

United States

Unemployment rate falls to lowest since 2008, but job creation disappoints

- **Jobless rate falls to 7.6%, lowest since 2008**
- **Non-farm payroll count disappoints at just 88k**
- **Data will fuel worries about sequestration cooling of economic growth**

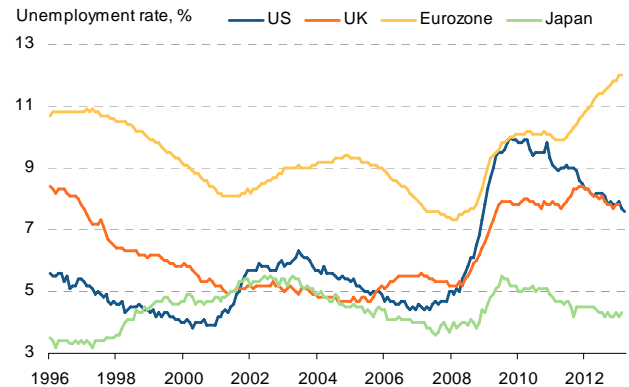
The rate of unemployment in the US fell to 7.6% in March, dropping for the second successive month to its lowest since December 2008. Non-farm payroll numbers were a massive disappointment, however, rising by just 88,000 against analysts' expectations of a 200,000 rise according to Reuters' polls. Private sector payrolls rose by only 95,000 rather than an expected 209,000. Disappointingly, the drop in the unemployment rate could also be largely attributed to people dropping out of the workforce, rather than employment gains.

More encouragingly, February's payroll count was revised up from 236,000 to 268,000 – the strongest rise for a year – and January's number was also revised higher. Some 504,000 jobs are now estimated to have been created in the first quarter as a whole, down from 626,000 in the fourth quarter, but still a healthy rise which could yet be revised higher still*. The private sector added 513,000 jobs in the first quarter against 697,000 in the fourth quarter.

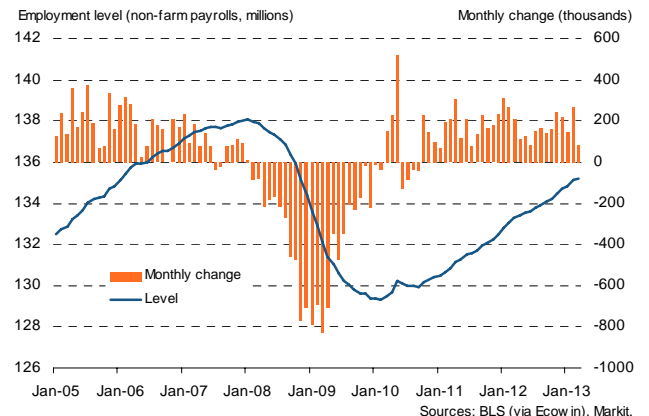
The fall in the jobless count corresponds with other data available so far, such as the business and consumer surveys, retail sales, industrial production and tax revenues data, which collectively indicate that economic growth accelerated markedly in the first quarter. However, there are some suggestions that consumer confidence fell slightly in March due to concerns over fiscal tightening, and the dip in rate of growth of payrolls in March will add to talk of a possible waning of the economy in the spring as the sequester dampens business and consumer sentiment.

While talk among policymakers will therefore inevitably turn increasingly towards the timing of the Fed's exit from its current ultra-accommodative policy stance, the dip in these payroll numbers and uncertainty caused by sequestration suggest that the Fed will remain ultra-cautious in its rhetoric.

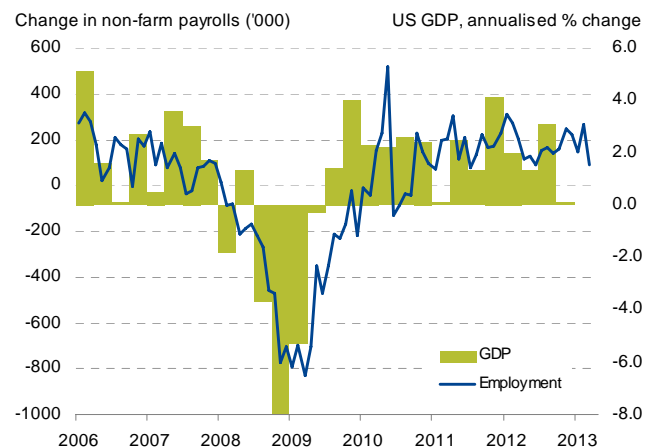
Unemployment rates



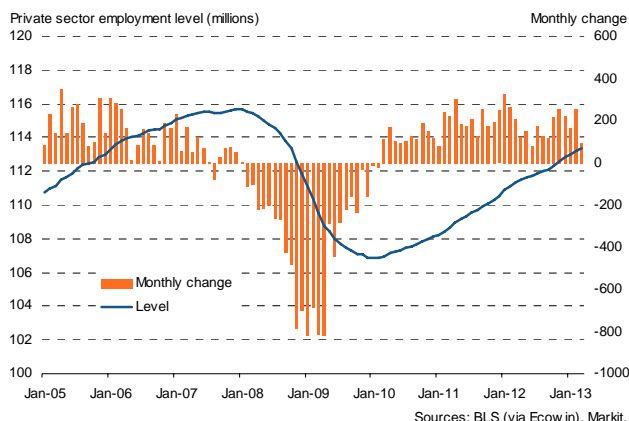
Non-farm payrolls



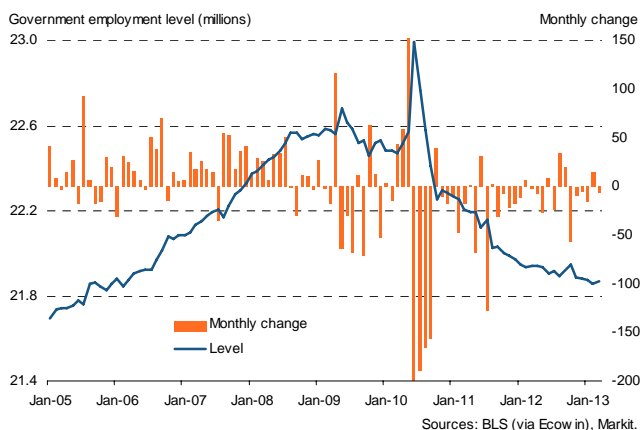
Payrolls v GDP



Private sector non-farm payrolls



Government sector payrolls



* Sampling techniques result in considerable uncertainty about the accuracy of the non-farm payroll numbers, meaning there is about a 90-percent chance that the true monthly change is between 90k higher or lower than the published estimate, suggesting payrolls could have risen by up to 178,000 or, at the other extreme, fallen by 2,000 in March. We should also note that the monthly change in the unemployment rate is subject to an average error of about +/- 0.2%, though revisions tend to be less marked than for the non-farm payroll count.

Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

For further information, please visit www.markit.com. The intellectual property rights to the report provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.