The Daily Dish

March Jobs

FRED ASHTON | APRIL 5, 2024

Weakness Under the Hood?

Recent headline payroll numbers seemed to defy physics. The Fed's anti-inflation campaign and President Biden's all-out assault on nonunion labor should, by this point, be dragging on employment. But February's jobs report continued the recent hot streak as 275,000 workers were added to the payrolls, blowing past the consensus forecast. The job gains, apparently resistant to gravity, brought the three-month running total to 794,000 – the largest since June 2023. Yet this forecaster thinks it's only prudent to lift the hood to see what's really going on. And underneath the shiny paint of the headline number lies details covered in grit and grime, suggesting that the employment situation may not be so finely tuned.

Case in point: employment in temporary help services. The industry has shed jobs for 23 straight months dating back to April 2022. A downturn in temporary help has often been associated with a pending recession as employers cut these workers before sacking full-timers. Immediately preceding the recession in 2001, employment in temporary help services dipped 7.3 percent from its cycle high. A similar situation took place in 2007 as employment of temporary help dropped 4.2 percent below its cycle peak. Employment in temporary help sat at 13.6 percent below its post-pandemic recession peak in February. Keep an eye on this.

FREDDY'S FORECAST: MARCH JOBS

December's change in nonfarm payrolls was revised down by 43,000 and January's data was slashed by 124,000 from the initial estimate. The downward revisions tempered fears that the pace of hiring was re-accelerating.

Since last month's report, recent data have sent mixed signals with respect to the labor market.

ADP reported private-sector employment increased by 184,000 in March, which was the largest increase since July. Initial claims inched higher but remained low at 221,000 for the week ending March 30. And the JOLTS report showed an uptick in the hiring rate and job openings. Full steam ahead!

Not so fast. Data from the Institute for Supply Management (ISM) showed that manufacturing sector employment contracted for the sixth straight month. The weakness brought the tally to nine declines in the last 10 months. ISM data also showed a contraction in service-sector employment for the third time in four months, an important trend given that 80 percent of U.S. employment comes from the service sector. So, now the bubble's about to burst?

No. But gravity is real, and this forecaster expects it to weigh on the March headline number. Expect payrolls to expand by 195,000 with the unemployment rate holding steady at 3.9 percent. Average hourly earnings growth should get back to its recent trend with an increase of 10 cents after posting a weak 5 cent gain in February.

This forecaster would also like to extend a special thank you to Gordon Gray for his unwavering support and mentorship. I wish him luck wherever his Guestimate leads him.