United States

Employment Situation

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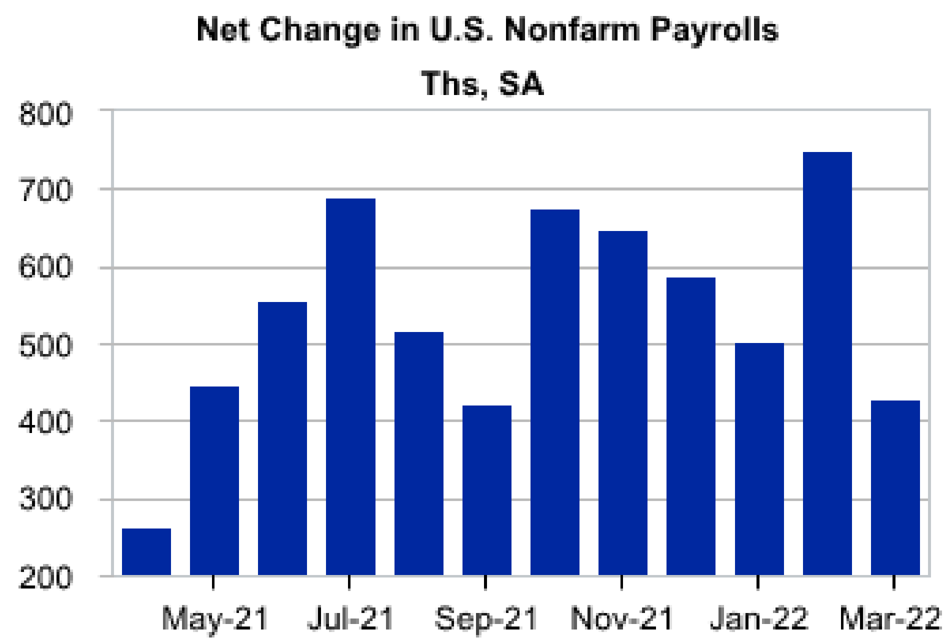
Sophia Koropeckyj

Actual	431,000 m/m
Previous *	678,000 m/m
Moody's Analytics	400,000 m/m
Consensus	490,000 m/m
Coverage	Mar. 2022
Next Release	May 06, 2022
Updated	Apr 1, 2022

Definition   Source



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First Take

The labor market is in great shape as the pandemic has continued to ebb. Payroll employment increased by 431,000, slightly more than our expectation, while the outsize February gain was revised higher by 72,000 to 750,000. Job gains were broad-based. Household employment was strong all around: The unemployment rate declined to 3.6%, a post-pandemic low, even as labor force participation continued to edge higher. Earnings increased by 0.4% as expected, bringing year-over-year growth to 5.6%.

Employment Situation, SA

	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21
Establishment survey								
Nonfarm payrolls, change, ths	431	750	504	588	647	677	424	517
3-mo MA	562	614	580	637	583	539	543	588
Revisions between…								
First and second estimates, ths		72	14	311	39	15	118	131
Second and third estimates, ths			23	78	398	102	67	117
Industry detail								
Goods-producing	60	102	32	93	99	83	54	48
Services	371	648	472	495	548	594	370	469
Private	426	739	492	561	627	694	409	497
Average hourly earnings, all employees, % change	0.4	0.1	0.6	0.5	0.4	0.6	0.5	0.3
Average workweek, all employees, hrs	34.6	34.7	34.6	34.8	34.8	34.8	34.8	34.7
Index of aggregate weekly hours, all employees	111.8	111.8	110.8	111.0	110.5	110.0	109.4	108.7
1-mo diffusion index	69.7	81.3	62.9	73.0	74.8	73.0	67.8	67.6
Household survey								
Unemployment rate, %	3.6	3.8	4.0	3.9	4.2	4.6	4.7	5.2
Labor force, change, ths	418	304	1,393	168	516	139	-34	130
Labor force participation rate, %	62.4	62.3	62.2	61.9	61.9	61.7	61.7	61.7

