Bank Financial Group

TD Economics

Commentary

April 4, 2008

U.S. SHEDS JOBS IN MARCH FOR THE THIRD CONSECUTIVE MONTH

- **U.S. economy lost 80K jobs in March, following 76K losses in the prior two months**
- **Unemployment rate rose from 4.8% to 5.1%**
- **Once again, the job losses were fairly widespread, and the question now is how much worse the employment situation will get**

The U.S. employment situation deteriorated once again in March, with another 80K jobs lost during the month. And, we found out that the employment picture heading into today's nonfarm payrolls report was weaker than we had originally thought, as the February number was revised from -63 to -76, and the January result from -22 to -76, for a total of -67K in net revisions. The unemployment rate jumped in March from 4.8% to 5.1%, which was a little worse than the 5.0% that the markets had expected.

Looking at the details of the report, the job losses were once again widespread, with far more sectors recording losses than gains. And the only sectors that did manage to record gains were government and education and health, which are generally not very sensitive to economic conditions, and leisure and hospitality, which is likely being propped up by tourism activity, thanks to a weakening U.S. dollar. Private sector employment once again fared worse than the headline number at -98K, its fourth consecutive monthly loss.

The question going forward is how much worse the employment situation is going to get, since that will likely determine just how weak consumer spending becomes. Typically in a recession, you see several months of much larger job losses, in the range of about 200K, or sometimes more. So far the job losses in the U.S. have been fairly moderate, averaging 77K over the last three months. The risk is certainly that the deterioration in the labour market accelerates over the next couple of months, and accordingly, we expect the unemployment rate to continue to rise. This is certainly a recipe for the Fed to continue cutting rates, and we expect to see another 50bps lobbed off the fed funds rate at the next FOMC meeting on April 30.

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