

TRENDMACRO LIVE!

On the March Jobs Report

Friday, April 7, 2017

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Lousy hard data. Great soft data. Actually, under the surface, there was great hard data too.

[This morning's March Employment Situation report](#) – a huge headline miss with only 98,000 net payrolls versus 180,000 expected – on the back of downward revisions to January and February – will amp up [the debate about the gap](#) between the strong “soft data” and the weak “hard data.”

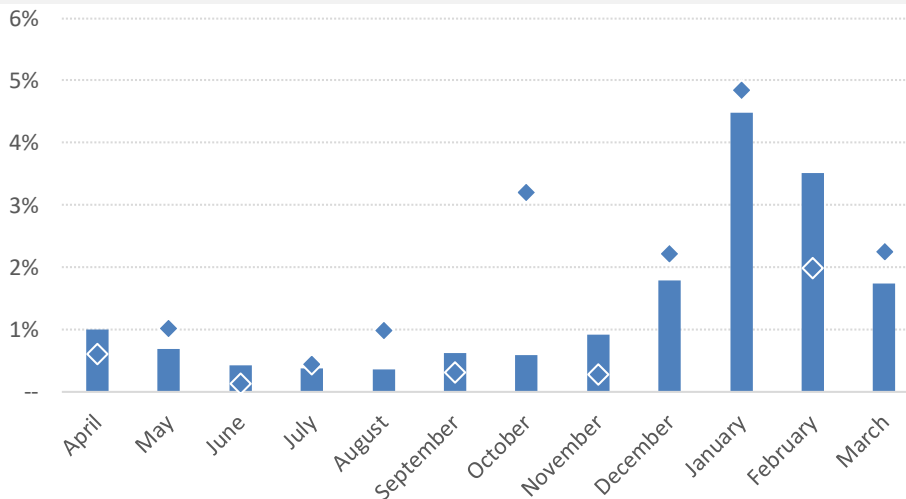
- *The “hard data” – the payrolls – stunk.* Never mind that they make no sense compared to ADP’s March payroll data that’s just as “hard,” but showed 263,000 net payrolls.
- *The “soft data” – the survey-based “household survey” was a thing of beauty.* Employment up by 472,000; unemployment down by 326,000; long-term unemployment down by 123,000; the labor force growing by 145,000 workers, more than all of whom apparently found jobs (please see [“Data Insights: Jobs”](#) April 7, 2017). That’s why the unemployment rate fell to a new cycle low of 4.5% – demonstrating our point that demographics are no barrier to growth (see [“The Demographics Myth”](#) March 20, 2017).
- We’re sure the Fed will see it the same way, with this seeming “undershoot” in unemployment accompanied by a very tame 0.2% increase in average hourly earnings.

Update to strategic view

US MACRO, US FED: An inexplicable headline miss, with only 98,000 net payrolls – while ADP had showed 263,000. Could be another March problem as in 2015. Weather is only a partial explanation. At the same time, the household survey showed large employment gains, a large drop in unemployment and long-term unemployment, and growth in the labor force. But 0.2% earnings growth will comfort the Fed in the face of apparent “undershoot” in unemployment. For the first time in memory, job gains were skewed to higher-wage sectors.

[\[Strategy dashboard\]](#)

Share of unemployment due to weather ■ Average from 1976 ◆ Latest



Source: BLS, TrendMacro calculations

- Why the big headline miss? We suppose it could be the “[deep state](#)” trying to undermine [President Trump’s job-creation claims](#).
- Or it could be a March thing. The March 2015 report was an even bigger miss, with 125,000 net payrolls when 245,000 had been expected (see ["On the March Jobs Report"](#) April 3, 2015).
- We’re hearing that a popular interpretation of the big miss is bad weather. To be sure, compared to the average March, *this* March had an unusually large share of the unemployed blaming it on weather (please see the chart on the first page). But this would explain a bit less than half the miss.
- *The big miss is obscuring what ought to be the big headline about this jobs report – that for the first time we can remember, the distribution of jobs gains and job losses was skewed toward high-paying sectors* (please see the chart below).

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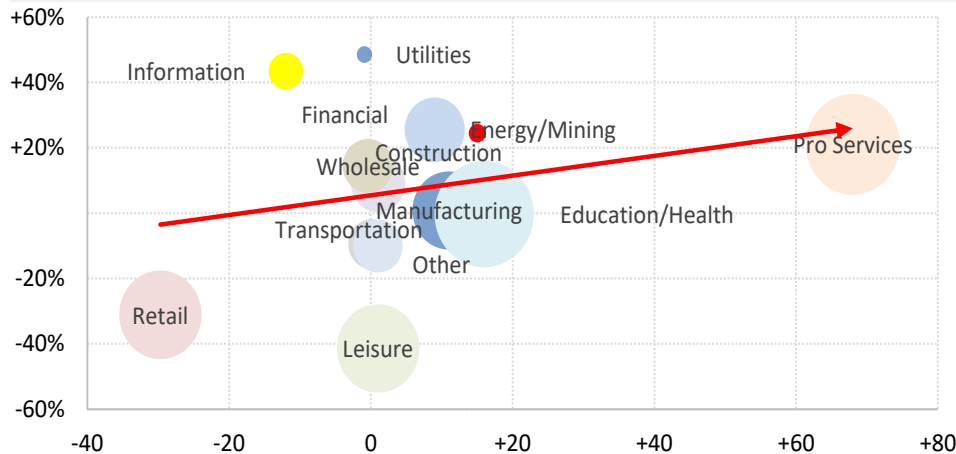
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Vertical: **Hourly wages vs average** Horizontal: **Payrolls change, thousands**
Circle size: **Share of all employment** → **Relation of wages, payroll change**



Source: BLS, TrendMacro calculations

- Last month’s distribution of jobs gains and losses was flat, halting the pattern of years of “secular stagnation” in which all the gains were in the lowest-paying sectors (see [“On the February Jobs Report”](#) March 10, 2017). But March’s data shows an outright reversal.
- This, by the way, is “hard” data.
- And it cuts against the idea that in what might otherwise be thought to be a fairly mature business cycle, we have no choice now but to scrape the bottom of the barrel of the labor market to fill openings.
- With the job gains, on average, showing up in higher-wage sectors – sectors that demand higher skills and higher-quality workers – it would seem that we are scraping the top of the barrel.

Bottom line

An inexplicable headline miss, with only 98,000 net payrolls – while ADP had showed 263,000. Could be another March problem as in 2015. Weather is only a partial explanation. At the same time, the household

survey showed large employment gains, a large drop in unemployment and long-term unemployment, and growth in the labor force. But 0.2% earnings growth will comfort the Fed in the face of apparent “undershoot” in unemployment. For the first time in memory, job gains were skewed to higher-wage sectors. ▶