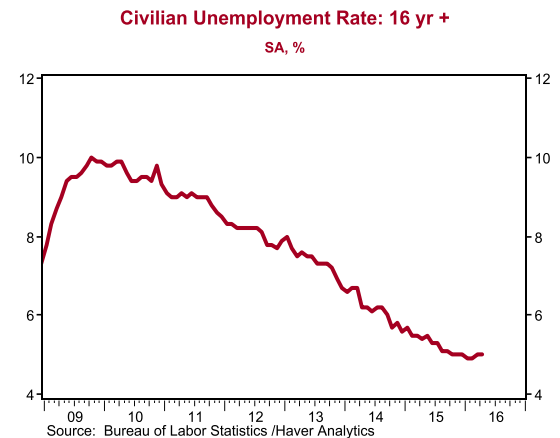
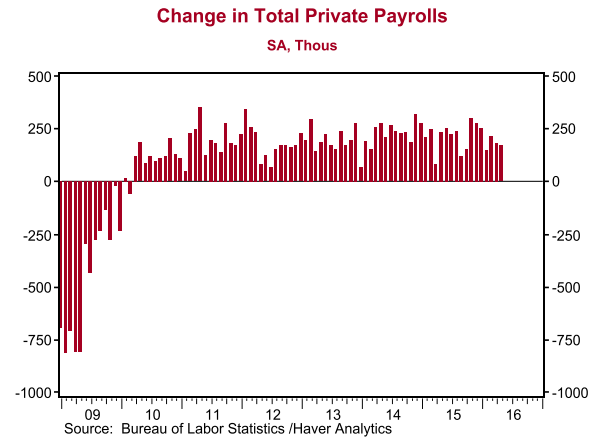


April Employment Report

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- Nonfarm payrolls increased 160,000 in April, missing the consensus expected 200,000. Including revisions to February/March, payrolls rose 141,000.
- Private sector payrolls increased 171,000 in April, although revisions to prior months subtracted 25,000. The largest gains in April were for professional & business services (+65,000, including temps), education & health care (+54,000), and leisure & hospitality (+22,000). Manufacturing payrolls rose 4,000 while government fell 11,000.
- The unemployment rate remained at 5.0%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in April and are up 2.5% versus a year ago.

Implications: Disappointing headlines, but mixed details and key bright spots that shouldn't be overlooked. The most disappointing headline was that payroll growth slackened in April to 160,000, well short of consensus expectations and the slowest in seven months. Meanwhile, civilian employment, an alternative measure of jobs that includes small business start-ups, declined 316,000. Normally, a drop in civilian employment this large would mean a higher unemployment rate, but the labor force fell 362,000, so the unemployment rate remained at 5.0%. However, don't get panicky: it's just one month's data and the trends over the past year remain solid. In the past twelve months, payrolls are up 224,000 per month and civilian employment is up 208,000 per month. And, in spite of the drop in April, the labor force is up almost 1.9 million in the past year. Even the labor force participation rate, which declined to 62.8% in April from 63.0% in March and remains very low by historical standards, is slightly higher than it was a year ago. So how can we stay bullish about further improvements in the labor market? Because both wages and hours worked show plenty of demand for workers. Average hourly earnings grew 0.3% in April and are up 2.5% in the past year. Meanwhile, total hours worked rose 0.4% in April and are up 2.1% from last year. The importance of more hours is easy to overlook, but shouldn't be. The average workweek ticked up to 34.5 hours in April from 34.4 hours in March. That one-tenth of an hour might seem small, but it's the equivalent of adding about 350,000 jobs. As a result of the increase in wages and hours, total cash earnings (excluding fringe benefits and irregular bonuses/commissions) are up 4.7% from a year ago. In an environment where consumer prices are up about 1%, that leaves lots of room for more consumer purchasing power. The financial markets reacted to this morning's report by reducing the odds on a June rate hike to only 2%. We think that's absurdly low. 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 April, that share hit 10.8%, the highest since 2008 and barely below the average of 10.9% during the past 30 years. Expect a rebound back toward trend job growth in May and for expectations of a June rate hike to move up over the next several weeks.



Employment Report <i>All Data Seasonally Adjusted</i>	Apr-16	Mar-16	Feb-16	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.0	5.0	4.9	5.0	5.0	5.1
Civilian Employment (monthly change in thousands)	-316	246	530	153	301	208
Nonfarm Payrolls (monthly change in thousands)	160	208	233	200	220	224
Construction	1	41	13	18	31	22
Manufacturing	4	-29	-16	-14	-2	-2
Retail Trade	-3	39	52	29	35	28
Finance, Insurance and Real Estate	20	14	8	14	14	13
Professional and Business Services	65	37	35	46	41	51
Education and Health Services	54	43	77	58	51	56
Leisure and Hospitality	22	24	37	28	33	37
Government	-11	24	11	8	8	9
Avg. Hourly Earnings: Total Private*	0.3%	0.2%	0.0%	2.4%	2.6%	2.5%
Avg. Weekly Hours: Total Private	34.5	34.4	34.4	34.4	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.4%	0.2%	-0.4%	0.8%	2.1%	2.1%

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

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