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## April Employment Report: Plenty To Not Like, But Job Growth Remains Robust

- › Nonfarm employment rose by 428,000 jobs in April; prior estimates for February and March were revised down by 39,000 jobs
- › Average hourly earnings rose by 0.3 percent, while aggregate private sector earnings rose by 0.6 percent (up 10.0 percent year-on-year)
- › The unemployment rate was unchanged at 3.6 percent in April (3.622 percent, unrounded); the broader U6 measure rose to 7.0 percent

Total nonfarm employment rose by 428,000 jobs, topping our forecast of 392,000 jobs, with private sector payrolls up by 406,000 jobs and public sector payrolls up by 22,000 jobs. For whatever reason(s), expectations around the April employment rate were downgraded over the past several days, with many analysts revising their forecasts down. Our main concern ahead of today's release, which we noted in this week's *Economic Preview*, was that seasonal adjustment might make job growth look weaker than was actually the case, as April is the month of the year in which we typically see the largest increase in not seasonally adjusted nonfarm employment. While that was the case in a few industry groups, such as construction and leisure and hospitality services, it was not the case overall. Also, job growth remained notably broad based across private sector industry groups in April, which we take as a sign of the durability of the current expansion despite the numerous hurdles popping up along the economy's path. That said, there is a lot to not like in the details of the April employment report. Prior estimates of job growth in February and March were revised down by a net 39,000 jobs for the two-month period, ending a string of sizable upward revisions. Both the labor force participation rate and the level of household employment fell in April, leaving the unemployment rate unchanged at 3.6 percent. The broader U6 measure, which also accounts for underemployment, rose to 7.0 percent from 6.9 percent in March on an increase in the number of discouraged workers. Average hourly earnings came in softer than we had anticipated, with an increase of 0.3 percent, while average weekly hours were flat. Still, aggregate private sector wage and salary earnings rose by 0.6 percent in April and are up 10.0 percent year-on-year.

The one-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups, was unchanged at 71.3 percent in April. While down from an all-time high of 79.9 percent in February, the diffusion index nonetheless remains easily ahead of its longer-term average, an indication of how widespread job growth has been. We attach a good deal of significance to this, as it tells us that job growth is not a function of a relatively small number of industry groups, as was the case

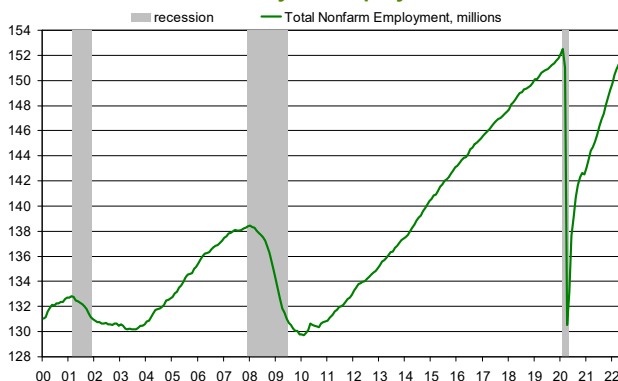
leading up to the 2007-09 recession when housing-related employment was driving total job growth. Payrolls in leisure and hospitality services rose by 78,000 jobs in April, with payrolls in education and health services up by 59,000 jobs and manufacturing payrolls up by 55,000 jobs. April's increase in leisure and hospitality services is the smallest monthly increase since December 2020, when payrolls declined, and reflects a smaller increase in not seasonally adjusted payrolls than is typical for the month of April. That was also the case in construction; the not seasonally adjusted data show construction payrolls rose by 164,000 jobs, or, an increase of 2.22 percent, but as this is smaller than the average April increase of just over 3.0 percent. As such, the seasonally adjusted data show construction payrolls up by just 2,000 jobs. In essence, the April data are being punished by construction employment having been stronger than normal over recent months. The increase in manufacturing payrolls was broad based across individual industry groups, with notably large increases amongst producers of machinery and motor vehicles. The BLS data show manufacturing payrolls have risen by 263,000 jobs over the past six months, seemingly at odds with the anecdotal evidence relayed in the ISM surveys, with survey respondents consistently citing labor supply issues as a constraint on growth in the factory sector.

The declines in the labor force and household employment in April are more than a bit puzzling, particularly after a run of hefty increases in each series. The BLS's adjusted measure of household employment, designed to mimic the measure of establishment employment, fell by 65,000 jobs in April. April's decline in labor force participation was spread across most age cohorts, including the key 25-to-54 year-old cohort, a/k/a the "prime working age" population. Our sense is that April's decline in labor force participation was no more than noise in what should remain an upward trend over coming months.

While there is plenty to not like in the April employment report, the main takeaway for us is that job growth remains both robust and broad based. The pace of job growth is sure to slow in the months ahead but, as it does, keep an eye on the breadth of job growth as a more telling indicator.



### Total Payroll Employment



### What To Make Of April's Decline In Participation?

