ECONOMIC UPDATE
REGIONS
April 5, 2019

March Employment Report: No Madness In This March Report

- Nonfarm employment rose by 196,000 jobs in March; prior estimates for January/February were revised up by a net 14,000 jobs
- Average hourly earnings rose by 0.1 percent in March; aggregate private sector earnings rose by 0.6 percent (up 5.2 percent year-on-year)
- The unemployment rate was unchanged at 3.8 percent in March (3.812 percent, unrounded); the broader U6 measure held at 7.3 percent

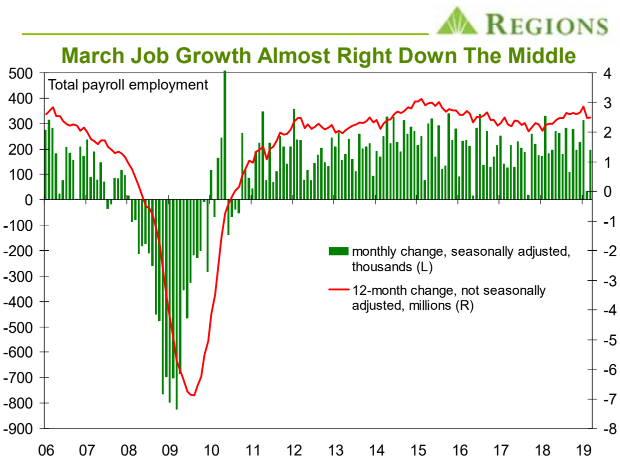
A month ago, when the BLS reported nonfarm employment rose by just 20,000 jobs in February, we noted that figure was no more representative of the health of the labor market than was the reported increase of 311,000 jobs in January, but taking the average of the two would yield a more reasonable indicator. As it turns out, the BLS's initial estimate of March job growth is much more in line with the trend rate of job growth. Total nonfarm employment rose by 196,000 jobs in March, topping our forecast of a gain of 179,000 jobs, with private sector payrolls up by 182,000 jobs and public sector payrolls up by 14,000 jobs. Prior estimates of job growth in January and February were revised up by a net 14,000 jobs for the two-month period, with an upward revision to estimates of public sector job growth more than offsetting a downward revision to estimates of private sector job growth. The jobless rate held steady at 3.8 percent in March. The 0.1 percent increase in average hourly earnings leaves hourly earnings up 3.2 percent year-on-year.

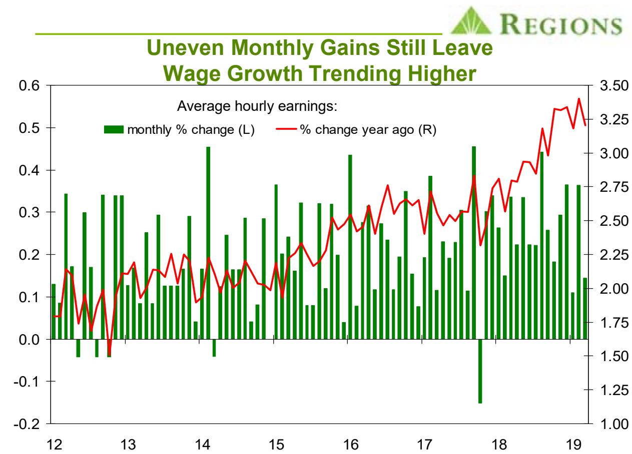
Both the January and February employment reports were plagued by a considerable degree of noise, such as weather effects and lower response rates than normal for each month. That harsh winter weather took a toll on measured February employment seems fairly intuitive, but what many missed is that unusually mild weather during the January survey period led to inflated estimates of hiring on a seasonally adjusted basis. The March employment report seems relatively noise free – the 77.6 percent response rate to the BLS's establishment survey is above the average March rate. Moreover, the number of people either not at work at all or at work only part-time due to weather was lower this March than was the case in the past two years. If anything, seasonal adjustment may have slightly overstated reported job growth in March, but any such error is small and, on the whole, the March employment report is a "clean" report.

We had been concerned over the slight downward drift in the hiring diffusion index, a measure of the breadth of hiring across private sector industry groups, over the prior two months, but that reversed in March, and the one-month diffusion index again topping 60 percent is a sign that job growth remains broad based. Still, we continue to watch the hiring diffusion index closely – job growth becoming increasingly concentrated amongst a smaller group of industries would tell us the expansion was running out of steam, but thus far there are no such signs. Education & health services (70,000) and business services (37,000) posted the largest job gains amongst the major industry groups in March. One thing that stands out, however, is the reported decline in manufacturing payrolls (down 6,000 jobs) in March, dragged lower by job losses in motor vehicle production. Though unit sales were strong in March, the not seasonally adjusted data tell us that this simply reflects sales being seasonally weak in February, which could easily reflect the impacts of that month's harsh winter weather, with the shortfall having been made up for in March. We still see vehicle sales trending lower, which could be a source of further downward pressure on payrolls in this industry group.

Both the labor force and household employment fell in March, though large declines in the 65-and-over age cohort account for most of this. Still, the number of people transitioning from not in the labor force to employed was the lowest in a year in March, and we've pointed to this series as a good measure of remaining labor market slack. While there is a good deal of volatility in this series, it nonetheless bears watching over coming months. Though growth in average hourly earnings disappointed, our second chart below illustrates how jumpy this metric is from one month to the next, and what is more relevant is that through the monthly noise, wage growth continues to trend higher. Moreover, the broader, not to mention much more relevant, measure of aggregate wage and salary earnings continues to grow at a better than 5.0 percent pace (up 5.2 percent in March), easily outrunning inflation.

Though our view – slowing growth, but not the end of growth – has not wavered, there has been a good deal of concern in some quarters over the course of the U.S. economy, thanks in large part to some odd, in some cases downright frightening, patterns in the economic data of late. The March employment rate should help assuage those concerns.





Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com