

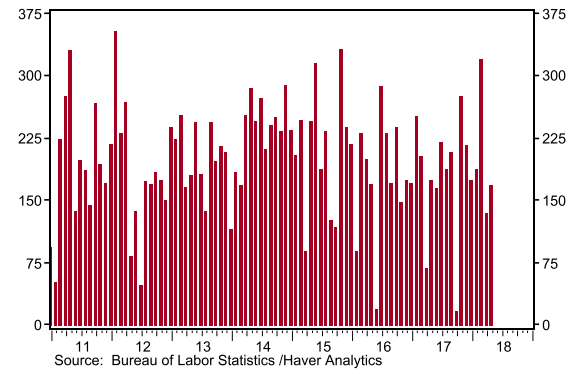
April Employment Report

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- Nonfarm payrolls rose 164,000 in April versus a consensus expected 193,000. Including revisions to February/March, nonfarm payrolls increased 194,000.
- Private sector payrolls rose 168,000 in April and revisions to prior months added 34,000. The largest increases in April were for professional & business services (+54,000, including temps), manufacturing (+24,000), and health care (+24,000). Government declined 4,000.
- The unemployment rate fell to 3.9% in April from 4.1% in March.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in April and are up 2.6% versus a year ago.

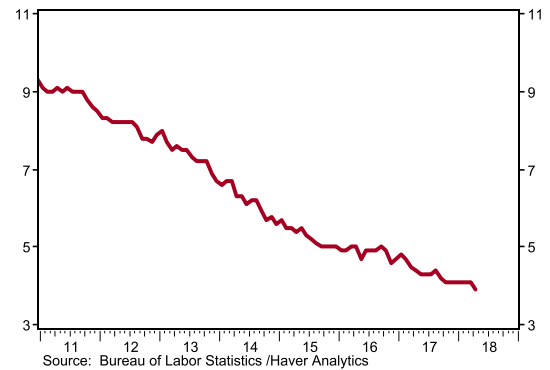
Implications: The US labor market continues to improve. While payroll growth for April fell a little short of expectations – growing 164,000 versus the consensus expected 193,000 – payrolls were revised up by 30,000 for prior months, making up the difference. In the past year, payrolls are up a healthy 190,000 per month, and we expect an average pace of 180,000 over the remainder of the year. Some analysts may worry about the meager 3,000 increase in civilian employment, an alternative measure of jobs that includes small-business start-ups. But that measure is extremely volatile month-to-month, and (more importantly) civilian employment is still up 144,000 per month in the past year. The best news in today’s report was that the unemployment rate fell to 3.9% in April, the lowest since 2000, near the peak of the late-1990s high-tech boom. By the end of 2019, we project the jobless rate will be 3.2%, which would be the lowest since 1953. And it’s entirely plausible that, by 2020, the jobless rate will fall below 3%. Unfortunately, the drop in the unemployment rate in April itself was mainly due to a net 236,000 person decline in the labor force. That said, the labor force has added more than 1 million people in the past year, and we expect further gains in the year ahead. Yes, the participation rate fell to 62.8% in April from 63.0% in March, but the participation rate has been hovering between 62.3% and 63.1% since late 2013, so the report for April is consistent with the recent trend, with cyclical strength in the labor market offsetting the downward pressure on participation from the aging of the Baby Boom generation. The worst news in today’s report was that average hourly wages increased only 0.1% in April. However, these wages are still up a respectable 2.6% from a year ago. Meanwhile, total hours worked rose 0.1% in April and are up 2.2% from a year ago. As a result, total earnings - which combine the total number of hours worked and average hourly earnings - are up a respectable 4.8% in the past year, more than enough to keep pushing consumers’ purchasing power higher. Moreover, this gain doesn’t include extra earnings from irregular bonuses and commissions, like those paid out after the tax cut was passed. Back in March, the Federal Reserve projected that the jobless rate would average 3.8% in the last quarter of this year. We’d take the “under”, and we’re guessing many at the Fed would as well, which means the Fed is likely to keep hiking rates this year. Expect rate hikes in June, September, and December, for a total of four in 2018.

Change in Total Private Payrolls
SA, Thous



Source: Bureau of Labor Statistics /Haver Analytics

Civilian Unemployment Rate: 16 yr +
SA, %



Source: Bureau of Labor Statistics /Haver Analytics

Employment Report <i>All Data Seasonally Adjusted</i>	Apr-18	Mar-18	Feb-18	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	3.9	4.1	4.1	4.0	4.1	4.2
Civilian Employment (monthly change in thousands)	3	-37	785	250	171	144
Nonfarm Payrolls (monthly change in thousands)	164	135	324	208	198	190
Construction	17	-10	67	25	31	21
Manufacturing	24	22	31	26	28	20
Retail Trade	2	6	46	18	11	6
Finance, Insurance and Real Estate	2	4	29	12	9	11
Professional and Business Services	54	39	61	51	40	43
Education and Health Services	31	24	32	29	34	36
Leisure and Hospitality	18	8	18	15	19	23
Government	-4	0	3	0	-2	0
Avg. Hourly Earnings: Total Private*	0.1%	0.2%	0.1%	2.0%	2.8%	2.6%
Avg. Weekly Hours: Total Private	34.5	34.5	34.5	34.5	34.5	34.4
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.2%	0.6%	3.4%	2.6%	2.2%

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