

February 2019 U.S. Employment *The Clunk Heard Around the World*

- Payroll Employment increased by just 20,000 jobs in February, well below expectations.
- The Unemployment Rate for February fell back to 3.8 percent.
- Average Hourly Earnings increased by 11 cents in February and were up 3.4 percent over the year.
- The Average Workweek in February decreased by 0.1 hours to 34.4 hours.

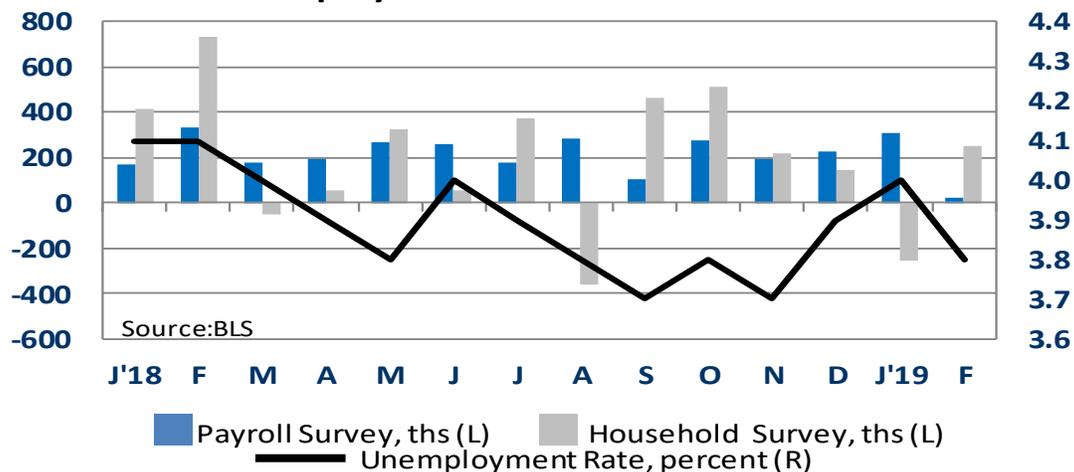
Payroll job growth in February was much weaker than expected, registering a net gain of just 20,000 jobs for the month. This was well below expectations of about 200,000 net new jobs. The clunker in February comes after a very strong January number, now revised up to show a net gain of 311,000 net new jobs. December numbers were revised up too, now showing a solid 227,000 net new jobs. Every now and then the payroll numbers come in much weaker than expected. It is not surprising that this happened on the heels of strong data from December and January. Also, the partial federal government shutdown through January was somewhat disruptive for the data collection agencies. However, the February clunker comes as other risk factors for the U.S. economy appear to be increasing. Notably, rest-of-world GDP growth is being challenged by lower expectations for both China and for Europe. The household survey of employment was much stronger, showing a net gain of 255,000 jobs in February, while the labor force contracted by 45,000 workers. This brought the unemployment back down to 3.8 percent in February. Pay went up by 11 cents per hour. Over the last 12 months, average hourly earnings are up by 3.4 percent. The average workweek pulled back slightly in February to 34.4 hours. A weak month does not make a trend. We will be monitoring labor data very closely over the next few months to see where it goes from here. We expect to see a bounceback in payroll job growth in March.

Job growth was weak across many industries in February. Mining and logging gave up 5,000 jobs in February. Construction dropped 31,000. Manufacturing was still positive, up 4,000 for the month. Retail trade employment declined by 6,100 in February, consistent with the rash of store closures announced in recent weeks. Transportation/warehousing industries shed 3,000 workers. Utilities and information services were little changed. Financial services added 6,000 jobs on net. Professional/business services looked good, adding 42,000 net new jobs. Education/healthcare was anemic, up by just 4,000 jobs. Leisure/hospitality has been a consistent positive recently but was unchanged in February. Government employment fell by 5,000 workers in February.

The odds of a fed funds rate hike being announced at the upcoming Federal Open Market Committee meeting over March 19/20 were very low before today's jobs report. Now they are miniscule.

Market Reaction: U.S. equity markets opened with losses. The 10-Year T-bond yield is down to 2.63 percent. NYMEX crude oil is down to \$54.70/barrel. Natural gas futures are down to \$2.86/mmbtu.

Unemployment Rate Back Down to 3.8%



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