



April 5, 2024 by Peter Boockvar

Jobs Headline Confusion

I will start this rundown on the jobs data by saying I and we should have no idea what the influence in the official jobs data of the massive immigration that has occurred of late. Do we know how many jobs are getting filled by legal immigrants as if they are illegal, I doubt someone is answering the BLS surveys? An employer is not telling the BLS, 'yeah, we just hired a bunch of illegals.' And I doubt the BLS is calling new immigrants (legal or not) asking about their work status since they would be tough to locate. I'm not saying there is not an impact but trying to quantify it I find to be extraordinarily difficult.

March payrolls grew by 303k, 89k more than expected with 232k of that being from the private sector. Also, the two prior months were revised up by a combined 22k. The household survey showed strength too, rising by 498k after 4 months in the past 5 of declines. The mix though of this is important to note. All came from those aged over 55 and under 25. There was a drop in household employment for those aged 25-54, the key working cohort. The labor force was up by a similar amount, by 469k and the mix put the unemployment rate at 3.8% vs the 2 yr high of 3.9% last month.

Also, hours worked ticked up to 34.4 from 34.3 and better than the estimate of no change. Average hourly earnings rose .3% m/o/m as expected but February was revised up by one tenth. The y/o/y gain was 4.1%.

The labor force participation rate rose two tenths to 62.7%, though still below the February level of 63.3%. Job leavers as a % of unemployed, measuring quits essentially, rose to 12.7% from 11% in February and 12.8% in January.

Again, most of the jobs, 2/3 of which, came from 3 groupings, leisure/hospitality, private education/health and government with gains of 49k, 88k and 71k respectively. Construction too helped, rising by 39k but tough to say how many of which were government induced with the IRA and Chips Act encouraged projects. Manufacturing saw no growth in jobs as did 'information' on the service side. Temp help was shed again, by 1k while there was a slight add for financial services. Retail trade added 18k vs 23k in February and vs 17k in the month before. Trade/transport added 27k jobs.

To smooth out the data, I'm going to take out the government jobs and focus here on the private sector so we can compare to ADP, the 3 month average is now 212k vs the 6 month average of 183k and the 12 month average of 189k. This compares with ADP which is at 150k, 137k and 204k respectively so at least out to 6 months, ADP is well under what the BLS is saying. Adding to the confusion, the key age group of 25-54 saw a household survey job decline.

So bottom line, with all these differentiating data points, I can't honestly give you a conviction filled bottom line on the state of the labor market. Way too many confusing signals so help me out if you can.

Either way, Treasuries are responding to the headline figure and the 2 yr yield is up to 4.70%, up 5 bps in response while the 10 yr yield is higher by 6 bps to 4.38%. Rate cut odds for June are about 50/50 and 100% by July for 25 bps. There is now only a 50/50 chance of a 3rd rate cut by yr end with November 100% priced for a 2nd one.

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