

TRENDMACRO LIVE!

On the February Jobs Report

Friday, March 5, 2021

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A great month that could have been greater (and next month will be).

[This morning's February Employment Situation report](#) with 379,000 net new payrolls was a large beat, almost a double versus the consensus for 198,000. It's all the more impressive considering net upward revisions of 38,000 for the prior two months. At the same time, the upward revision of 117,000 to January's puny 49,000 payroll gains (see ["On the January Jobs Report"](#) February 5, 2021) considerably changes the complexion of that month, making it less than an obvious contradiction to our forecast for a V-shaped recovery and an economic boom (see ["A Boom in 2021... But What Could Make It Bust?"](#) January 4, 2021).

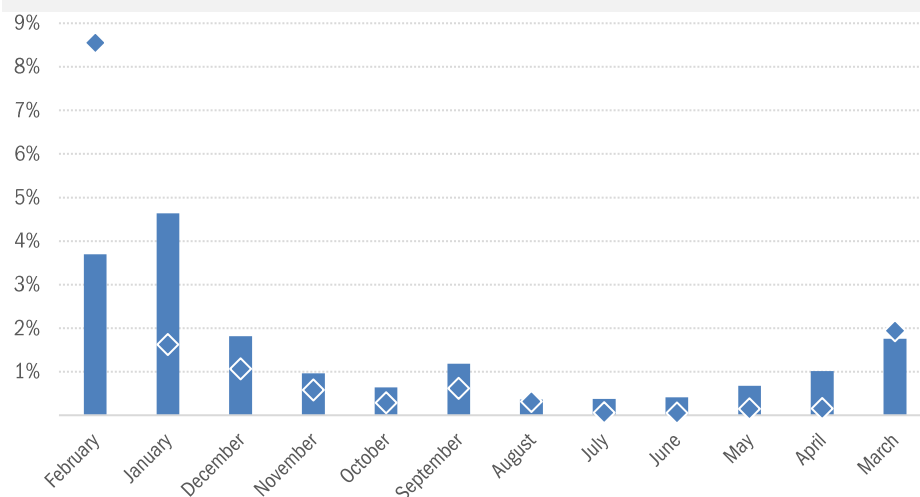
- *We expect March payrolls to be a blowout. There were two factors keeping February artificially low.*
- *First, the weather* (remember, we are writing this from Texas). In a typical February, 3.7% of the unemployed blame the weather. Last month, it was 8.6% (please see the chart below). The substantive silver lining here is, at last, the unemployed have something to blame other than Covid-19 – and the weather will take care of itself quickly without masks or vaccines.
- *Second, our Social Distancing Index has started to show dramatic improvement, but only after the February week in which*

Update to strategic view

US MACRO: A big beat, even on the back of upward revisions that make January's weak payrolls look a lot better. There would have been more payroll gains if it hadn't been for the weather, cited by more than twice the usual share of the unemployed. The recent strong improvement in relaxed social distancing was too late in the month to be captured by BLS surveys. We expect social distancing to continue to diminish. Combined with an improvement in weather, March payrolls should be a blowout.

[\[Strategy Dashboard home\]](#)

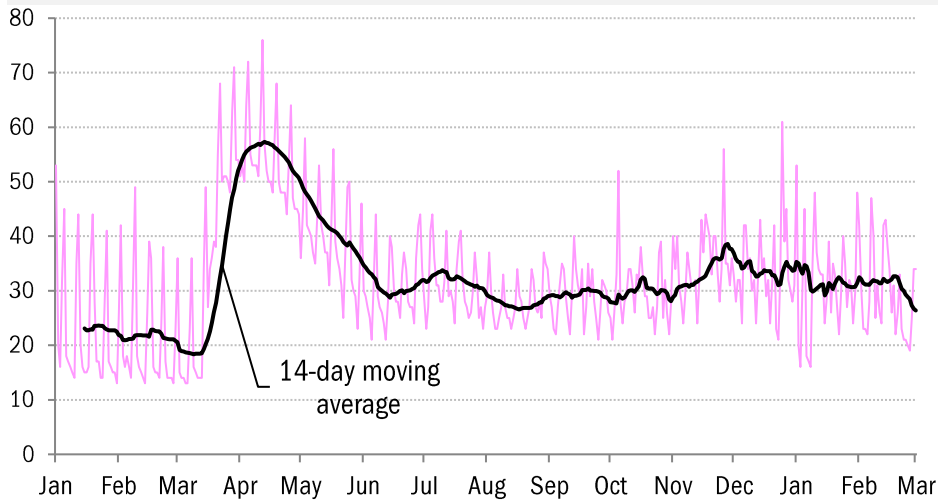
Share of unemployed due to weather ■ Average from 1976 ◆ Most recent month



Source: BLS, TrendMacro calculations

the Bureau of Labor Statistics collects its data (please see the chart below).

