 in March. Revisions to January/February added 44,000, bringing the net gain to 274,000. March gains were led by health care (+37,000), bars/restaurants/hotels (+35,000), temps (+29,000), accounting/bookkeeping (+20,000), retail (+18,000), and manufacturing (+17,000). The largest decline was for home building (-7,000).
- The unemployment rate fell to 8.8% in March from 8.9% in February.
- Average weekly earnings – cash earnings, excluding benefits – were unchanged in March but up 2.3% versus a year ago.

Implications: The US labor market is clicking on almost all cylinders and we expect persistently solid payroll growth, month after month, for the foreseeable future. Including upward revisions to prior months, non-farm payrolls increased 223,000 while private sector payrolls jumped 274,000. This strength was confirmed by figures on civilian employment – an alternative measure of jobs that is better at picking up the self-employed and small start-up businesses – which increased 291,000. The increase in jobs pushed down the unemployment rate to 8.8%, the lowest in two years. The “soft” part of the report was that average hourly earnings were unchanged in March. However, these earnings are up 1.7% versus a year ago while total hours worked are up 2.1%. As a result, *total* cash earnings by workers are up 3.8% in the past year. So far, this is more than enough for workers, as a whole, to keep up with inflation. More timely news on the labor market shows further progress. New claims for unemployment insurance declined 6,000 last week to 388,000. Continuing claims for regular state benefits dropped 51,000 to 3.71 million. News like this is behind the recent increase in “hawkish” comments from Federal Reserve officials. The breadth of the comments suggests some degree of coordination. We believe the Fed wants to make it crystal clear to the financial markets that a third round of quantitative easing is highly unlikely.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Mar-11	Feb-11	Jan-11	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	8.8	8.9	9.0	8.9	9.3	9.4
Civilian Employment (monthly change in thousands)	291	250	589	377	158	113
Nonfarm Payrolls (monthly change in thousands)	216	194	68	159	149	108
Construction	-1	37	-20	5	0	-3
Manufacturing	17	32	53	34	20	16
Retail Trade	18	-8	31	13	10	7
Finance, Insurance and Real Estate	6	-3	-10	-2	-1	-3
Professional and Business Services	78	44	51	58	59	44
Education and Health Services	45	41	29	38	41	35
Leisure and Hospitality	37	48	-3	27	9	16
Government	-14	-46	-26	-29	-18	-30
Avg. Hourly Earnings: Total Private*	0.0%	0.0%	0.4%	1.8%	1.5%	1.7%
Avg. Weekly Hours: Total Private	34.3	34.3	34.2	34.3	34.3	34.2
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.5%	0.0%	3.1%	2.4%	2.1%

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