

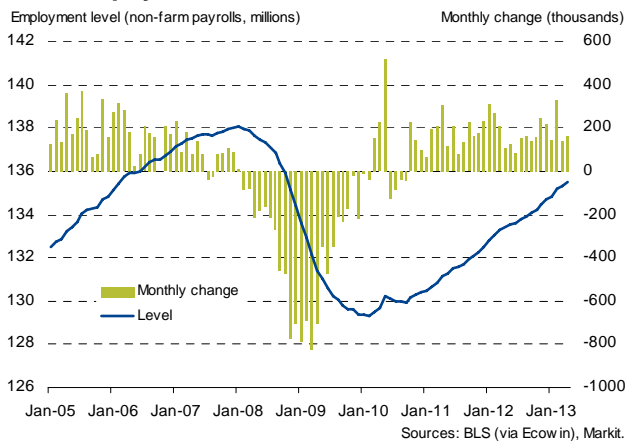
United States

Faster than expected hiring drives unemployment to lowest since 2008

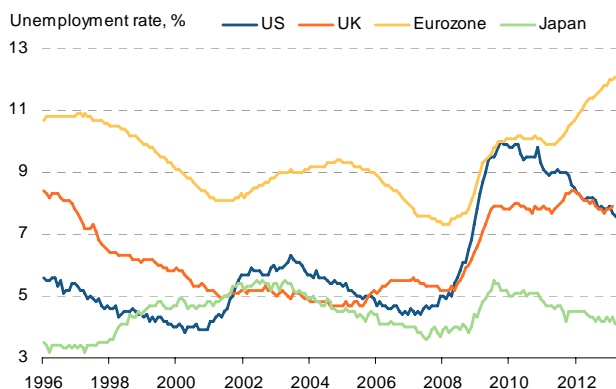
- **Non-farm payrolls rise 165,000 in April, with upward revisions to prior months**
- **Unemployment rate drops to 7.5%**
- **Faster job creation lowers chance of further Fed stimulus**

Official data show far stronger than previously thought job creation in the US, reducing the need for additional stimulus from the Fed. However, future discussion among policymakers is likely to be lively. Some will inevitably see the need to consider when policy could be scaled back due to the job market gains, while others will worry that the recent weakening of other economic indicators could mean employment growth starts to slow again in coming months.

Non-farm payrolls



Unemployment rates



Non-farm payrolls rose a larger than expected 165,000 in April, and the unemployment rate fell to 7.5% compared to 7.6% in March. Upward revisions to recent payroll growth in previous months added to the good news. March's disappointing weak number of 88,000 was revised up to a much more satisfying 138,000 increase, while February's count surged from a previously estimated 268,000 to an impressive 332,000 – one of the strongest gains seen since the financial crisis.

The upturn is being driven by private sector payrolls, which grew by 176,000 in April. A previously estimated 95,000 rise in March was revised up to 154,000 and 319,000 jobs were added in February, 65,000 more than previously thought.

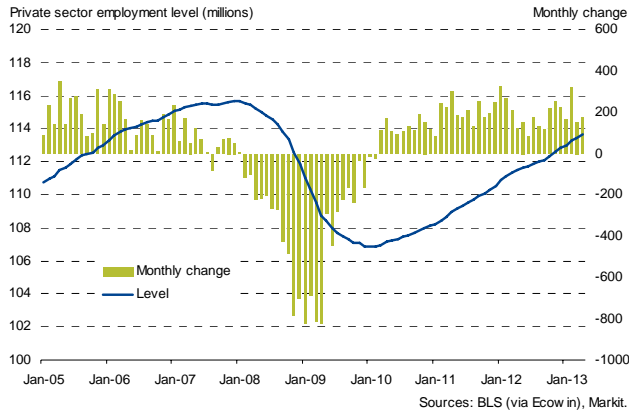
So far this year, 783,000 new jobs have been created, comprised of a 813,000 rise in the private sector and a 30,000 drop in government jobs. That compares less favourably with last year, when a 899,000 increase was seen in the four months to April, buoyed by a 916,000 increase in the private sector. But the news nevertheless paints a far brighter picture of the US labour market than the gloom that was beginning to pervade with the release of last month's lacklustre count.

Most importantly from the perspective of the Fed, which is targeting an unemployment rate of 6.5%, the upturn in hiring has helped bring the unemployment rate down steadily from 8.2% last July to 7.5% in April, its lowest since December 2008.

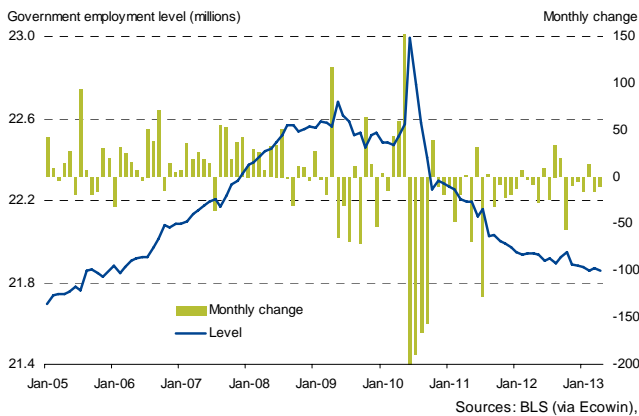
With numbers like these, Fed policymakers will be less inclined to see any need for additional stimulus beyond the \$85bn monthly asset purchases being made at the moment. While some policymakers may see the better than expected data warranting a discussion of when to start easing back on the stimulus, others will be concerned that employment trends can lag other economic indicators, which are starting to show some signs of renewed weakness. Surveys of purchasing managers, for instance, indicated that industrial growth

has slowed sharply at the start of the second quarter, and global economic growth is also showing signs of stalling again. Some of this weakness was already evident in the payroll data, with manufacturing employment flat in April, failing to grow for the first time in seven months.

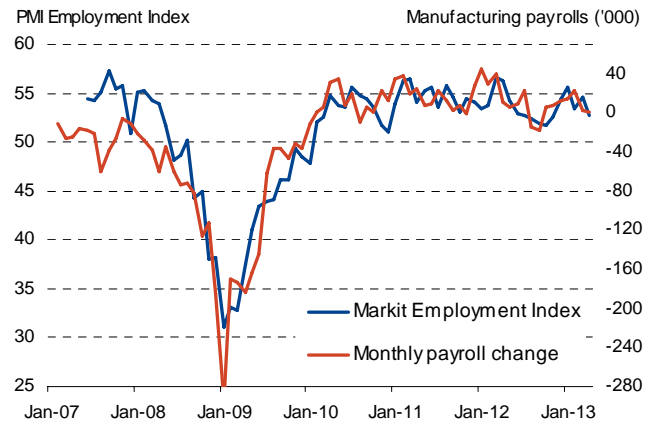
Private sector jobs



Government jobs



Manufacturing jobs – Markit PMI v payrolls



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