

Economic Analysis

March's Hiring, Wages, and Participation Support Fed's Policy Outlook for 2016

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- **Nonfarm payrolls increased 215K in March while wages rebounded 0.3%**
- **The unemployment rate rose to 5% alongside a simultaneous rise in participation to 63%**
- **Data won't be enough for an April rate hike, but still on track for a June announcement**

Steady improvement is the name of the game for the labor market, with March's employment data hinting at continued progress in all facets of the report. Nonfarm payrolls increased 215K following a 245K gain in February, with private hiring up 195K. Consistent job growth above the 200K threshold falls in line with the Fed's outlook for the labor market and should keep them on track to hit their projected two rate increases in 2016. Stronger wage growth also supports their outlook (for the labor market and inflation), with average hourly earnings rising 0.3% in March after a disappointing 0.1% decline in the previous month. Although volatile throughout the past few months, earnings hit 2.3% YoY and are likely to continue growing at a gradual pace.

Despite the steady gains in hiring, Janet Yellen and many of her FOMC colleagues have continued to point to areas in the labor market that still need further improvement. Labor force participation has been a primary concern related to structural unemployment, hitting a nearly 40-year low of 62.4% in September 2015. However, the participation rate has been slowly reversing trend throughout the past few months, reaching 63.0% in March to mark the highest in two years. In turn, this forced the unemployment rate to shift slightly upward, from 4.9% to 5.0%, as more individuals entered the labor force. The number of discouraged and marginally attached workers declined in March, at nearly 20% lower than this time last year. Still, there remains room for improvement as figures hold above pre-recession levels, particularly for those employed part-time for economic reasons.

Overall, March's employment report adds to the positive outlook for the labor market in 2016 and beyond. Figures may not have been enough of an upward surprise to encourage a rate increase at the April 26-27th FOMC meeting. However, the data are falling in line with the Fed's (and our) expectations, keeping a June announcement very much in play.

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