HIGHLIGHTS

- The establishment survey shows that March recorded 88,000 net hires. The private sector created 95,000 jobs, while governments laid off 7,000 workers.
- The goods-producing sector only created 16,000 jobs in March. Employment posted a solid pace in construction (+18,000), but stagnated in resources (+1,000) and manufacturing (-3,000).
- Net hires stood at 79,000 in private sector services. Good gains were recorded in professional services (+51,000) and education and healthcare (+44,000). However, employment pulled back sharply in retailing (-24,100) and ticked down in transportation and warehousing (-2,800) and finance (-2,000).
- Hourly wages stagnated in March, taking the annual change from 2.1% to 1.8%.
- According to the household survey, employment declined by 206,000 jobs. Despite this, the jobless rate fell 0.1% to 7.6%, with 663,000 people leaving the labour force.

COMMENTS

Following the astonishingly strong performance over the last few months, we were expecting the U.S. employment market’s pace to drop sharply in March. Yet the 88,000 jobs created are well below our expectations (+140,000), which were in fact much less optimistic than the consensus (+190,000). The jobless rate’s dip to 7.6%, a low that dates back to December 2008, may seem like good news at first glance. However, it is only due to another decline by the participation rate, which takes it to 63.3%, a low that dates back to May 1979!

It is difficult to use the federal government’s automatic spending cuts to account for March’s weak job creation. The bulk of the jobs lost in the public sector came from the Postal Service, which is currently engaged in a major restructuring exercise.

March’s poor performance is primarily due to the weak job creation in private services. After creating an average of 170,000 jobs per month over the last six months, this sector only created 79,000 jobs in March. The loss of 24,100 jobs in retailing, a sector that had been doing very well recently, had a big hand in the slowdown. Transportation and finance were also not hiring in March, contributing to the disappointing results.

Implications: In and of itself, this morning’s employment figures are not disastrous. The pace seen in the last few months was clearly not sustainable and the average for job creation over the last six months (+188,000) is more than acceptable. However, March’s weak increase in employment and pullback by the ISM indexes bolster the view that the U.S. economy’s good performance in the last few months may have only been a false start, as we have seen in the last few years. This will strengthen the Federal Reserve’s conviction that it is too soon to start decreasing its bond purchases.

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