TD Economics

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Data Release: U.S. job growth comes ahead of market consensus in February

- U.S. non-farm payrolls rose by 236K in February, ahead of market expectations of 165K. Private sector hiring expanded by 246K, whereas government payrolls declined by 10K.
- The gain in private payrolls was driven by a 179K increase in services employment and a 67K expansion in goods-producing industries. The largest gain was registered in construction, which saw a 48K employment expansion on the month.
- Revisions to January and December data subtracted 15K jobs, mostly concentrated in public sector jobs.
- The unemployment rate declined to 7.7% from 7.9% in January. This drop resulted from the combined effect of a 130K drop in the labor force and a 170K increase in employment measured by the Household survey.
- Average hourly earnings were up 0.2% in February (+2.1% y/y), slightly better than January's 0.1% gain.
- Average weekly hours went up marginally to 34.5 from 34.4 prior.

Key Implications

- February's payrolls numbers are encouraging, with above consensus gains in both services and goods sectors. If the average pace of job creation of the last three months is sustained, U.S. employment would go up by 2.3 million this year. This is in line with our forecast, which sees employment gains just north of 2.35 million this year.
- To put things in perspective, during 2013, just to account for population growth and to keep both the unemployment rate and the labor participation rate steady at their current levels requires the U.S. economy to generate 95K net new jobs each month.
- Furthermore, over the next five years, assuming the participation rate increases progressively from 63.5 currently to its 63.9 – its age-adjusted long-term level – and accounting for population growth, bringing the unemployment rate down to 6% by the end of 2017 would require creating roughly 215K net new jobs a month. This depicts the enormous challenge still ahead for the U.S. labor market and emphasizes the need for higher economic growth.

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