US Payrolls Fan Fed's 'Patience', Discourage Cut Talk

U.S., Change in Non-farm Payrolls SA (m/m 000s) / UR (%) / y/y wage growth (%), March:

Actual: 196 / 3.8 / 3.2
Scotia: 150 / 3.8 / 3.3
Consensus: 177 / 3.8 / 3.4
Prior: 33 / 3.8 / 3.4 (revised from: 20 / 3.8 / 3.4)

- Ah Goldilocks, you're a welcome sight to the market's bleary eyes this morning! A nearly perfect delicate balance was struck on the overall tone of the US numbers.
- At the margin**, the rebound in job growth is encouraging evidence that the economy is emerging from a soft patch and that discourages market talk of rate cuts.** There have been several other instances of soft individual months for job growth like February's over the past several years and they always rebounded the next month. This time was no exception.
- At the same time, **the deceleration in wage growth feeds the Fed's patience by keeping wage gains range bound and neither on an alarming trend lower nor putting any pressure on the inflation connections.**
- That's just the sort of combination that stock markets like to hear, and so equity futures moved higher following the release, the morning's slight cheapening in short-term Treasuries didn't get pushed any further and the US dollar is little changed so far.
- Nevertheless, at the margin the deceleration in US wage growth—while slightly greater than the deceleration I had estimated—is small potatoes and keeps us within a 3.2–3.4% oscillating range that we've been in since October. The range is still indicative of the fastest pace of wage gains in the cycle to date since the GFC. Decent wage growth, rebounding job growth and a high personal saving rate offer a recipe to drive a consumption rebound that may well be underway. So it's not bad in that there is nothing here that fans cut pricing, but it also doesn't put any pressure on the Fed to be less 'patient' in terms of the loose connection to inflation.
- Nothing else in the report really matters much but, well, in the spirit of completeness here it is anyway!
- **The unemployment rate held steady at 3.8%** because it is derived from the household survey that showed a decline in employment of 201,000 jobs (+255k prior) that roughly matched the shrinkage in the labour force (-224k).
- **By sector, the jobs rebound was concentrated in services with an assist from the goods producing industries.** Services employment was up by 170k (+56k prior) and goods were up 12k (-28k prior).
- Within goods, it was a swing in construction jobs that played the largest role by going from a -25k drop in February to +16k in March. Whether the weather did it or not has me thinking it likely played the suspected role and has been messing up several indicator readings over the past 4–5 months or so.

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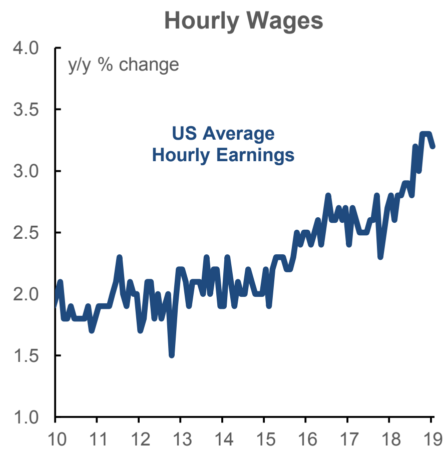

Sources: Scotiabank Economics, Bureau of Labor Statistics.

- Within services, the rebound was led by education/health (+70k, 13k prior), leisure/hospitality (+33k, -1k prior), and smaller contributions elsewhere. Losses were still registered in retail (-12k, -20k prior). Business services added 37k (54k prior) with no real role played by the temp help component. Government added 14k, all at the state/local level. IT and financials added 10k and 11k respectively.
- Also note that hours worked were up by 0.5% m/m which offsets the 0.3% dip in February and then a bit more.