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## February Employment Report: Details Underperform The Headline Print

- Nonfarm employment rose by 379,000 jobs in February; prior estimates for December/January were revised up by 38,000 jobs
- Average hourly earnings rose by 0.2 percent while aggregate private sector earnings fell by 0.2 percent (down 0.7 percent year-on-year)
- The unemployment rate fell to 6.2 percent in February (6.224 percent, unrounded); the broader U6 measure was unchanged at 11.1 percent

Total nonfarm employment rose by 379,000 jobs in February, easily ahead of our above-consensus forecast of 266,000 jobs, with private sector payrolls rising by 465,000 jobs and public sector payrolls falling by 86,000 jobs. Prior estimates of job growth in December and January were revised up by a net 38,000 jobs. Though the worst of February's unusually harsh winter weather came after the conclusion of the BLS's survey week, there were nonetheless visible weather effects during the survey week that impacted employment and hours worked. The unemployment rate fell to 6.2 percent, with the labor force basically flat and the participation rate remaining unchanged at 64.1 percent. Though average hourly earnings rose by 0.2 percent, the mix of jobs – leisure and hospitality services payrolls rose by 355,000 jobs – and the decline in the average length of the workweek resulted in aggregate private sector wage and salary earnings declining by 0.2 percent, leaving them down 0.7 percent year-on-year. So, while the headline job growth number came in better than expected, the details of the February employment report fail to live up to the headline print.

Job gains were broader based across the private sector in February, but in most cases the gains were fairly small. The glaring exception is leisure and hospitality services, where not seasonally adjusted payrolls rose by 432,000 jobs, with 346,000 jobs coming from restaurants. Various reports showed hiring in leisure and hospitality services ramping up in February as more state and local governments dropped/relaxed restrictions on activity, which factored into our above-consensus forecast on headline job growth, but the actual increase topped our expectations, and March will almost surely bring an even larger gain. This simply highlights how critical it is for broader distribution of the vaccines and getting the economy more fully reopened. On a seasonally adjusted basis, retail trade payrolls rose by 41,100 jobs in February but, in contrast to the genuine increase in leisure and hospitality services payrolls, the reported increase in retail trade payrolls is nothing more than seasonal adjustment noise, as unadjusted payrolls fell by 95,000 jobs, which is a smaller than normal decline for the month of February.

As to weather effects, 897,000 people did not work due to the weather, while 1.878 million people worked less than full-time hours due to weather, both significantly higher than normal for the month of February, with the number of people not working due to weather was the most in any February since 2010. For instance, the decline in not seasonally adjusted construction payrolls was twice as large as the normal February decline. It could be that weather contributed to a lower survey response rate – the 71.9 percent response rate is below average and the lowest February response rate since 2011. This could be reflected in larger than normal revisions to the initial estimates of job growth, hours worked, and hourly earnings for February.

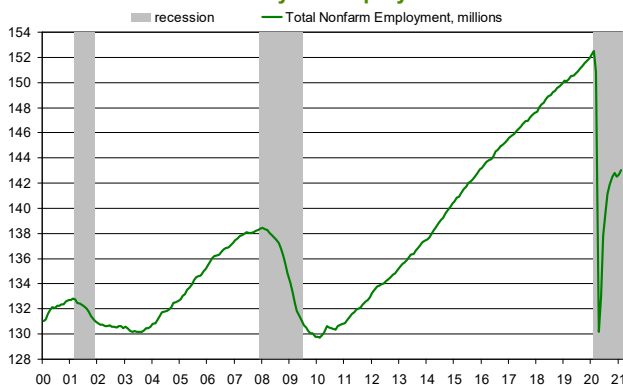
Between weather effects leading to shorter workweeks for so many workers and the share of total private sector job growth accounted for by leisure and hospitality services, the average length of the workweek fell by three-tenths of an hour in February. At the same time, the mix of jobs weighed on growth in average hourly earnings. The net result was a 0.2 percent decline in aggregate private sector wage and salary earnings, the largest single component of total personal income. This sets up a soft print on disposable personal income excluding transfer payments for the month of February, but a significantly elevated saving rate will mitigate any income-related drag on consumer spending.

One troubling but largely overlooked element of the February data is the further increase in the number of long-term unemployed, with 4.148 million people out of work for 27 weeks or longer, or, 41.5 percent of the total number of people unemployed. This is the highest such share since June 2012, and the number of people in this category will almost surely rise further in the weeks ahead. There is ample empirical evidence which shows the longer one is out of work, the lower the probability of them landing another job.

While weather played a role, the details of the February employment report underperform the headline job growth number. Progress will come at a faster rate as the economy reopens, but there is still far to go.



### Total Payroll Employment



### Long-Term Unemployed Unemployed for 27 Weeks or Longer

