

## April U.S. Employment

*April Payrolls Gain 211,000 after a Soft March Report, Unemployment Rate Drops to 4.4%*

- Payroll Employment increased by 211,000 jobs in April. March payroll gains were revised down to 79K.
- The Unemployment Rate for April fell to 4.4 percent.
- Average Hourly Earnings increased by 0.3 percent for the month, the average workweek also increased.

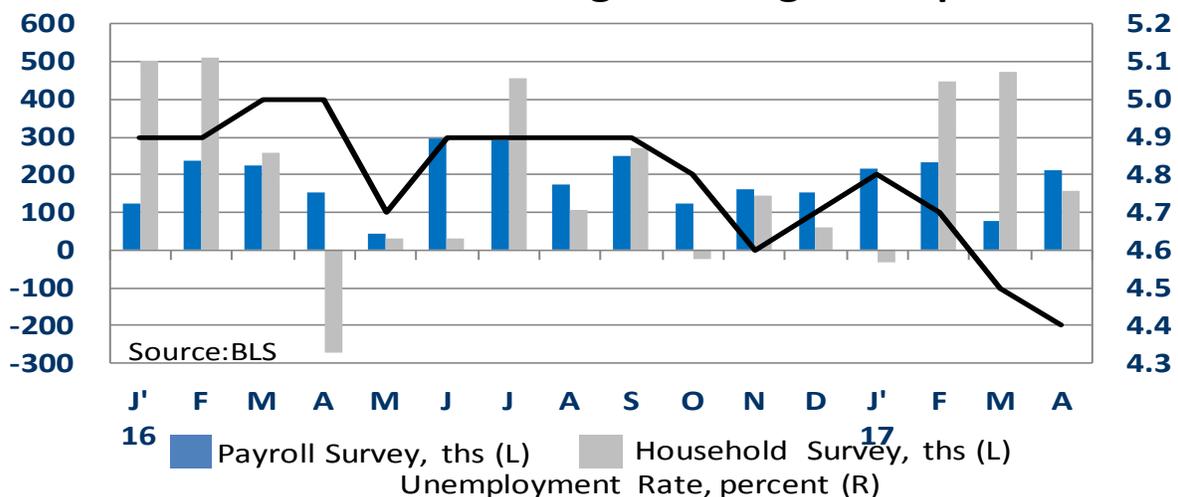
As expected, the April payroll job count bounced back, showing a net gain of 211,000 jobs for the month, following on the heels of a weak March payroll report. In fact, the initial low estimate for March payroll gains of 98,000 net new jobs was revised down to show just 79,000 new jobs for the month. The U.S. unemployment rate ticked down from 4.5 percent in March, to a tight 4.4 percent in April, the lowest it has been since May 2007. Average hourly earnings increased by 0.3 percent and are up 2.5 percent over the previous 12 months. The average workweek increased by 0.1 hour to 34.4. So we have more people working longer hours for more pay, a positive for consumer spending, housing and related metrics.

Today's jobs report vindicates the Fed's policy announcement from Wednesday where they said that slow growth in the first quarter was likely to be transitory. Moreover, rising wages and tighter labor markets will get the Fed's attention when the Federal Open Market Committee next meets over June 13/14. We expect to see a 25-basis point increase in the fed funds rate range announced at the conclusion of the next FOMC meeting over June 13/14. The fed funds futures market shows an implied probability of 78.5 percent for a June 14 rate hike.

Today's jobs report shows strong gains in the service sector. Mining and logging industries increased their payrolls by 10,000 in April, most coming in support activities. Construction added only 5,000 net new jobs, symptomatic of tight labor conditions in that sector. Manufacturing employment increased by 6,000 jobs in April, supported by gains in nondurable manufacturing industries. Wholesale trade added 8,200 jobs. Retail trade employment increased by a tepid 6,300 jobs. Retail trade appears to be at an inflection point where many brick-and-mortar retailers are rapidly losing market share to internet-based operations. Utilities employment increased by 700 jobs in April. Information services lost 7,000. Financial services employment increased by a strong 19,000 jobs. Business and professional services employment increased by a solid 39,000 jobs. Education and healthcare gained 41,000 jobs. Leisure and hospitality was up a strong 55,000 net new jobs in April. Government employment, which has been held down by the federal government hiring freeze, bounced back in April, gaining 17,000 net new jobs. The hiring freeze was lifted on April 12.

**Market Reaction:** U.S. equity markets opened with gains. The 10-Year T-bond yield is up to 2.36 percent. NYMEX crude oil is up to \$45.85/barrel. Natural gas futures are up to \$3.24/mmbtu.

### U.S. Labor Market Tightened Again in April



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