

# US Labour Market Monitor

## Powering on

### Jobs report preview

We estimate **non-farm payrolls increased 220,000 in March, slightly above the current consensus of 210,000.** Job growth is **mainly driven by private service payrolls, which we estimate increased 180,000 in March** down from a high of 245,000 in February. **Signals for the labour market have been mixed lately. Jobless claims data continue to look solid, with initial claims back at cycle lows.** On the other hand **the ISM non-manufacturing index declined (though marginally) for the fourth consecutive month** to 53.4 in February and the employment sub-index declined to 49.7, raising downside risks to employment growth in the service sector. **We estimate the unemployment rate was unchanged at 4.9 % in March.**

We estimate that **manufacturing payrolls was unchanged in March.** In February manufacturing payrolls declined as expected, as manufacturing employment growth had long been higher than indicated by the downward trend in the ISM manufacturing index. As the regional activity indices have been strong in March, **we see indications that the manufacturing sector is finally rebounding and that manufacturing employment is stabilising.**

**Wage growth continues to be subdued** despite the tighter labour market. Average hourly earnings increased 2.2% y/y in February as monthly wage growth slipped to 0% m/m. We expect wage growth to trend slightly higher over the coming months but, if continued, **the increase in the participation rate seen over the past five months should ease the upward pressure on wages.**

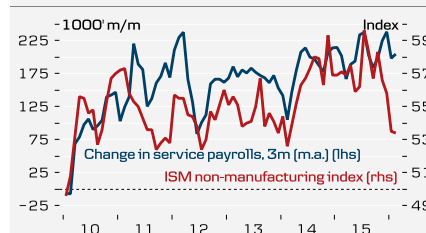
**In the otherwise solid February job report, there was one note of caution. The average workweek slid from 34.6 hours to 34.4.** This implied that although more people became employed the aggregate amount of hours worked declined. **We would be glad to see a rebound in the average workweek in March.**

### Danske Bank forecasts (March)

	DB	Consensus	Prior
Non-farm Payrolls	220	210	242
-Private	205	190	230
-Manufacturing	0	-1	-16
-Service	180	-	245
-Construction	25	-	19
-Mining and logging	-	-	-18
-Government	15	-	12
Unemployment rate	4.9%	4.9%	4.9%
Avg. hourly earnings	2.2%	2.2%	2.2%

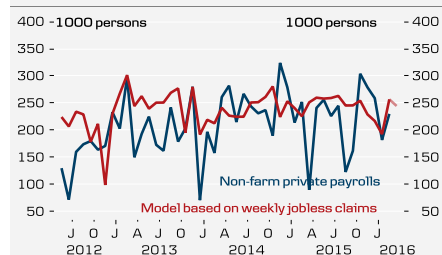
Source: Macrobond Financial, Danske Bank Markets calculations

