TD Economics

April 4, 2014

Data Release: U.S. payrolls fall short of expectations in March, but revisions erase some winter blues

- Nonfarm payrolls increased by 192,000 in March, just below expectations for a 200,000 gain. However, revisions to the previous two months added another 37,000 jobs to the tally, with both January and February seeing stronger gains at 144,000 and 197,000, respectively.
- Private payrolls accounted for the entire gain, with broad based increases. Services gains were led by professional & business services (+57k), education & health (+34k), and leisure & hospitality (+29k). Retail trade also added (+21k), breaking out of a two month slump.
- The goods sector also added to the tally, with construction (+19k) and mining & logging (+7k) showing positive gains, while manufacturing payrolls (-1k) fell.
- Government employment remained unchanged as local gains offset some losses at the federal and state levels.
- The unemployment rate remained unchanged at 6.7% as household employment (+476k) was coupled with a strong gain in the labor force (+503k).
- The jobless rate for adult men, which has remained consistently above the adult female rate, has fallen back to match it at 6.2%.
- Average weekly hours rose 0.2 hours per week from their depressed levels over winter months, rebounding to match their highest level since the recession.
- Average hourly earnings decreased 0.04% on the month and remain just 2.06% above last year's levels.

Key Implications

- While the headline number failed to live up to expectations for a 2-handle, the details are far more encouraging. The upward revisions have made the winter slowdown less severe. In light of that, the lighter bounce back was not unexpected, and points to a labor market impacted by winter that is now recovering at a gradual pace.
- The breadth of gains across sectors is encouraging, with most private services posting solid gains. The recovering housing market has also continued to add construction jobs, with the spring thaw likely to manifest in more sustained gains in homebuilding.
- Perhaps the most apparent signs of a healing labor market can be found in the household survey. Labor force growth has begun to pick up, with year-over-year declines late last year turning to a 0.7% y/y this month. This was also coupled with strong employment gains, with the employment-to-population ratio appearing to finally finding its bottom, and the recent months seeing consistent gains and the metric at its highest level since 2009.
- This morning's number will give some comfort to the Fed that the winter weight may be lifting. However, wage growth remains subdued, and will remain a concern for both the sustainability of the consumer led recovery and inflation. Having said that, the Fed should have ample room to keep policy accommodative well into 2015, with first rate hike unlikely to take place until the second half of that year.

Michael Dolega
Senior Economist