

## U.S. Employment (February)

### You're Hired

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**Bottom Line:** Jobs. Jobs. Jobs. And a growing labour force. And some cooling in wages. This is as good as it gets!

American companies **ramped up payrolls 313,000** in February, the most in 1½ years, while the two previous monthly increases were revised up a total of 54,000. The three-month trend (242,333) is well above last year's average (182,333), marking an **acceleration in hiring**. Every major private industry (apart from information) expanded its workforce, with manufacturing and construction on notable upswings. The household survey showed even stronger job growth (785,000 after 409,000 in January).

Yet, a **three-tenths pop in the participation rate juiced** the labour force (806,000), **keeping the unemployment rate steady at 4.1%** for a fifth month in a row. "U6" also held steady at 8.2% and is above its cycle low (8.0%), suggesting some possible slack remains. This might explain why **wage growth moderated** after spiking to nine-year highs, though the prior month was padded by minimum wage hikes and tax windfall bonuses. Average hourly earnings rose 0.15%, shaving the yearly rate to 2.6%. After accounting for productivity growth of just over 1%, there still seems to be little material pressure on inflation.

A 0.6% sprint in aggregate weekly work hours, the most in nearly four years, puts the quarterly average 1.9% (annualized) above Q4, **supporting our 2.6% call for Q1 GDP growth** (with a little help from the recent moderate upturn in productivity growth).

Our scorecard gives the February jobs report a grade of 81.2, the highest at least since 2011. A solid "A" student after nine years in school!

The report all but **cements a Fed rate hike on March 21**, and, despite the easing in wage growth, leans toward four moves this year, as we expect.



| Employment                          |          |      |      |      |                          |                          |
|-------------------------------------|----------|------|------|------|--------------------------|--------------------------|
| United States (change in thousands) |          |      |      |      |                          |                          |
|                                     |          | Feb  | Jan  | Dec  | (average change)         |                          |
|                                     |          |      |      |      | 3-mo.                    | 12-mo.                   |
| Nonfarm Payrolls                    |          | 313  | 239  | 175  | <b>242</b>               | <b>190</b>               |
| Private Sector                      |          | 287  | 238  | 174  | <b>233</b>               | <b>186</b>               |
| Manufacturing                       |          | 31   | 25   | 39   | <b>32</b>                | <b>19</b>                |
| Construction                        |          | 61   | 40   | 42   | <b>48</b>                | <b>21</b>                |
| Retail Trade                        |          | 50   | 15   | -26  | <b>13</b>                | <b>3</b>                 |
| Avg. Hourly Earnings                | (% chng) | 0.1  | 0.3  | 0.4  | <b>3.2</b> <sup>1</sup>  | <b>2.6</b> <sup>2</sup>  |
| Private Workweek                    | (hrs)    | 34.5 | 34.4 | 34.5 | <b>34.5</b> <sup>3</sup> | <b>34.4</b> <sup>4</sup> |
| Mfg. Workweek                       | (hrs)    | 42.2 | 41.9 | 41.8 | <b>41.9</b> <sup>3</sup> | <b>42.0</b> <sup>4</sup> |
| Aggr. Hours Worked                  | (% chng) | 0.6  | -0.1 | 0.2  | <b>2.6</b> <sup>1</sup>  | <b>2.2</b> <sup>2</sup>  |
| Unemployment Rate                   | (%)      | 4.1  | 4.1  | 4.1  | <b>4.1</b> <sup>3</sup>  | <b>4.7</b> <sup>4</sup>  |
| Total Unemployment Rate             | (%)      | 8.2  | 8.2  | 8.1  | <b>8.0</b> <sup>3</sup>  | <b>9.2</b> <sup>4</sup>  |
| Avg. Duration of Unemp.             | (wks)    | 22.9 | 24.1 | 23.6 | <b>25.2</b> <sup>3</sup> | <b>25.1</b> <sup>4</sup> |
| Household Employment                |          | 785  | 409  | 104  | <b>433</b>               | <b>225</b>               |

<sup>1</sup> (3-mo. % change : a.r.)    <sup>2</sup> (12-mo. % change)    <sup>3</sup> (3 mo. ago)    <sup>4</sup> (12 mo. ago)

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