### Growth in service employment to slow



Source: BLS, ISM

### Jobless claims data point to solid job growth



Source: BLS, Danske Bank Markets

#### Senior Analyst

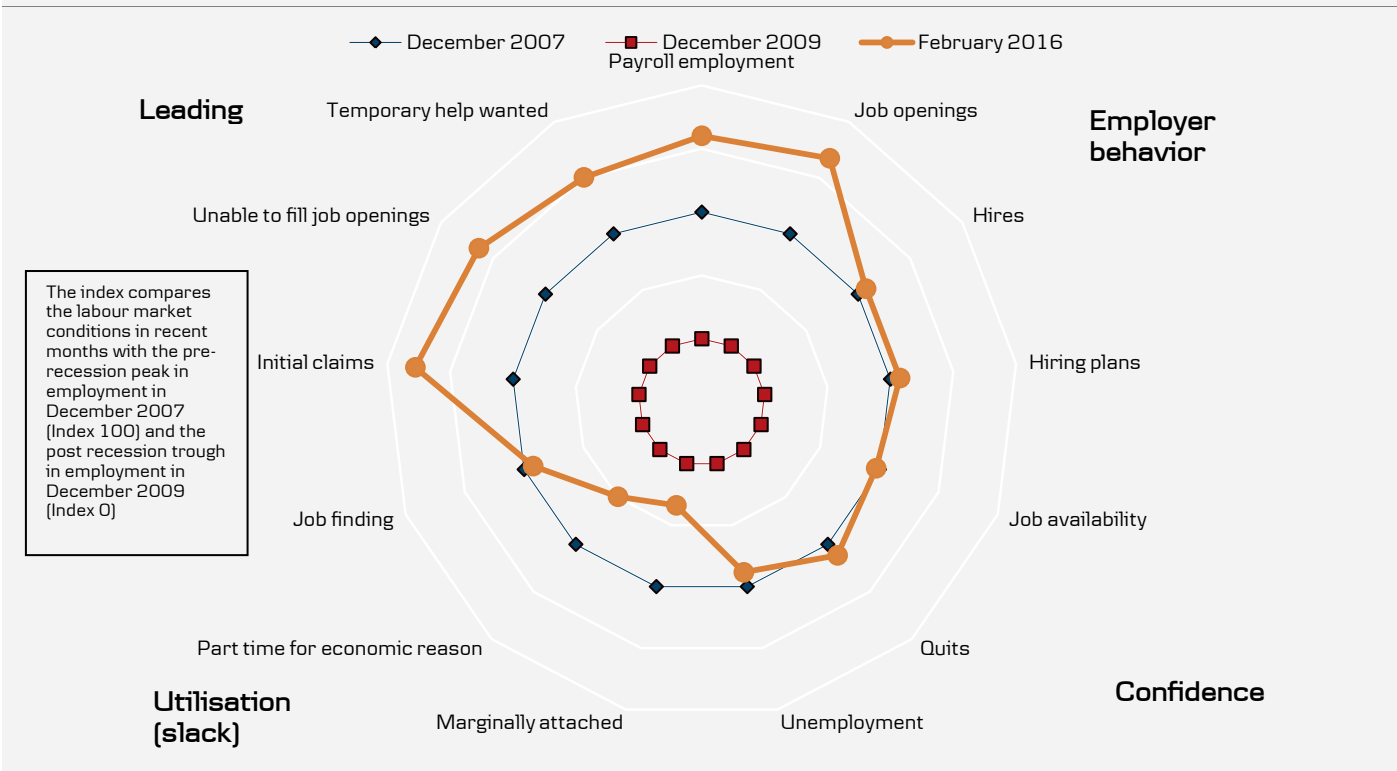
Signe Roed-Frederiksen  
+45 45128229  
sroe@danskebank.dk

#### Assistant Analyst

Andreas Mey Kjeller  
ankjl@danskebank.dk

## US labour market in one chart

Strong labour market growth but slack remains – outward moves indicate stronger labour market



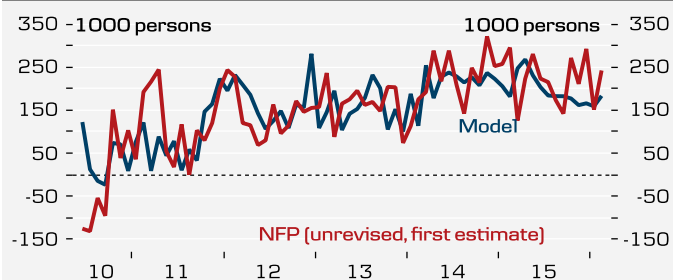
Note: The diagram shows the level of tightness of different US labour market key figures at different times, compared with the level of the same figures in December 2007 (index=100) and December 2009 (index = 0). Counter cyclical figures (unemployment rate, jobless claims, marginally attached and work part time for economic reasons) are inverted; thus, the higher index (the further from the middle) the better (tighter) is the state of the labour market

For JOLTS data we have used the average of the last two observations as the newest figures

