The Daily Dish

March Jobs

GORDON GRAY | APRIL 5, 2019

Expectations were high for the February jobs number last month, and certainly a 20,000 employment gain substantially disappointed. There are reasons not to be too alarmed, however. The unemployment rate slipped back to 3.8 percent, while the labor force participation rate held at 63.2 with a modest decline in the civilian labor force. Most encouraging was the 11 cent or 3.4 percent year-over-year earnings growth. Note that productivity grew at 1.9 percent annualized in the 4th quarter, closing out a particularly strong nine-month period. If that holds, then a labor market that yields strong earnings growth but smaller job gains at this stage of the recovery is a bargain most observers would take.

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

- The Producer Price Index for final demand increased 0.1 percent in February;
- The Consumer Price Index increased 0.2 percent in February;
- Real average hourly earnings increased 3 cents from January to February;
- Orders for durable goods decreased 1.6 percent in February;
- New home sales increased 4.9 percent in February;
- The Price Index of U.S. imports increased 0.6 percent in February;
- ISM Non-Manufacturing Index decreased to 56.1 percent in March;
- ISM Manufacturing increased to 55.3 percent in March;
- Consumer Confidence Index decreased from 131.4 to 124.1 in March;
- ADP reported private sector employment increased by 129,000 jobs in March.

Gordon’s Guesstimate: March Jobs
By Gordon Gray, AAF’s Director of Fiscal Policy

Last month, this guesstimator observed that, “Perhaps more than most months, this report is likely one where it is worth restating that a single month does not a trend make.” I think it’s worth restating this restatement, and not let February’s topline number figure too prominently in thinking about the direction of the labor market.

That said, forecasting today’s employment report is an opportunity to pick your own bias. Betting on a lousy economy in 2019? One could indeed look no further than the 20,000 jobs added to payrolls last month (though I’m keen to see to what degree this total is revised) and two months of declines in the labor force set against a backdrop of global growth deceleration. Think today’s report will make labor statistics great again? Check out initial unemployment insurance claims, which just hit the lowest weekly level in about 50 years, or ignore February and admire the 1 million jobs added to the economy in the prior four months. Either of these viewpoints may prove out tomorrow, but neither will likely fit 2019’s economy neatly.

The United States is closing in on the 10-year anniversary for the “official” end of the Great Recession. Over this decade the recovery has disappointed somewhat in its pace and diffusion, but the durability of this current expansion is remarkable. Will it last forever? No, but neither should deceleration be confused with recession. Instead, I expect to see the pace of job creation level off. Plateauing doesn't mean we won't necessarily see more blockbuster numbers in the months ahead, or big disappointments. Instead, I simply expect there to be fewer truly eye-popping months like January and an odd February more frequently. This moderation will be noisy.

For March, I'm encouraged with the employment indices in both the manufacturing and service datasets, and ADP figures and the low jobless claims don't suggest another big miss. But I also don't see much in the data to suggest March will completely clean up after February's disappointment. I expect a solid gain in payrolls of 160,000 and expect to see the unemployment tick down to 3.7 percent. I also predict that earnings will post a 6-cent increase, for a 3.5 percent year-over-year gain.