

# United States

## Surge in job creation adds to signs of improving economic health

- **Non-farm payrolls rise by 236k in February against expectations of 160k**
- **Surprise drop in unemployment rate from 7.9% to 7.7%**

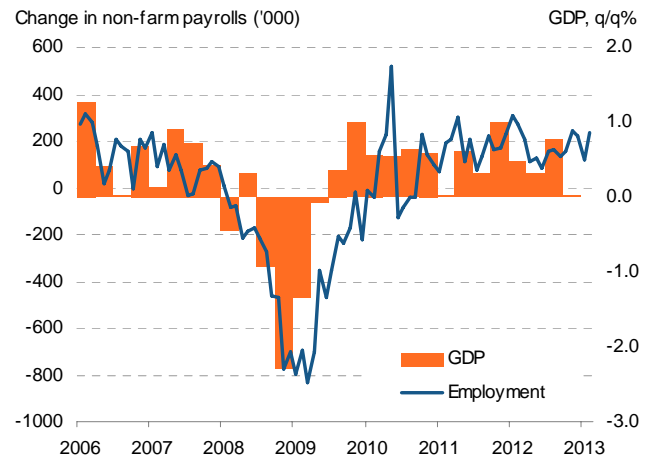
Non-farm payrolls rose by 236,000 in February, smashing through market expectations of a rise of 160,000. Even though January's total was revised down, the recent upturn in hiring has had a marked impact on unemployment, the rate of which fell to a four-year low of 7.7% from 7.9% in January.

The surprising improvement in the health of the labour market does not necessarily mean the Fed will start to look at an exit from its asset buying programme any time soon. A sustained run of stronger job creation than even the nice surprise seen in February is needed to generate a significant further reduction in the unemployment level.

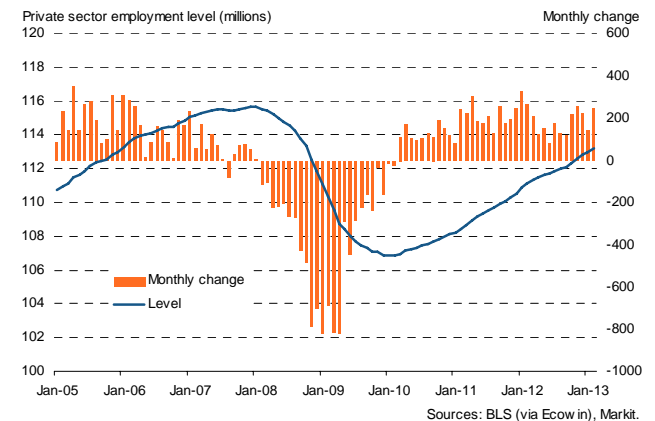
What these numbers do tell us, however, is that the economy is moving in the right direction and is weathering the storm of various fiscal headwinds it is currently facing with considerable resilience. Some 246,000 private sector jobs were created, up from 140,000 in January, while the government payroll was cut by 10,000 in February.

Importantly, the disappointing stagnation of the economy in the final quarter of last year, when GDP rose at a mere 0.1% annualised rate, painted an unrealistically gloomy picture of the economy. Instead, it is clear that the underlying momentum of the business sector remained healthy at the end of last year (healthy enough to generate 697,000 jobs in the three months to December), and that momentum has picked up further in the first quarter. Surveys such as Markit's PMI indicate that manufacturing is growing at its fastest pace for a year, the ISM's non-manufacturing survey continues to register healthy growth and the trend growth in core retail sales has accelerated. These improving trends will reassure policymakers, but caution about the sustainability and robustness of the recovery will no doubt remain the key theme of the Fed's rhetoric

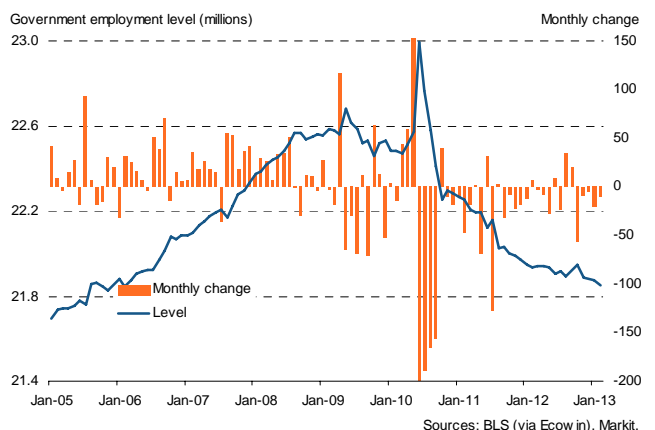
### Non farm payrolls and GDP



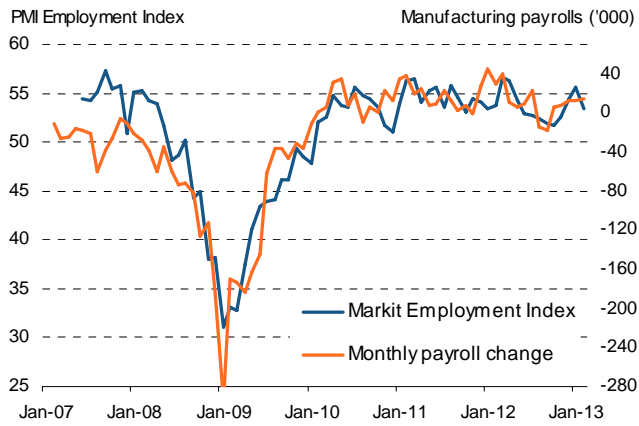
### Private sector employment



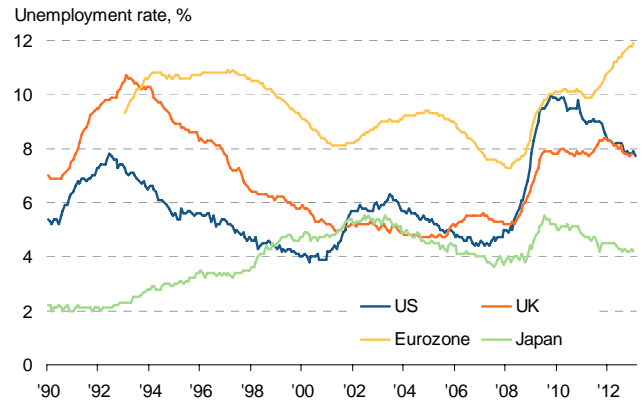
### Public sector employment



### Manufacturing employment (and the PMI)



### Unemployment rates



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