Source: BLS (JOLTS), Macrobond Financial

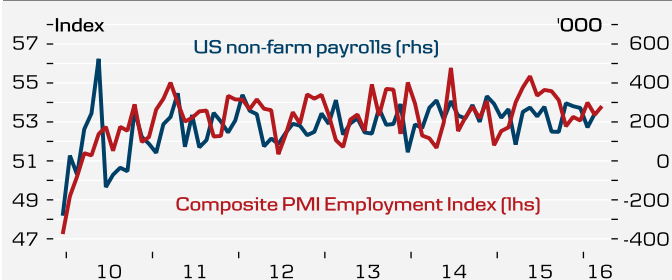
## Models and leading indicators

### Our model has underestimated employment growth



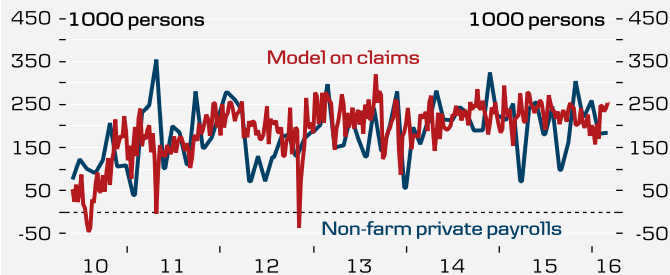
Source: Macrobond Financial, Danske Bank Markets calculations

### PMI employment suggests stable employment growth of around 200,000



Source: Macrobond Financial, ISM, BLS

Initial jobless claims model suggests slower job growth



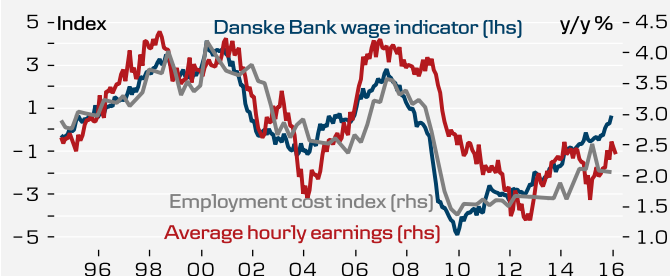
Source: Macrobond Financial, US Department of Labor