The Numbers

- Payroll employment continued to climb strongly in March, increasing by 431,000, while the previous two months' strong gains were revised higher by 95,000. As a result, the average addition for the first quarter was an incredible 562,000. The labor market still has 1.579 million jobs to generate to return to the pre-pandemic peak.
- The strong first-quarter gains belie the notion of a tight labor market. Workers who sat out the pandemic are making their way back in and are finding jobs with relative ease. Facilitating the strong employment gains is an increase of 418,000 in the labor force, which boosted the labor force participation rate to 62.4%. As this is still a percentage point below the pre-pandemic rate, we can expect more improvement, though baby-boomer retirements will likely prevent a full return of participation.
- The unemployment rate has receded to 3.6%, a 0.2-percentage point decline since February and down incredibly from 6% a year earlier. Unemployment rates declined across age, gender and racial groups.
- The number of job losers is declining, and long-term unemployment is decreasing. The number of involuntary unemployed workers increased slightly in March because of slack work, not the inability to find full-time jobs.
- The breadth of job creation remained strong. Almost 70% of private industries added to payrolls, down from the astounding 81.3% in February. Notable additions occurred in manufacturing, professional business services, and leisure/hospitality. The workweek slipped slightly to 34.6 hours but equaled the January figure.
- Hourly earnings increased 0.4% month over month, bringing the year-over-year gain to 5.6%. Earnings growth is at its strongest since the early 1980s, but as in the early 1980s earnings growth is not keeping pace with inflation.

Behind the Numbers

Labor market conditions were stellar in the first quarter as the Omicron wave crested quickly and the expansion of the U.S. economy drove strong hiring and reduced layoffs. Job growth has been strong across the board facilitated by rising wages, which are pulling more workers into the labor force. During the first quarter, average employment gains reached 562,000, and the unemployment rate fell to 3.6%.

Although the labor market appears tight, workers who may have sat out the pandemic because of illness or child or eldercare responsibilities are flowing back into the labor market and enabling employers to sustain strong hiring. The inflow of prime-age workers is of particular importance to sustaining job growth. In March, the employment-to-population ratio of prime-age workers, our preferred measure of full employment, reached 80%, just 0.5 percentage point lower than the pre-pandemic peak. A rate above 80% is consistent with full employment. At the same time, workers are quitting their jobs at a record pace to take better-paying positions or jobs with more favorable working conditions. The labor market churn is resulting in an improvement in labor market conditions more broadly.

The need to fill positions and attract workers back into the labor market is driving wages higher. Average hourly earnings have risen to 5.6% year over year. Although at this rate wage growth is not keeping pace with accelerating inflation, we expect price pressures to ease during the second half of the year. Since wages are sticky, this should leave workers better off.

The fallout from Russia's invasion of Ukraine has yet to be felt and the U.S. economy is expected to absorb the hit much better than Europe. Indeed, our employment outlook has not been revised down because of the military conflict. While we expect inflationary pressures and supply-chain challenges to continue as a result of the conflict and to some extent because of the resurgence of COVID-19 in China, the labor market should remain firm. Indeed, we expect payroll employment to close the gap with the pre-pandemic level by the second half of this year. Our outlook is for the unemployment rate to fall to 3.5% by year's end. Given recent data, this may be achieved sooner. The labor market will certainly be at full employment by the end of the year.

The outlook for the labor market is not without risks if rising inflation creates a wage-price spiral—currently rising wages are not leading to higher prices. If the Federal Reserve, which will certainly be increasing interest rates steadily throughout the year, moves even faster as a result, the economy and labor market would slow. If the Fed miscalibrates this process, there could be consequences for the whole economy. The expansion of the military conflict beyond Ukraine could upend the global economy, but that possibility seems small. Finally, the pandemic has not disappeared and could emerge in some virulent form to the detriment of the labor market.