

United States

Solid growth of non-farm payrolls allays fears of economic slowdown

- **Non-farm payrolls rise by 192,000 v expected 200,000 gain**
- **Unemployment rate sticks at 6.7%**
- **Q2 data to give better insight into health of economy**

Non-farm payrolls came in close to expectations in March, up 192,000, the rise accounted for entirely by the private sector. The unemployment rate was more disappointing, holding steady at 6.7% instead of dipping to 6.6%, as per the market consensus, but the participation rate rose slightly to the highest since last autumn.

The latest solid increase in employment comes after a similarly robust 197,000 rise in February, according to the Bureau for Labor Statistics, and serves to allay many fears that the economy is slowing in the face of the Fed's taper.

However, the rise in payrolls was stronger than PMI data had indicated, with the surveys painting a more downbeat assessment of the willingness of companies to hire, which might feed through to the official data in coming months, or potentially lead to downward revisions in the first quarter. The Employment Index from [Markit's PMI surveys](#) had signalled an average non-farm payroll increase of 197,000 in the fourth quarter, falling to 144,000 in the first quarter. By comparison, the official data averaged 198,000 in the fourth quarter and 178,000 in the first quarter.

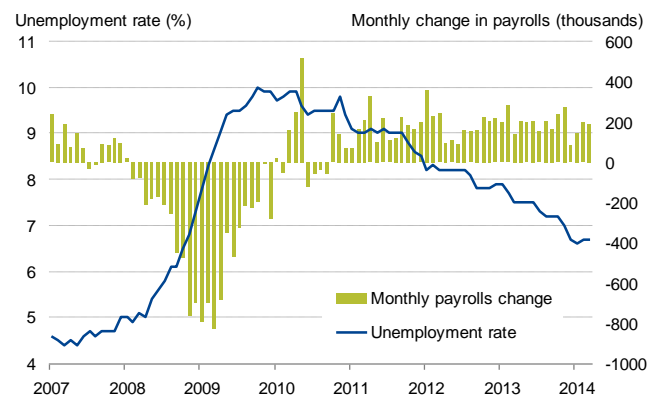
Steady as she goes

The labour market data add to signs that the economy is growing at a reasonable but unexciting pace, with few signs of any major slowing in the face of the Fed taking its foot off the stimulus pedal. Survey data indicate that the economy grew at an annualised rate of approximately [2.5% in the first quarter](#), largely unchanged on the fourth quarter. However, growth in both quarters probably understates the true health of the economy: while the government shutdown disrupted the economy in October, extreme weather

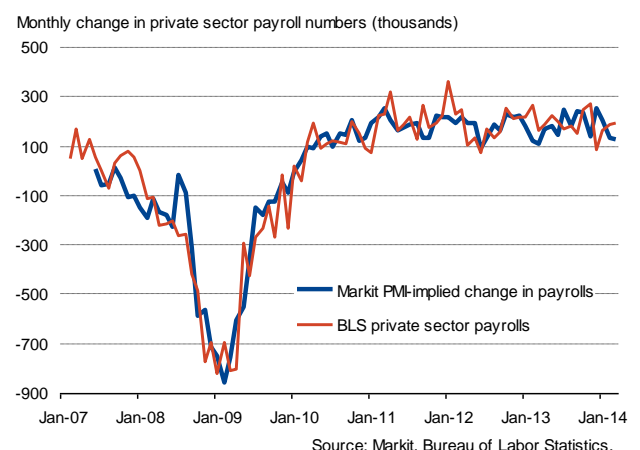
has taken its toll in more recent months, from which a bounce back was to be expected.

Policymakers will therefore be more interested in what happens in the second quarter to get a proper handle on the underlying health of the economy and the willingness of firms to take on extra staff. The focus will continue to shift away from the unemployment rate and non-farm payroll growth, towards other measures of slack in the economy and the labour market. This "dashboard" includes layoffs, underemployment, the participation rate, job openings and the number of long-term unemployed. Collectively, these indicators remain consistent with the Fed being in no hurry to hike rates after halting QE purchases in the autumn.

Unemployment rate & monthly change in payrolls



PMI survey employment index



Source: Markit, Bureau of Labor Statistics.

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