Small business hiring plans next three months



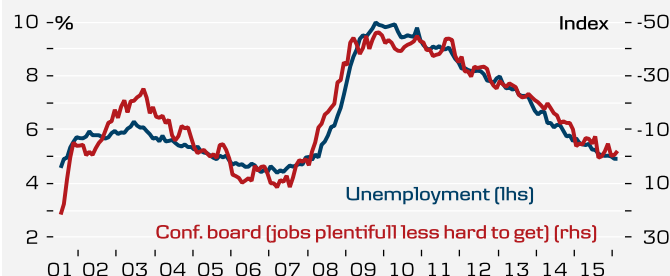
Source: Macrobond Financial, NFIB

Danske Bank wage indicator and wage inflation



Source: BLS, Danske Bank Markets

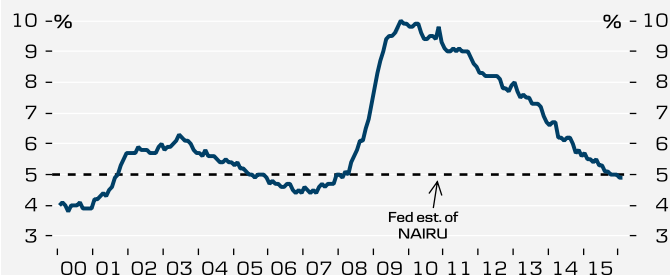
Worker confidence and unemployment rate



Source: BLS, Conference Board

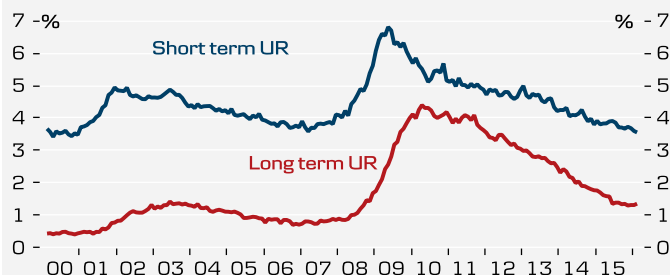
Unemployment measures

Unemployment rate at NAIRU



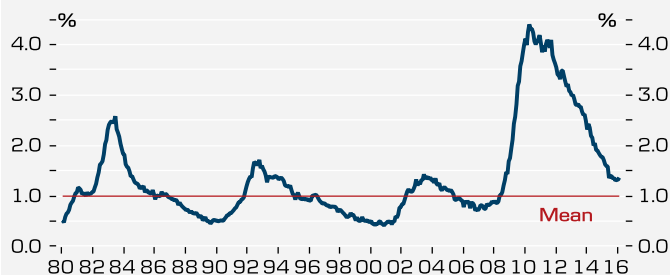
Source: Macrobond Financial, FOMC, BLS

Unemployment decomposed by duration



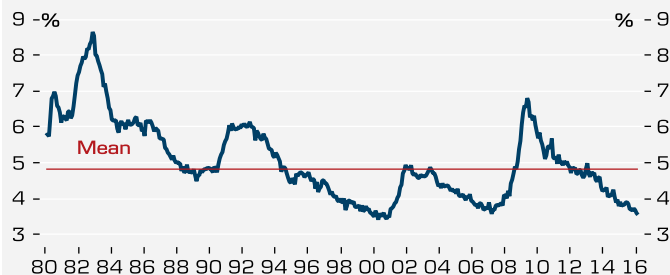
Source: Macrobond Financial, BLS

Long-term unemployment rate higher than average



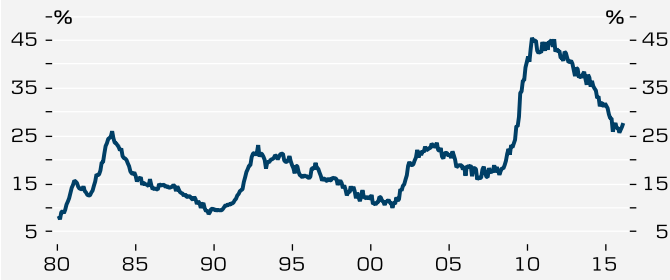
Source: Macrobond Financial, BLS

