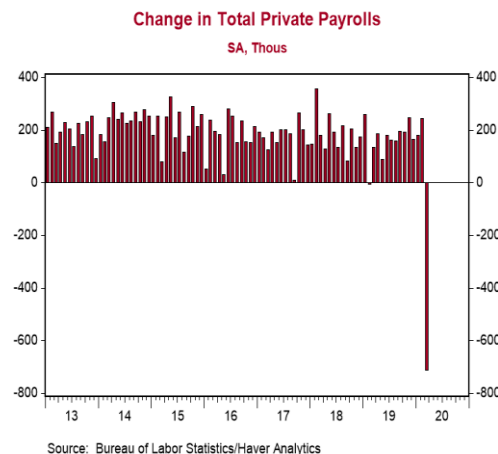


March Employment Report

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- Nonfarm payrolls fell 701,000 in March, much worse than the consensus expected -100,000. Including revisions to January/February, nonfarm payrolls were down 758,000.
- Private sector payrolls fell 713,000 in March, while revisions to the two prior months subtracted 39,000. The largest declines in March were for restaurants & bars (-417,000), education & health services (-76,000), professional & business services (-52,000, including temps) and retail (-46,000). Government increased 12,000 while manufacturing declined 18,000.
- The unemployment rate rose to 4.4% in March from 3.5% in February.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in March and are up 3.1% versus a year ago.

Implications: Payrolls plummeted 701,000 in March and we expect an even steeper drop in April. To put that in perspective, the steepest drop for any month in the Great Recession was 800,000 in March 2009. This past month was almost as bad and it's about to get much worse. Most of the losses were at restaurants & bars, where payrolls fell 417,000, but almost every major category of jobs declined. The 417,000 decline at restaurants & bars was larger than the loss in that sector in the entire Great Recession. Meanwhile, civilian employment, an alternative measure of jobs, that includes small-business start-ups (or the lack thereof) fell roughly three million in March. The consensus expectation for March was for a payroll decline of only 100,000, as the government surveys that generate the jobs data covered early March, before almost all of the massive surge in jobless claims. But in a normal month, pre-Coronavirus, employers hired about 5.8 million workers (gross, not net). We think the data will ultimately show that hiring slowed down substantially in March. In other words, the drop in jobs in early March wasn't really about layoffs, it was about a lack of hiring. In April, it's going to be both. The unemployment rate surged to 4.4% in March from 3.5% in February (tied for the lowest level since the 1960s). Expect a jobless rate of 10%+ for April. The unemployment rate would have been even higher in March except that the labor force shrank by 1.6 million, the largest decline for any month on record. The participation rate (the share of adults who are either working or looking for work), fell 0.7 percentage points to 62.7%, the largest drop for any month since the 1960s. This likely reflects people who want jobs but can't look for them given social distancing. The one bright spot in the report was that average hourly earnings rose 0.4% in March. But that gain is probably due to a lack of hiring in relatively lower-paying jobs. Total hours worked in the private sector fell 1.1% in March, the steepest drop since March 2009. So, even with the gain in average hourly earnings, total earnings fell 0.7%. The US is feeling the pain associated with government-mandated shutdowns designed to limit the health damage from the Coronavirus. Expect more pain to come in the months ahead, but a recovery starting later this year.



Employment Report <i>All Data Seasonally Adjusted</i>	Mar-20	Feb-20	Jan-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.4	3.5	3.6	3.8	3.7	3.7
Civilian Employment (monthly change in thousands)	-2,987	45	-89	-1,010	-421	-81
Nonfarm Payrolls (monthly change in thousands)	-701	275	214	-71	70	125
Construction	-29	41	38	17	14	14
Manufacturing	-18	13	-22	-9	-2	1
Retail Trade	-46	1	-3	-16	0	-2
Finance, Insurance and Real Estate	-1	31	9	13	14	12
Professional and Business Services	-52	36	20	1	18	28
Education and Health Services	-76	65	69	19	33	45
Leisure and Hospitality	-459	44	24	-130	-40	-8
Government	12	33	35	27	18	19
Avg. Hourly Earnings: Total Private*	0.4%	0.3%	0.2%	3.6%	3.3%	3.1%
Avg. Weekly Hours: Total Private	34.2	34.4	34.3	34.3	34.3	34.4
Index of Aggregate Weekly Hours: Total Private*	-1.1%	0.4%	0.1%	-2.1%	-0.7%	0.2%

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