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TD Economics

Data Release: Employment market shakes off the winter blues

- Non-farm payrolls increased by 223k in April, just shy of expectations for a 228k gain. However, revisions to the previous two months subtracted 39k from the tally.
- Private payrolls rose by 213k on the month with private service industries up 182k. Private services growth was led by professional & business services (+62k, with temporary help services adding 16k of these), health care (+56k), Leisure & hospitality (+17k), transportation & warehousing (+15k), and retail trade (+12k) added much of the remainder.
- Goods-producing industries had a respectable month rising by 31k. Gains were driven by construction (+45k) while manufacturing (+1k) was little changed. Mining & logging (-15k) lost jobs for the third month straight.
- Government hiring rose by 10k, with all three levels adding to the tally.
- The unemployment rate ticked down 0.1 percentage points to 5.4% as the gains in household employment (+192k) outpaced the growth in the labor force (+166k). The labor force participation rate inched up by 0.1pp to 62.8%.
- Average hourly earnings were up a meagre 0.1% during the month, falling short of expectations for a 0.2% gain. Still, the year-over-year measure accelerated to 2.2% from 2.1% in March.
- Average weekly hours remained unchanged at 34.5.

Key Implications

- The report was more or less a goldilocks one, healthy enough to assuage fears that an abrupt slowdown in the U.S. economy is upon us, but not strong enough to bring forward the Fed hike meaningfully. The downward revisions to the previous months – with the March tally reported at just 85k now – can likely be chalked up to the transitory factors, while the near-consensus gain in April inspires confidence that the worst may be behind us.
- This notion is corroborated by the industry data, which showed the weather-sensitive industries such as construction and leisure & hospitality posting solid gains after experiencing declines during March. Moreover, the transportation & warehousing industry, which was hindered by a disruption to West Coast ports saw its largest gain of the year in April. At the same time, mining & logging continued to pressure down payrolls due to the difficult environment for oil producers, which are shedding jobs at the fastest rate since the recession.
- The decline in the jobless rate was a welcome development especially alongside growth in the labor force. Improvement was also reported in long-term unemployment and those working part-time for economic reasons. However, the increasingly tightening labor market does not yet appear to be manifesting in wage gains, which remain lukewarm.
- On the whole, the report suggests that the labor market continued to improve in springtime after a temporary setback in March. At the same time, the lack of wage pressures suggests that it may yet have more room for improvement before these manifest. As such, we believe the Fed will remain on the sidelines during their June meeting, but expect the FOMC to begin to raise rates later in the year as more labor market slack is absorbed.

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