Comerica Economic Alert

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March U.S. Employment

Quirky Report Shows Weaker-than-Expected Payroll Gain Despite Other Strong Indicators

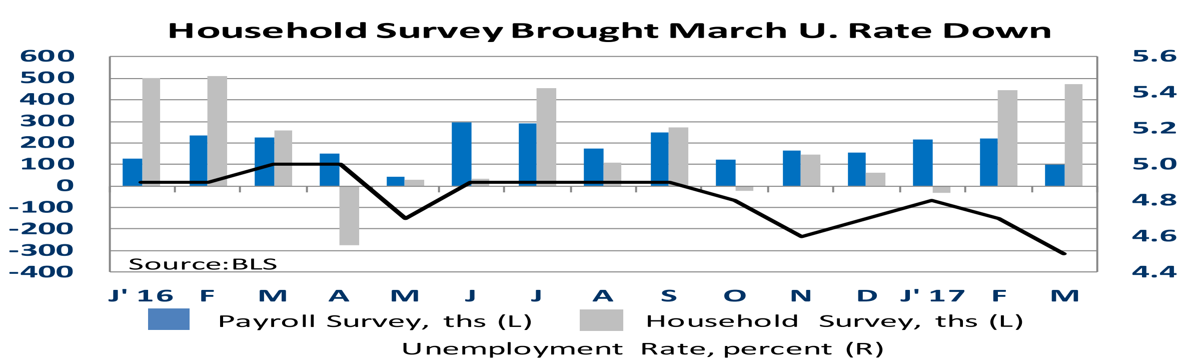
- Payroll Employment increased by only 98,000 jobs in March. The household survey surged by 472,000 jobs.
- The Unemployment Rate for March fell to 4.5 percent.
- Average Hourly Earnings increased by 0.2 percent for the month, the average workweek was unchanged.

Despite the strong ADP jobs report for March, released on Wednesday, the official Bureau of Labor Statistics jobs report for March showed a much weaker-than-expected 98,000 net new payroll jobs. In contrast to the weak payroll survey, the household survey of employment recorded another very strong month, surging by 472,000 jobs after a similar 447,000 job gain in February. The household employment numbers feed into the unemployment rate, and brought it down more than expected, to a tight 4.5 percent. Retail trade employment was a big drag on the payroll survey, declining by nearly 30,000 jobs, instead of adding the usual 20,000 or so, and that represents a 50,000 job swing in the data. This is consistent with anecdotal reports of stress on the brick-and-mortar side of retail sales. Piling on, January and February payrolls were revised down a total of 38,000 jobs. It is not unusual to have a month of weak payroll job growth following a string of strong months, and so the weak March payroll jobs numbers should not be interpreted as a sign of an imminent economic slowdown. Also, bad weather on the East Coast in March was a possible drag. We expect to see a stronger jobs report for April, to be released on May 5, after the upcoming FOMC meeting over May 2 and 3. Today's data will not, by itself, change Federal Reserve monetary strategy. The Fed will see two more jobs reports before the June 13 and 14 FOMC meeting. We expect the Fed to leave interest rates unchanged on May 3 and then to increase the fed funds rate range by 25 basis points on June 14. The implied odds of a fed funds rate hike on June 14 are about 62 percent, according to the fed funds futures market.

The climbing rig count motivated hiring in the mining and logging sector, which added 11,000 net new jobs in March. Construction was weaker than expected, adding 6,000 jobs for the month, possibly held down by bad weather on the East Coast. Manufacturing was solid, adding 11,000 net new jobs, consistent with the positive employment sub-index of the March ISM-MF report. Wholesale trade dropped just 400 jobs, but retail trade was a big drag, shedding 29,700 jobs for the month. Transportation and warehousing industries added 3,500 jobs. Information services dropped 3,000. Financial activities employment increased by 9,000 jobs. Professional and business services added a solid 56,000 jobs for the month. Education and healthcare was a little soft, gaining only 16,000 net new jobs. Likewise, leisure and hospitality industries increased their payrolls by 9,000 for the month. The government sector was a little light, adding 9,000 jobs as Federal government employment fell by 1,000, consistent with the Federal hiring freeze.

The United States' Tomahawk missile attack on an airbase in Syria last night has resulted in a small upward movement in crude oil futures. Syria is not a major oil producer and its production capacity has deteriorated significantly in recent years. However, Syria's proximity to other major oil producers and oil distribution routes adds some uncertainty to future oil prices.

Market Reaction: U.S. equity markets opened with losses. The 10-Year T-bond yield is down to 2.30 percent. NYMEX crude oil is up to $51.92/barrel. Natural gas futures are down to $3.28/mmbtu.



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