

TRENDMACRO LIVE!

On the February Jobs Report

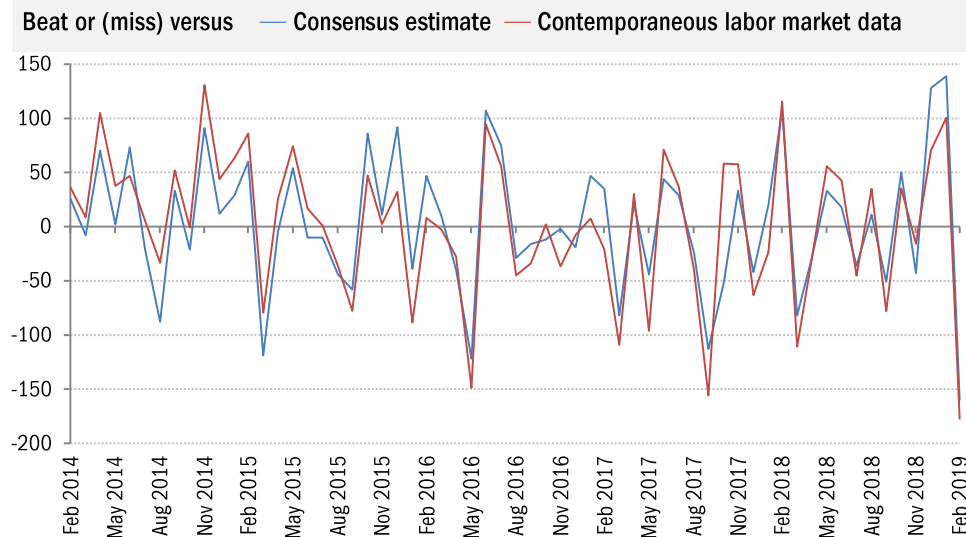
Friday, March 8, 2019

Donald Luskin

The biggest miss in 5 years, completely contradicting other labor data. It's wrong. Just wrong.

[This morning's February Employment Situation report](#), looks, on the face of it, like the second-worst February since the end the Global Financial Crisis. Net payroll growth of 20,000 was a gigantic miss versus the consensus for 180,000. Only 12,000 of the miss can be explained away by revisions to prior months.

- The most likely explanation for the miss is simply that it's wrong and will be revised away. It is grossly incompatible with our model based on other contemporaneous objective labor market indicators, which indicated a range of 191,000 to 197,000 net payrolls. *This marks the biggest disparity – in either direction – in the five years we've been tracking the correlation between payrolls and competing indicators (please see the chart below). For that matter, this is also the biggest miss versus consensus in either direction. It's just wrong.*



Source: BLS, TrendMacro calculations

- The shocking small net payroll gain is also incompatible with this morning's reported 255,000 rise in employment according to the ["household survey"](#) (see ["Data Insights: Jobs"](#) March 8, 2019). Adjusted to a ["payroll basis,"](#) it's even better – 325,000 new jobs.

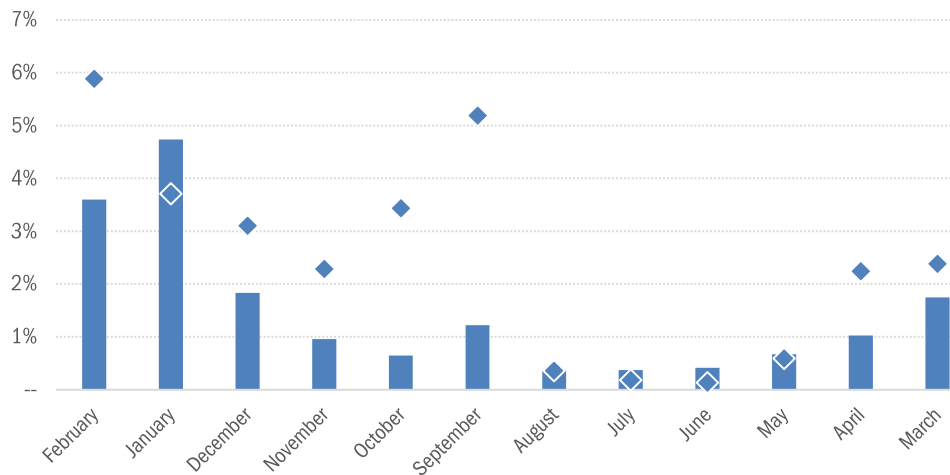
Update to strategic view

US MACRO: This morning's huge payroll miss, with only 20,000 net payrolls, is likely just plain wrong, and we expect it to get revised away. It is the biggest disparity in five years versus the consensus, and versus an array of contemporaneous objective labor market data. It is contradicted by the "household survey" that showed 255,000 new jobs, or 325,000 on a "payroll basis." Bad weather explains 143,000 fewer jobs than usual in February, but it remains a mystery why weather would not have been included in the consensus or other contemporaneous data.

[\[Strategy dashboard\]](#)

- Those 255,000 new jobs in the “household survey” explain why the unemployment rate dropped sharply to 3.82% from 4.00% in a seemingly bad month for jobs. The number of unemployed persons fell by 300,000.
- The gap between 255,000 *more employed*, and 300,000 *fewer unemployed*, is explained by a small contraction in the overall size of the labor force by 45,000. This is the second small contraction in a row. That’s definitely not a good thing, but perhaps it’s simply to be expected in the context of the enormous gains of the last year.
- *The only thing we can think of that points in the direction, and captures the general magnitude, of this morning’s big payroll miss is weather.* The share of joblessness explained by weather tends to be high in February, at 3.6% on average over the last 43 years. This February it was 5.9%, which works out to about 143,000 jobs (please see the chart below).
- But February’s extremely cold weather was obvious to everybody

Share of US unemployment due to weather ■ Average month ◆ Latest month



Source: BLS, TrendMacro calculations

(especially here in Chicago!), and surely should have been anticipated in the consensus. For that matter, if it was a factor, why didn’t it show up in the other contemporaneous labor market indicators? Maybe there are differences in seasonal adjustments between the indicators. Or maybe – surely! – this morning’s payroll report is simply wrong.

Bottom line

This morning’s huge payroll miss, with only 20,000 net payrolls, is likely just plain wrong, and we expect it to get revised away. It is the biggest disparity in five years versus the consensus, and versus an array of contemporaneous objective labor market data. It is contradicted by the “household survey” that showed 255,000 new jobs, or 325,000 on a “payroll basis.” Bad weather explains 143,000 fewer jobs than usual in

Contact TrendMacro

On the web at
trendmacro.com

Follow us on Twitter at
twitter.com/TweetMacro

Donald Luskin
Chicago IL
312 273 6766
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

[\[About us\]](#)

Recommended Reading

[With Streaks of Gray Hair, Xi Jinping of China Breaks With Tradition](#)
Javier C. Hernández
New York Times
March 7, 2019

[New York City Experienced Worst Decline in Restaurant Jobs since 9/11 After \\$15 Minimum Wage Win](#)
John Miltimore
Foundation for Economic Education
February 28, 2019

[\[Reading home\]](#)

February, but it remains a mystery why weather would not have been included in the consensus or other contemporaneous data. ▶