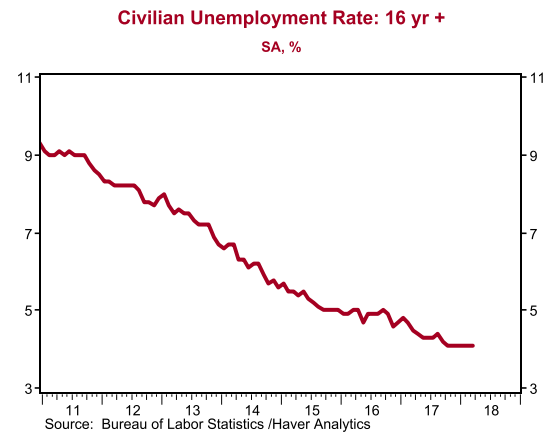
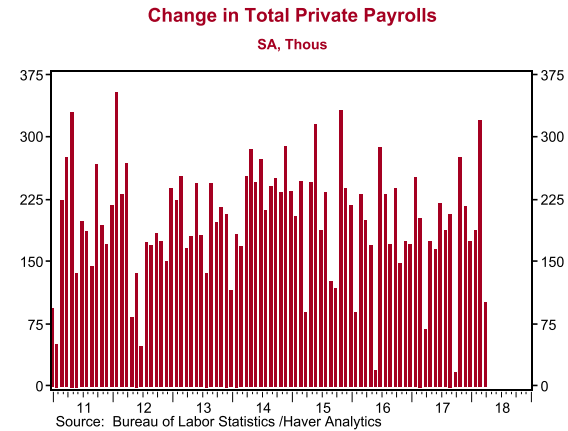


March Employment Report

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- Nonfarm payrolls rose 103,000 in March, lagging the consensus expected 185,000. Including revisions to January/February, nonfarm payrolls increased 53,000.
- Private sector payrolls rose 102,000 in March and revisions to prior months subtracted 17,000. The largest increases in March were for health care & social assistance (+34,000), professional & business services (+33,000, including temps), and manufacturing (+22,000). Government rose 1,000.
- The unemployment rate remained at 4.1%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in March and are up 2.7% versus a year ago.

Implications: Don't get bent out of shape about the soft jobs number this morning; it's not a sign of a weak economy. Nonfarm payrolls rose 103,000 in March, below consensus expectations and the smallest increase in six months. Meanwhile, civilian employment, an alternative measure of jobs that is volatile from month to month but includes small-business start-ups, declined 37,000. However, [earlier this week](#), we gave three reasons to expect a soft number: payback for unusually strong job growth in February, a winter storm that hit the Northeast during the survey week, and the tendency in recent years for March payrolls to come in below consensus expectations. We expect a rebound in job growth in April and think a robust trend is still intact. Payrolls are up 188,000 per month in the past year, almost exactly the same as the 190,000 per month in the year ending in March 2017. Given tax cuts and deregulation, we expect similar gains in the year ahead, despite a dwindling pool of available workers. We also expect the unemployment rate, which has been stable at 4.1% for the past six months, to start declining again soon. As always, we like to track what the jobs report means for consumers' purchasing power, and that part of the report was strong. Average hourly earnings rose 0.3% in March and are up 2.7% in the past year. Meanwhile, total hours worked rose 0.1% in March and are up 2.3% from a year ago. As a result, total earnings, which combine the total number of hours worked and average hourly earnings, are up 5.1% from a year ago. Moreover, this gain doesn't include extra earnings from irregular bonuses and commissions, like those paid out after the tax cut was passed. Some analysts will dwell on the 158,000 drop in the labor force in March, despite the labor force growing 1.2 million in the past year. Others will focus on the increase in part-time jobs in March, while full-time jobs declined. But these figures are very volatile from month-to-month, and the past year has seen a 1.9 million gain in full-time jobs while part-time jobs are up just 285,000. One interesting fact flying under the radar is that the share of the unemployed that's made up of people who quit their previous jobs hit 13.1% in March, the highest since 2001. This shows growing confidence among workers that they can find a better job. In turn, we expect the Federal Reserve to stay on a path of lifting rates three more times this year (so, four times in total). Complacent investors who think today's report is a reason to shift toward "safer" Treasuries and away from equities are missing the forest for the trees.



Employment Report <i>All Data Seasonally Adjusted</i>	Mar-18	Feb-18	Jan-18	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.1	4.1	4.1	4.1	4.1	4.2
Civilian Employment (monthly change in thousands)	-37	785	90	279	91	152
Nonfarm Payrolls (monthly change in thousands)	103	326	176	202	211	188
Construction	-15	65	28	26	30	19
Manufacturing	22	32	20	25	27	19
Retail Trade	-4	47	12	18	10	5
Finance, Insurance and Real Estate	2	30	3	12	10	11
Professional and Business Services	33	55	38	42	39	42
Education and Health Services	25	28	50	34	31	37
Leisure and Hospitality	5	23	21	16	35	26
Government	1	6	-12	-2	-2	1
Avg. Hourly Earnings: Total Private*	0.3%	0.1%	0.3%	2.7%	2.4%	2.7%
Avg. Weekly Hours: Total Private	34.5	34.5	34.4	34.5	34.5	34.4
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.6%	-0.2%	1.9%	3.2%	2.3%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized