



The Daily Dish

March Jobs

GORDON GRAY | APRIL 2, 2021

The February employment report was stronger than expected. Employers added 379,000 jobs, with private sector payrolls picking up 465,000 jobs, while the unemployment rate fell 0.1 percentage point to 6.2 percent and the labor force participation rate remained unchanged at 61.4 percent.

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

- The Producer Price Index for final demand increased 0.5 percent in February;
- The Consumer Price Index increased 0.4 percent in February;
- Real average hourly earnings decreased 2 cents from January to February;
- Orders for durable goods (including defense and aircraft) increased 2.9 percent in February;
- New home sales decreased 18.2 percent in February;
- The Price Index of U.S. imports increased 1.3 percent in February;
- ISM Services Index decreased 3.4 percentage points to 55.3 percent in February (ISM Services have not yet released data for March);
- ISM Manufacturing Index increased 3.9 percentage points to 64.7 percent in March;
- Consumer Confidence Index increased 19.3 points from 90.4 to 109.7 in March;
- ADP reported private sector employment increased by 517,000 jobs in March.

Gordon's Guesstimate: March Jobs

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In March, President Biden signed into law a roughly \$1.9 trillion domestic spending plan that included robust income support for eligible Americans and, among other domestic spending, some additional commitments to hasten vaccination against the coronavirus. Amid that policy rollout, rates of vaccination are steadily rising. You probably see your neighbors more, and increasingly more of them are describing what, if any, side effects they experienced from their inoculation. In short, things are starting to come together for the labor market, and this month's report will likely show signs of a proper spring in employment.

The first round of Economic Impact Payments from the American Rescue Plan Act started hitting bank accounts on March 12, which coincides with the reference weeks for the two surveys that inform the monthly employment report. Vulnerable households have received sufficient financial assistance in the successive fiscal responses to the pandemic that as of March 14, consumer spending in lower-income zip codes was up 10.5 percent over January 2020 levels. Savings remain elevated relative to pre-pandemic levels, belying supply constraints that should attenuate as the recovery and sustainable reopening continue. The pump is well primed.

That some of the essential ingredients were coming together in March is borne out by other data, not least of which is unemployment claims. Initial claims hit a new pandemic-era low for the week of the 20th, though the following week saw a bit of a jump. The 4-week moving average, now at a pandemic-era low of 719,000, is the

lowest since March 14, 2020, when it stood at 225,500. ADP data buttress the notion that the labor market is on the upswing on the heels of last month's somewhat better-than-expected employment gains.

The upshot of the monthly and weekly data suggests a healthy employment gain in March. But this potential improvement must be considered in the context of the overall labor market. At 6.2 percent, the unemployment rate does not paint a particularly dire picture. Since February 2020, however, the labor force has slumped to 40-year lows, having lost 4.2 million workers. The United States has recovered 58 percent of the jobs lost in April and May of 2020, but there remains substantial room for recovery. This guesstimator is assuming a 675,000-payroll gain and a decline in the U-3 to 6.0 percent, while workers will see a 4-cent gain in hourly earnings. These gains would make for a strong report, but it will take months to years of sustained, strong reports to reflect a fully recovered labor market.