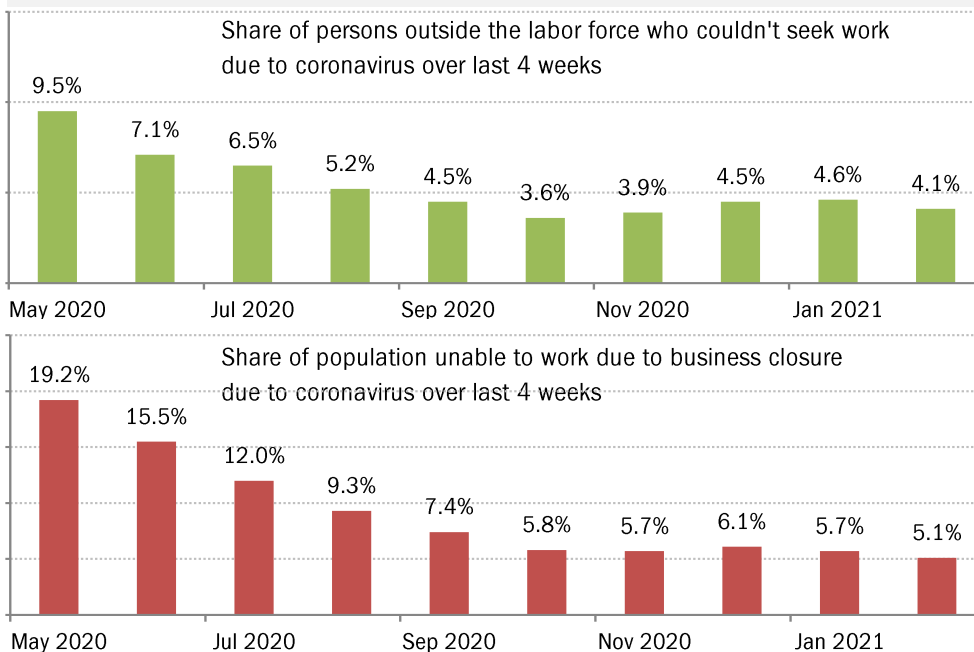
Social Distancing Index based on cell-phone mobility (as of March 1)



Source: [University of Maryland Transportation Institute](#), TrendMacro calculations

- As usual, the change in net payrolls was strongly dominated by the reopening-sensitive leisure and hospitality sector, showing 355,000 payrolls gained. It looks like that, and more – and broader – is going to happen in March based on the SDI and other evidence we’re seeing of a surge of re-opening (see for example [“Data Insights: Global PMI”](#) March 3, 2020 and [“Data Insights: High-Frequency Post-Virus US Recovery Monitor”](#) March 4, 2021).

Labor market dislocations due to coronavirus



Source: [BLS](#), TrendMacro calculations

- Don't underestimate the power of re-opening for job creation.
- 5.1% of the adult US population is unable to work due to business closures caused by the pandemic. 4.1% of persons outside the labor force couldn't even seek work (please see the charts on the previous page).
- Thanks to rapid development and rollout of vaccines, 8.6% of the US population has already been fully immunized, on top of the 8.8% who have tested positive. Even assuming no improvement in today's pace of administering vaccines at about 2 million daily, the US population reaches herd immunity at mid-year – and becomes increasingly invulnerable every day between now and then (see ["Video: What you're not hearing about how the Covid-19 vaccines are working"](#) February 25, 2021).
- With states like [Texas](#) and Mississippi completely throwing off their Covid-19 restrictions – despite being tagged with ["neanderthal thinking"](#) – a new norm is being established. We think the march to national – and global – reopening is now an unstoppable social and economic force.

Bottom line

A big beat, even on the back of upward revisions that make January's weak payrolls look a lot better. There would have been more payroll gains if it hadn't been for the weather, cited by more than twice the usual share of the unemployed. The recent strong improvement in relaxed social distancing was too late in the month to be captured by BLS surveys. We expect social distancing to continue to diminish. Combined with an improvement in weather, March payrolls should be a blowout. ▶