The Daily Dish

April Jobs

GORDON GRAY | MAY 7, 2021

The March employment report was the strongest since August, showing a gain of over 900,000 jobs, a decline in the U-6, and growth in the labor force. The unemployment rate fell 0.2 percentage points to 6.0 percent, while average hourly earnings declined 4 cents, reflecting a 4.24 percent yearly gain. The upshot is that the March report reflected a labor market that appears to be springing forward.

Here is a brief summary of the major economic indicators since the last jobs numbers:

- The Producer Price Index for final demand increased 1.0 percent in March;
- The Consumer Price Index increased 0.6 percent in March;
- Real average hourly earnings decreased 9 cents from February to March;
- Orders for durable goods (including defense and aircraft) increased 0.5 percent in March;
- New home sales increased 20.7 percent in March;
- The Price Index of U.S. imports increased 1.2 percent in March;
- ISM Services Index decreased 1.0 percentage point to 62.7 percent in April;
- ISM Manufacturing Index decreased 4.0 percentage points to 60.7 percent in April;
- Consumer Confidence Index increased 12.7 points from 109.0 to 121.7 in April;
- ADP reported private sector employment increased by 742,000 jobs in April.

Gordon's Guesstimate: April Jobs
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Yesterday, the Department of Labor released weekly unemployment insurance claims data that showed claims had fallen to 498,000, the lowest level since the pandemic began a year ago. Whereas initial claims data often served as the canary in the coal mine for the unprecedented job losses throughout the pandemic, claims now, though still significantly elevated, are in precedented territory. Indeed, initial claims exceeded yesterday's figure in at least one week during the last 6 recessions. Initial claims roughly averaged yesterday's number for a *year* in the mid-70s. To be sure, initial claims are not the sole indicator of labor market health. Continuing claims remain high but, again, are no longer in uncharted territory.

The magnitude of the disruption to the labor market caused by the pandemic – most conspicuously reflected in the loss of 22 million jobs within about 60 days but borne out by other data as well – was truly unprecedented, and required an unprecedented policy response. Policymakers responded with nearly $6 trillion in fiscal support, buttressed by trillions more in assistance from the Federal Reserve. Those supports have sustained households and businesses, and the trajectory of the recovery suggests a rapid recovery. The sweep of recent economic indicators suggests this rebound is well underway, not least of which is the marked decline in unemployment insurance claims.

Perhaps the most conspicuous indicator of today's employment gain is the ADP National Employment report,

which posted a 742,000 increase in private sector employment in April. ADP has tended to understate employment growth of late, though given the magnitude of the labor flows, significant differences in the initial ADP and Bureau of Labor Statistics prints is understandable. Consumer confidence now stands at the highest level since February 2020, when unemployment was 3.5 percent. This last indicator is particularly understandable given the strength of household finances. Disposable personal income has grown over 10 percent , in large part due to federal policies, over the last 12 months. While no doubt many households and communities continue to struggle – and there remain in place extraordinary assistance policies – aggregate household finances a year into the pandemic are healthy. While both ISM indices gave back some recent gains, they both remain comfortably in expansion territory.

This guesstimator is expecting a 1.2 million employment gain, the largest employment increase since last August. In historical terms, this gain would be the 5th largest on record and would take a healthy bite out of the 8.4 million jobs lost since last April that have yet to be replaced. U3 should fall to 5.7 percent. Average hourly earnings remain distorted due to compositional effects and should stay flat or possibly may decline with a large influx of workers if those workers are in comparatively lower-paid industries such as leisure and hospitality.