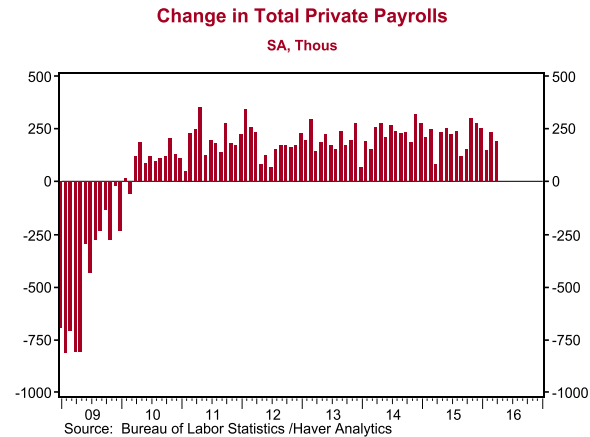


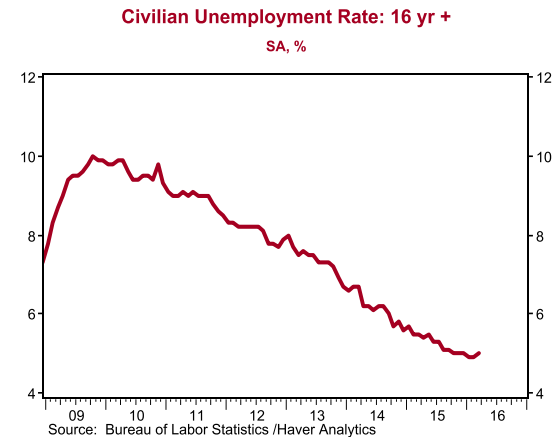
# March Employment Report

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- Nonfarm payrolls increased 215,000 in March, beating the consensus expected 205,000. Including revisions to January/February, payrolls rose 214,000.
- Private sector payrolls increased 195,000 in March, although revisions to prior months subtracted 21,000. The largest gains in March were for retail (+48,000), leisure & hospitality (+40,000), construction (+37,000), and health care (+37,000). Manufacturing payrolls declined 29,000 while government rose 20,000.
- The unemployment rate ticked up to 5.0% in March from 4.9% in February.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in March and are up 2.3% versus a year ago.



**Implications:** The US labor market keeps getting better. Nonfarm payrolls beat consensus expectations, rising 215,000 in March. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups increased 246,000. In the past year, payrolls and civilian employment are both up 234,000 per month, a solid trend. Although the unemployment rate ticked back up to 5.0%, the increase was due to 396,000 additional workers in the labor force, which has grown by 2.2 million in the past year. As a result, the labor force participation rate, which bottomed at a post-1977 low of 62.4% back in September, is now up to 63.0%. That’s still low by the standard of the past generation, but the recent turnaround has been sharp; the gain in the past six months is the largest since the early 1990s. This suggests improvements in job conditions are finally outweighing the negative effects of retiring Boomers, easily available disability benefits, and overly generous student aid. In particular, higher wages are making work more attractive. Average hourly earnings rose 0.3% in March and are up 2.3% from a year ago. Factoring in an increase in hours worked shows that total wages rose 0.5% in March and are up 4.2% from a year ago, a healthy increase considering consumer prices are up only 1.0% in the past year. Given the slight increase in the jobless rate, some analysts and investors may be wondering how the Federal Reserve will react to today’s report. We think today’s report will make the Fed more likely to raise rates again by June. In the past, Fed Chief Yellen has watched the share of voluntary job leavers (or “quitters”) among the unemployed as a sign of labor market strength. In March, that share hit 10.5%, the highest since the recession. The biggest negative in today’s report is that the median duration of unemployment increased to 11.4 weeks from 11.2 weeks in February. A year ago, the median duration was 12.1 weeks, so we’ve made progress. But duration remains stubbornly high relative to prior expansions, likely reflecting weak skills among the unemployed relative to the jobs that are available. Overall, however, the job market keeps getting better and we expect that to continue. Look for another payroll gain of about 200,000 in April.



Employment Report <i>All Data Seasonally Adjusted</i>	Mar-16	Feb-16	Jan-16	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>5.0</b>	4.9	4.9	4.9	5.0	5.1
<b>Civilian Employment (monthly change in thousands)</b>	<b>246</b>	530	409	395	364	234
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>215</b>	245	168	209	246	234
<b>Construction</b>	<b>37</b>	20	18	25	37	25
<b>Manufacturing</b>	<b>-29</b>	-18	18	-10	-3	-2
<b>Retail Trade</b>	<b>48</b>	67	67	60	44	31
<b>Finance, Insurance and Real Estate</b>	<b>15</b>	5	17	12	12	12
<b>Professional and Business Services</b>	<b>33</b>	30	-2	20	43	51
<b>Education and Health Services</b>	<b>51</b>	84	26	54	58	59
<b>Leisure and Hospitality</b>	<b>40</b>	45	34	40	42	39
<b>Government</b>	<b>20</b>	9	13	14	8	10
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	-0.1%	0.5%	2.7%	2.3%	2.3%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.4</b>	34.4	34.6	34.5	34.5	34.5
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	-0.4%	0.4%	0.8%	1.9%	1.9%

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