United States: March Hires Slump

HIGHLIGHTS

- The establishment survey indicates that there were 103,000 new jobs in March, following gains of 326,000 in February (revised from 313,000) and 176,000 in January (revised from 239,000). This marks the weakest monthly growth since September 2017.

- The construction sector lost 15,000 jobs, but 22,000 were gained in manufacturing.

- There were just 87,000 net hires in private sector services, a sharp decline after a gain of 214,000 in February. Retailers lost 4,400 jobs, while food services saw an increase of a mere 4,300. The health care and education sector gained 25,000 workers. Professional services added 33,000 hires to payrolls.

- The jobless rate remained at 4.1% in March for the sixth consecutive month. The household survey posted a loss of 37,000 jobs, while the labour force shrank by 158,000 people. The participation rate dropped from 63.0% to 62.9%.

- The average hourly wage rose 0.3% in March, more than the 0.1% gain in February. The annual change ticked up from 2.6% to 2.7%.

COMMENTS

After an extraordinary performance in February, which saw the best monthly growth since October 2015, it’s not surprising that hires slowed. However, the slowdown is sharper than expected given the consensus forecast of 185,000 jobs. This disappointment is exacerbated by the rather steep downward revision of the January numbers (-63,000), whereas the upward revision for February (+13,000) is fairly modest.

The small number of hires in food services and the losses in construction and retail suggest that the many storms that hit the U.S. eastern seaboard in March may have played a role. Volatility, pure and simple, also contributed to a weaker March. However, the trend is still fairly good. On average, 202,000 jobs were created per month in the first quarter of 2018. This is better than the average monthly gains of 182,000 for all of 2017.

The jobless rate is looking very steady. This is the first time since 1969 that it has remained unchanged for so long. The results of the household survey showing a drop in employment and the labour force are no cause for concern, given February’s good results with +785,000 and +806,000, respectively, and the survey’s strong volatility.

IMPLICATIONS

The slump in March hires should be temporary, and job market growth should soon be back closer to its average. Under the circumstances, the Federal Reserve should have no reason to worry and is expected to raise its key interest rates again in June.

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