

TRENDMACRO LIVE!

On the April Jobs Report

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Beat the consensus, crush the whisper. Despite event shocks, the recovery has legs.

[This morning's April employment report](#) not only beat formal consensus expectations, but trounced the whisper number that was surely far lower in the wake of a series of disappointing macro statistics. April saw the biggest gain in private payrolls in more than five years. This ought to dispel the recent dominant narrative that the economy is slipping back toward recession. We believe, instead, that the economy has fundamentally shifted into a higher gear compared to last year, but that in the first quarter it was buffeted by a number of transient exogenous shocks to confidence -- the rise in gasoline prices driven by Middle East instability (see "[An Oil Shock Tipping Point?](#)" March 3, 2011), the Japan earthquake (see "[Meltdown in Japan](#)" March 15, 2011), and the high-stakes game of chicken played in Washington over government spending (see "[Growth Wins Another Skirmish](#)" April 11, 2011).

We note in some of this morning's media chatter that much has been made of the fact that while non-farm payroll jobs measured by the "payroll survey" grew at a reasonably robust 244,000 in April, employment as measured by the "household survey" declined by 190,000 -- which is why the unemployment rate rose. The contradiction is not as stark as it seems. The two surveys differ in more ways than just their sampling universe, with the payroll survey querying employers, and the household survey querying persons. There are also definitional differences. [According to the Bureau of Labor Statistics](#), the two can be reconciled by adjusting the household survey by "subtracting agriculture and related employment, nonagricultural self employed, unpaid family and private household workers, and workers absent without pay from their jobs, and then adding nonagricultural wage and salary multiple jobholders." With this adjustment to a "payroll concept," the household survey's 190,000 job loss becomes a gain of 50,000.

Bottom line

April's employment numbers -- with the biggest private payroll gain in more than five years and sizable upward revisions to past months -- show that the underlying momentum of faster recovery is intact, despite a spate of confidence-eroding exogenous shocks in the first quarter. ▶

Update to strategic view

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