Short-term unemployment rate very low



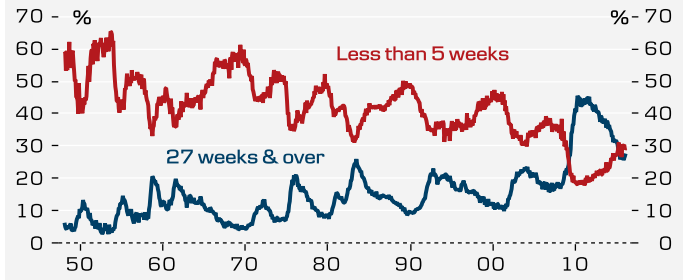
Source: Macrobond Financial, BLS

Long-term unemployment as % of total unemployed



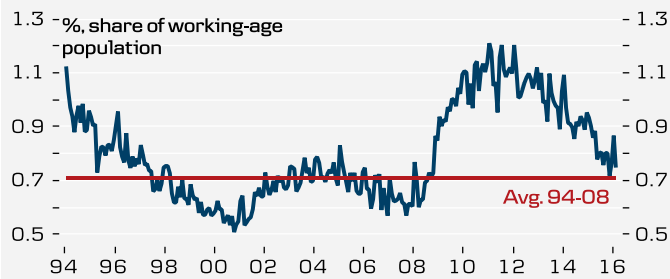
Source: Macrobond Financial, BLS

Distribution of duration of unemployment



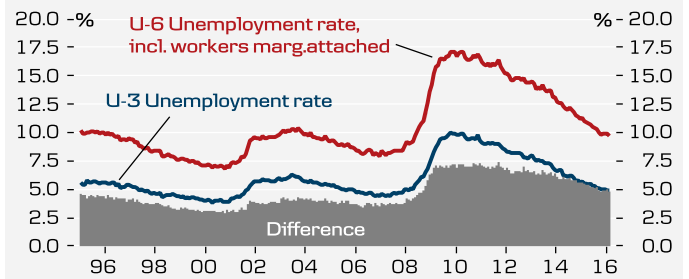
Source: Macrobond Financial, BLS

Marginally attached workers still a bit above average



Source: Macrobond Financial, BLS

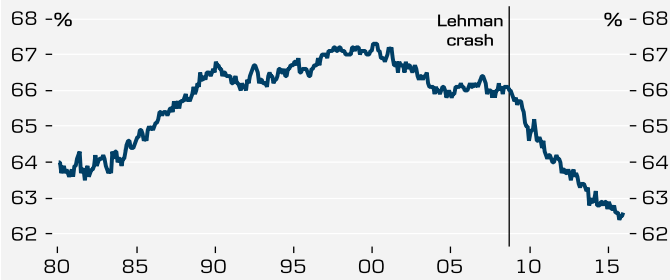
U6 unemployment rate vs U3 unemployment rate



Source: Macrobond Financial, BLS

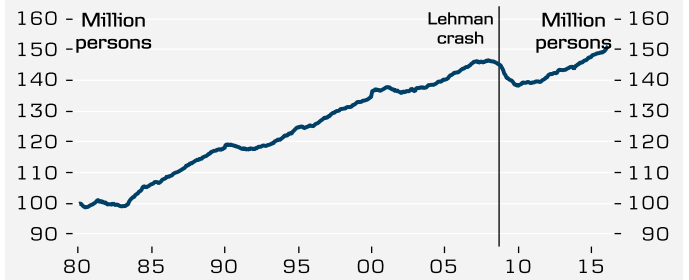
Participation

Participation rate, all



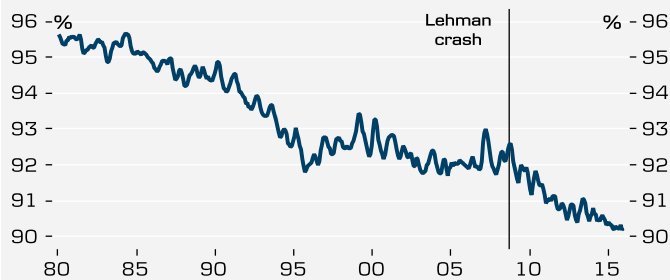
Source: Macrobond Financial, BLS

Total workforce, 16 years and over, (s.a.)



