TD Economics

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Data Release: Job growth bounces back in April

- Non-farm payrolls rose by 211k in April, above the consensus estimate of 190k. Private-sector hiring expanded by 194k, while 17k were added to government payrolls.
- The unemployment rate fell to 4.4%, the lowest level since May 2007, as the labor force participation edged down 0.1 percentage points to 62.9%.
- Revisions were minor, subtracting 6k from payrolls on average in the previous two months.
- Goods-producing employment rose a robust 21k, led by mining and logging, which added 10k – marking the sixth straight months of gains for the sector. Manufacturing added 6k, while construction added 5k. Services-producing employment rose 173k, led by gains in leisure and hospitality (+55k), education and health (+41k), and business services (+39k).
- Average hourly earnings rose a healthy 0.3%, but the year-on-year metric edged down to 2.5% from 2.6% in March. Average weekly earnings were up a robust 0.6%, as hours of work edged up to 34.4 hours a week.

Key Implications

- The American job machine returned to form in April. The re-acceleration in job should assuage fears that economic growth is slowing in any meaningful way. This confirms the Federal Reserve's message this week that the economy remains on track.
- With unemployment pushing below its natural long-run rate, the participation rate remains an important indicator to watch. It's pullback in April, while slight, is not a great sign for those who believe the labor market still has a lot of cyclical slack remaining.
- At 2.5%, wage growth is not yet flashing red signals, but is still sufficient to provide real gains in purchasing power. This should flow through to spending in the months ahead, providing the impetus for stronger economic growth.

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