Economic Flash!

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US Labor Market

While not as bad as what’s to come next month, non-farm payrolls for March showed a much greater than expected 701K job loss (consensus -100K) with the unemployment rate rising to 4.4% (consensus 3.8%). With the survey week for this report coming before the monster initial jobless claims prints, today’s release wouldn’t have picked up the significant weakening of the labor market more recently, which makes the weaker than expected results more disappointing. Given the scale of job losses implied by those weekly claims figures, the unemployment rate will likely move above 10% in short order in Q2.

The sector breakdown of today’s data showed significant job losses in the leisure & hospitality sector (-459K) which is understandable, and an area which will see greater weakness in the months ahead (note that the sector accounts for about 11% of total employment). Job losses in other most at-risk areas, including retail (-46K) and trade/transportation (-49K) were fairly modest at this stage. Average hourly earnings rose more than expected (0.4%) but that is likely due to the fact that job losses were focused on lower paid staff/industries.