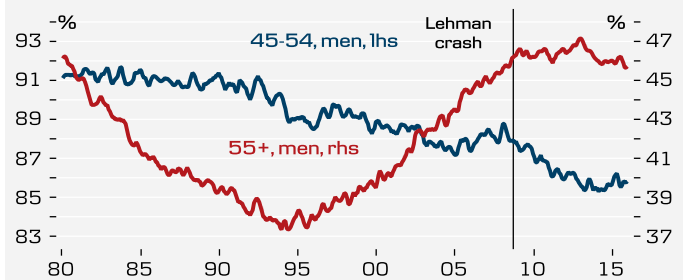
Source: Macrobond Financial, BLS

Participation rate, 35-44, men



Source: Macrobond Financial, BLS

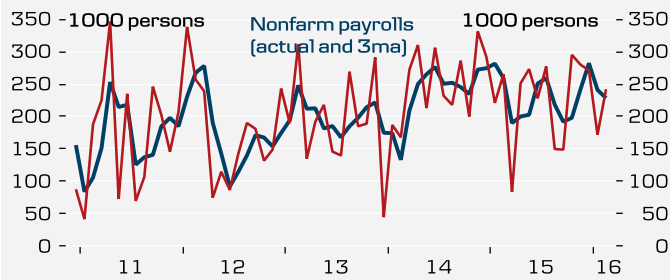
Participation rate, 45-54 and 55+, men



Source: Macrobond Financial, BLS

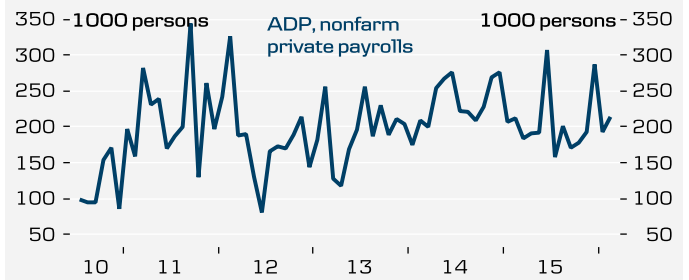
## Employment measures

### Non-farm payrolls



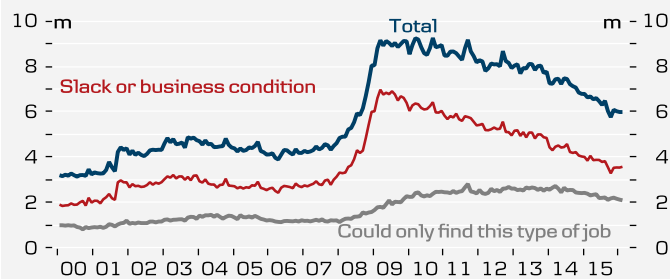
Source: Macrobond Financial, BLS

### ADP private payrolls



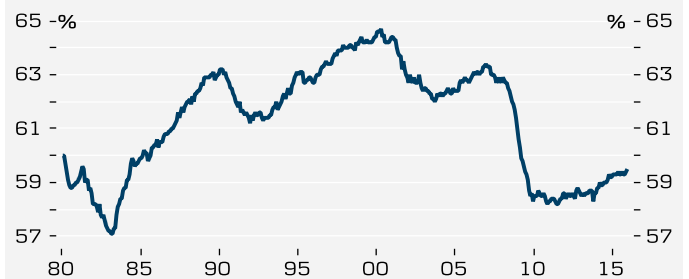
Source: Macrobond Financial, ADP

### Part-time employed for economic reasons



Source: Macrobond Financial, BLS

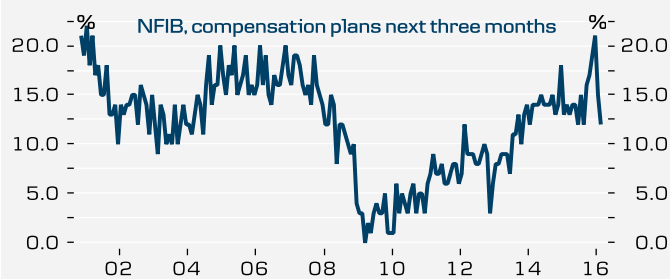
### Employment to population ratio



Source: Macrobond Financial, BLS

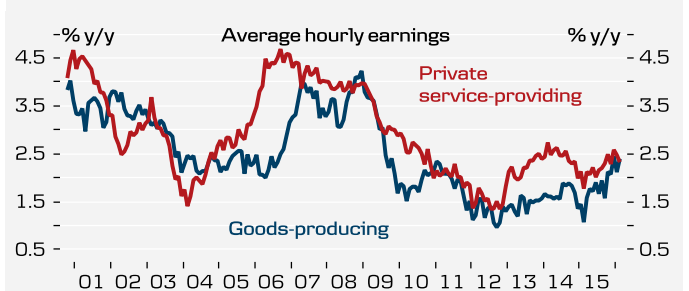
## Wage growth and inflation

### NFIB compensation plans



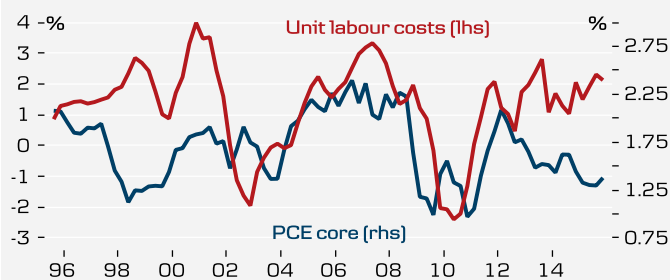
Source: Macrobond Financial, NFIB

### Hourly earnings, production and non-supervisory



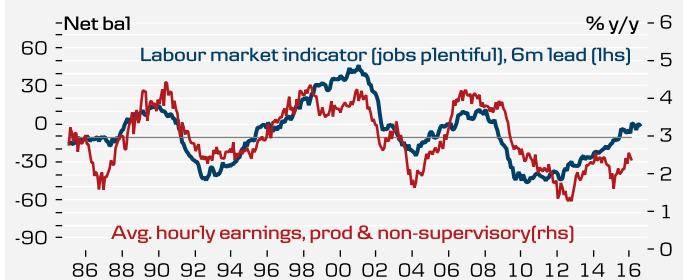
Source: Macrobond Financial, BLS

### Unit labour costs is putting upward pressure on core inflation



Source: Macrobond Financial, BLS, Census, BEA

