# Payroll Data for March 2017

**Sung Won Sohn**
California State University CI.
213 247 5012
[www.DrSohn.com](http://www.DrSohn.com)

**Summary (See Summary Table Attached)**

The economy added only 98,000 jobs in March from the average of 218,000 during the first two months of the year. Most sectors added jobs, but retail shed workers sharply for the second months in a row. The January and February numbers were revised down by 38,000. The unemployment rate fell to 4.5 percent from 4.7 percent. Labor participation rate stayed the same at 63 percent. Wage gains rose 0.2 percent for the month amounting to 2.7 percent from a year ago, down from 2.8 percent for February.

**Analysis**

Aside from the weather impact, there are signs that employment gains have seen the best in this economic cycle. Consumer spending, which accounts for a lion's share of the economy, has begun to slow. Auto sales have crested and are in the process of softening. Retail is going through structural changes: The growing importance of online sales reduce the need for workers. President Trump has announced a hiring freeze. The impact of the minimum wage increases will be felt going forward. The economy is hovering around full employment and there are shortages of skilled labor. Construction and IT are a couple of areas experiencing acute labor shortages. Economic growth during the first quarter (real GDP) will be around 1 percent.

However, there continues to be bright spot in the job market. For example, construction, which added 99,000 jobs during the first quarter will continue to increase employment if they can find bodies as demand for both public and private construction remains high. Manufacturing, especially related to technology and energy, continues to add new jobs. With higher price of oil, energy-related jobs are increasing after the job cuts in 2016. Professional and business services are in demand in this knowledge-based and growing economy.

Wage gains slowed a bit, but, along the saw-tooth path, wages are trending up reflecting healthy demand for labor and near full employment. The tight labor market, healthy job gains and the rising quit rate all point to higher wages. In addition, higher minimum wages went into effect in many states including California and more states will follow. A more comprehensive indicator of earnings---Employment Cost Index---has been showing healthy increases in overall pay. A wage index produced by the Federal Reserve Bank of Atlanta has shown even faster wage increases in recent months.

Surveys by NFIB also point to wage pressures as the labor market tightens. Small businesses are more comfortable about the economic outlook and has been hiring people at a good clip. NFIB surveys for the past several months have shown that hiring is the biggest problem facing them.

Despite the latest setback, the overall picture of the economy is a healthy one. Going forward**,** the implementation of some of the Trump economic programs will boost employment and economic activities. However, the latest payroll number will give the FOMC a reason to think carefully before raising the interest rate again. The probability of a hike in June has decreased.