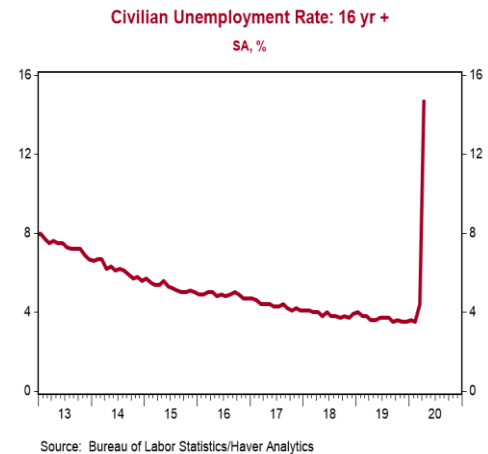
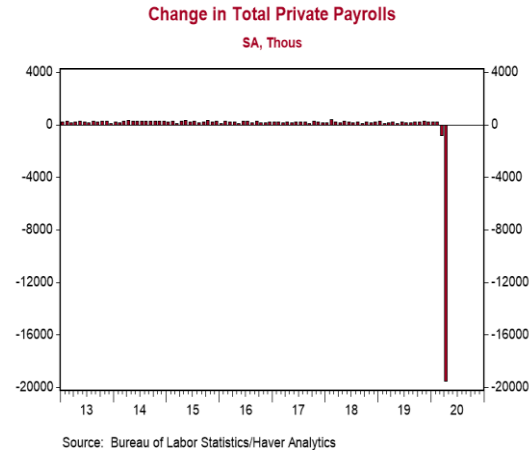


April Employment Report

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- Nonfarm payrolls fell 20,500,000 in April, slightly better than the consensus expected -22,000,000.
- Private sector payrolls fell 19,520,000 in April. The largest drops in April were for restaurants & bars (-5,491,000), education & health services (-2,544,000), professional & business services (-2,128,000, including temps) and retail (-2,107,000). Manufacturing fell 1,330,000 while government declined 980,000.
- The unemployment rate rose to 14.7% in April from 4.4% in March.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 4.7% in April and are up 7.9% versus a year ago. Aggregate hours worked dropped 14.9% in April and are down 15.0% from a year ago.

Implications: The jobs report for April is the worst in American history. Non-farm payrolls plunged by 20.5 million. To put that in perspective, after the recession in 2008-09, payrolls hit rock-bottom in February 2010. Ten years later, in February 2020, payrolls were up 22.8 million. But now, in only one month, almost all of the gains of the prior decade were wiped out. Civilian employment, an alternative measure of jobs, that includes small-business start-ups, dropped 22.4 million in April, erasing all the gains in that measure since the recession of 2008-09 and putting employment back to a level last seen in 1999. Every major category of jobs declined in April; payrolls even declined at food & beverage stores by 42,000 (-1.4% versus March). No surprise, the biggest payroll loser was restaurants & bars, down 5.5 million (-46.2% versus March). As a result of the drop in jobs, the unemployment rate soared to 14.7%, well higher than the peak of 10.0% in the aftermath of the 2008-09 recession and the highest level since 1940. The jobless rate would have been even higher but the labor force fell by 6.4 million as many people not working were not even looking for jobs. The expansive U-6 definition of unemployment, which includes discouraged workers and part-timers who say they want full-time jobs, spiked up to 22.8%. One oddity in the report was that average hourly earnings spiked up 4.7% for the month and are now up 7.9% from a year ago. But that just confirms that lower-paid workers were laid-off much faster than higher paid workers, many of whom can do their jobs from home. We like to track total wages earned by all private-sector workers and that was awful. Aggregate hours worked fell 14.9% in April and are down 15.0% from a year ago. As a result, when you multiply hours worked by average hourly earnings, you find that total earnings dropped 10.9% in April and are down 8.3% from a year ago. This means workers have less purchasing power generated by actual production, versus purchasing power coming from government benefits, unmatched by production. In spite of all the horrible news, we don't see today's report as a reason to be bearish on equities. Everyone already knew today's report was going to be awful; the only issue was how awful. As it turns out, payroll losses were a little less than expected and the unemployment rate came in a little lower than expected. The months ahead are going to be rough. This is very likely the largest job loss of the recession, but there are further job losses ahead and the unemployment rate will go higher. However, we still anticipate the beginning of an economic recovery starting around mid-year.



Employment Report <i>All Data Seasonally Adjusted</i>	Apr-20	Mar-20	Feb-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	14.7	4.4	3.5	7.5	5.5	4.6
Civilian Employment (monthly change in thousands)	-22,369	-2,987	45	-8,437	-4,190	-1,941
Nonfarm Payrolls (monthly change in thousands)	-20500	-870	230	-7047	-3414	-1618
Construction	-975	-33	46	-321	-152	-70
Manufacturing	-1330	-34	8	-452	-220	-112
Retail Trade	-2107	-45	3	-716	-354	-176
Finance, Insurance and Real Estate	-262	-3	22	-81	-35	-12
Professional and Business Services	-2128	-69	6	-730	-352	-158
Education and Health Services	-2544	-101	52	-864	-404	-175
Leisure and Hospitality	-7653	-499	59	-2698	-1331	-649
Government	-980	-28	31	-326	-151	-68
Avg. Hourly Earnings: Total Private*	4.7%	0.5%	0.3%	24.2%	12.9%	7.9%
Avg. Weekly Hours: Total Private	34.2	34.1	34.4	34.2	34.3	34.3
Index of Aggregate Weekly Hours: Total Private*	-14.9%	-1.5%	0.4%	-49.7%	-28.8%	-15.0%

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