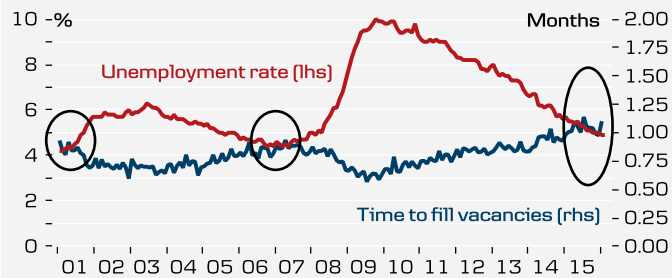
### Worker confidence is slowly rising - will wages follow?



Source: Macrobond Financial, Conference Board, BLS

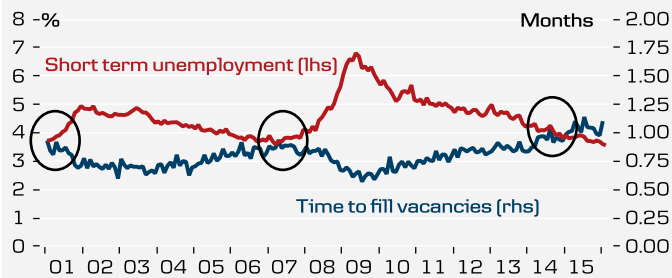
### The employer's perspective

Unemployment and time to fill vacancies



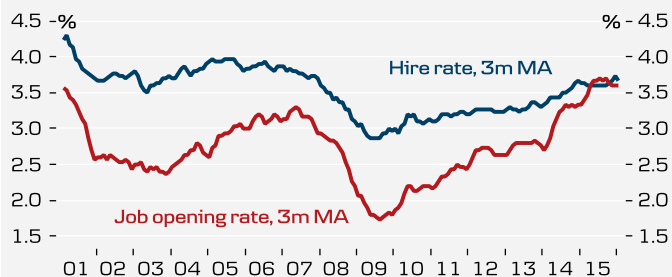
Source: Macrobond Financial, BLS

Short-term unemployment and time to fill vacancies



Source: Macrobond Financial, BLS

The rate of new job openings and hire rate (3M moving average)



Source: Macrobond Financial, BLS

## Disclosures

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank'). The authors of this research report are Signe Roed-Frederiksen, Senior Analyst, and Andreas Mey Kjoller, Assistant Analyst.

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in this research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

### Date of first publication

See the front page of this research report for the date of first publication.

## General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.