

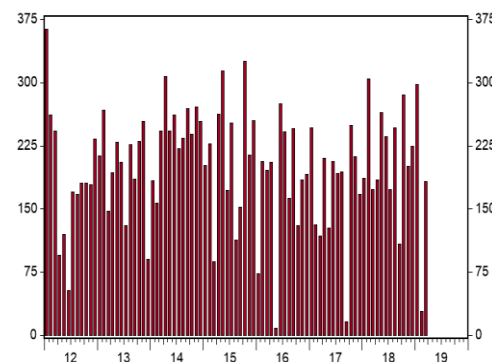
# March Employment Report

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- Nonfarm payrolls rose 196,000 in March, beating the consensus expected 177,000. Including revisions to January/February, nonfarm payrolls increased 210,000.
- Private sector payrolls rose 182,000 in March while revisions to the two prior months subtracted 8,000. The largest increases in March were for health care (+61,000), professional & technical services (+34,000), and restaurants & bars (+27,000); the largest decline was for retail (-12,000). Manufacturing declined 6,000 while government rose 14,000.
- The unemployment rate remained at 3.8%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in March and are up 3.2% versus a year ago.

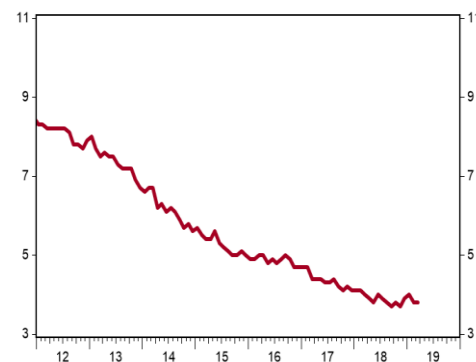
**Implications:** Payroll growth rebounded sharply in March, undermining the case that the US economy is headed for recession and that the Federal Reserve is going to cut short-term rates later this year. Nonfarm payrolls grew 196,000 in March, beating the consensus expected 177,000. In the past year, payrolls are up 211,000 per month, so the March report was essentially a return to trend after a very strong January (+312,000) and then an offsetting weak February (+33,000). Civilian employment, an alternative measure of jobs that includes small-business start-ups, dropped 201,000 in March, but this figure is very volatile from month to month and is still up a healthy 169,000 per month in the past year. Pessimists may also focus on the 224,000 drop in the labor force in March. However, the labor force is still up 148,000 per month in the past year. Again, normal volatility suggests not reading much into one single month. Either way, the household survey shows the unemployment rate remained at 3.8%, and we think this heads lower in 2019. The best news in today's report was on wages. That may seem odd given the fact that average hourly earnings grew only 0.1%, falling short of the consensus expected 0.3%. But the total number of hours worked increased 0.5% in March, which means total wages grew a robust 0.6%. In the past year, total wages are up 5.2%, more than enough purchasing power to push consumer spending upward. In other recent news on the labor market, new claims for unemployment insurance dropped 10,000 last week to 202,000, the lowest level since the NY Jets were reigning Super Bowl champions. Continuing claims fell 38,000 to 1.717 million. These figures suggest another month of solid job growth in April. The Fed's latest economic projections showed the jobless rate bottoming out at 3.7% at the end of the year. But with continued solid job growth it looks like the Fed wasn't optimistic enough. This is part of the reason why we think investors need to stop pricing in a rate cut for 2019, and should instead consider the possibility of a rate hike near year end if the yield on the 10-year Treasury Note can get to 3.0%, allaying unreasonable fears at the Fed of an inverted yield curve.

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>	Mar-19	Feb-19	Jan-19	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>3.8</b>	3.8	4.0	3.9	3.8	3.8
<b>Civilian Employment (monthly change in thousands)</b>	<b>-201</b>	255	238	97	192	169
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>196</b>	33	312	180	207	211
<b>Construction</b>	<b>16</b>	-25	56	16	16	21
<b>Manufacturing</b>	<b>-6</b>	1	17	4	15	17
<b>Retail Trade</b>	<b>-12</b>	-20	9	-8	-1	-3
<b>Finance, Insurance and Real Estate</b>	<b>11</b>	6	6	8	7	8
<b>Professional and Business Services</b>	<b>37</b>	54	5	32	37	45
<b>Education and Health Services</b>	<b>70</b>	13	68	50	47	45
<b>Leisure and Hospitality</b>	<b>33</b>	-1	93	42	51	36
<b>Government</b>	<b>14</b>	5	15	11	4	9
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.1%</b>	0.4%	0.1%	2.5%	3.0%	3.2%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.4	34.5	34.5	34.5	34.5
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.5%</b>	-0.3%	0.2%	1.5%	2.0%	1.9%

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