ECONOMIC UPDATE

REGIONS

May 3, 2024

April Employment Report: A Strong Report Back In The Day, Today, Not So Much . . .

- Nonfarm employment rose by 175,000 jobs in April; prior estimates for February and March were revised down by a net 22,000 jobs
- Average hourly earnings rose by 0.2 percent, while aggregate private sector earnings were unchanged (up 5.6 percent year-on-year)
- The unemployment rate rose to 3.9 percent in April (3.864 percent, unrounded); the broader U6 measure rose to 7.4 percent

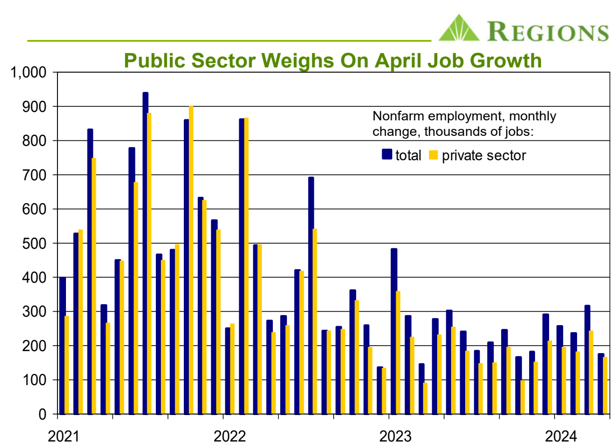
Total nonfarm employment rose by 175,000 jobs in April, ending a lengthy run of upside surprises from the headline print, with private sector payrolls up by 167,000 jobs and public sector payrolls up by 8,000 jobs, easily the smallest monthly public sector increase since December 2022. To that point, private sector job growth was not far from our forecast of an increase of 181,000 jobs, so that we anticipated public sector payrolls rising by 51,000 jobs largely accounts for our miss on headline job growth. Still, the details of the April employment report are on the weak side. Prior estimates of job growth in February and March were revised lower, but the net downward revision of 22,000 jobs is smaller than those seen over most of the past year. The average length of the workweek dipped by one-tenth of an hour which, combined with a 0.2 percent increase in average hourly earnings, contributed to aggregate private sector wage and salary earnings being unchanged from March. The 0.2 percent increase in average hourly earnings yields a year-on-year increase of 3.9 percent, the smallest such increase since June 2021, though we think it worth noting that aggregate private sector wage and salary earnings, which is what matters for growth in personal income and consumer spending, rose by 5.6 percent year-on-year, easily ahead of inflation. In what has become a rather frustrating routine, we will note that the initial collection rate for the BLS's establishment survey was 54.9 percent, the lowest April collection rate since 2002 and behind only November 2022 and December 2023 (49.4 percent in each) as the lowest rates since the onset of the pandemic. This means the initial estimates of nonfarm employment, hours, and earnings for April are somewhat suspect. The labor force participation rate was unchanged from March while household employment rose by only 25,000 persons, rounding the unemployment rate up to 3.9 percent, while the broader U6 rate, which accounts for both unemployment and underemployment, rose from 7.3 percent in March to 7.4 percent in April.

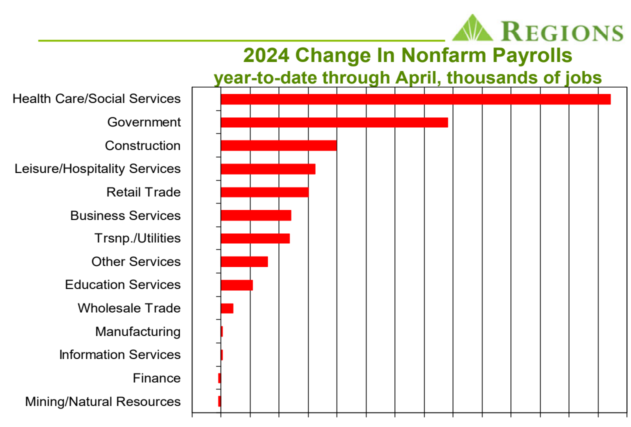
We do think it worth noting that seasonal adjustment worked against the April employment report. The 0.51 percent increase in not seasonally adjusted employment is well smaller than the typical April increase, and construction, leisure and hospitality services, and retail trade – the categories most prone to swings stemming from seasonal adjustment – all saw smaller than typical April increases. In the fist two sectors, this reflects what had been stronger than normal gains in unadjusted payrolls over prior months, making the smaller than normal April increases less concerning despite the meager gains – 9,000 in construction, 5,000 in leisure and hospitality services – shown in the seasonally adjusted data.

Job growth was, at least on the surface, broadly based in April, with the one-month hiring diffusion index, a measure of the breadth or hiring across private sector industry groups, rising to 60.4 percent. But, while this index gauges the breadth of hiring across industry groups, it says nothing about the intensity of that hiring. To that point, payrolls in health care and social services rose by 87,000 jobs in April, accounting for more than one-half of all private sector job growth. We noted in this week's *Economic Preview* that health care and social services, leisure and hospitality services, and government accounted for over sixty percent of growth in total nonfarm employment over the first quarter of 2024, but further noted that this left job growth vulnerable to a slowdown in one or more of these sectors, which we've seen more as a "when" than an "if." It is obviously too soon to draw any firm conclusions from one month of data, particularly data called into question by low survey response rates, but the April data are nonetheless a reminder of this vulnerability.

While the household survey data are grappling with their own reliability issues, we do think it worth noting that while the overall levels of the labor force and household employment were basically flat in April, on both counts there were healthy increases amongst the prime working age cohort (25-to-54 years old). This pushed the participation rate amongst this cohort to 83.5 percent, easily ahead of pre-pandemic norms.

There was a time, not too long ago, that the April print on job growth would have been seen as solid, a point perhaps lost in the frenzied pace of job growth over the past several months. Moreover, we have for some time now been pointing to details in the data suggesting a cooling labor market. "Cooling," however, is not the same as "cracking," a point very much worth keeping in mind.





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