

U.S. Data Review

- Employment: respectable job growth; unemployment inches lower
- International trade: modest widening in the deficit

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The Labor Market

Nonfarm payrolls rose 379,000 in February (0.3%), exceeding the expected gain of approximately 200,000. Results in the prior two months were revised slightly higher (up a net 38,000; softer in December, firmer in January). Results were not overwhelming when viewed against the ground that needs to be regained to return to pre-pandemic levels, but the gain was respectable, and it showed that the labor market is recovering.

Interestingly, the leisure industry stood out on the firm side in February with job growth of 355,000 (2.7%). The gain represented only a partial offset to the drop of 523,000 in the prior two months, but it was a welcome change in a sector that is still struggling with fallout from Covid. The retail trade industry, another challenged area, also performed well, registering a gain of 41,000 (0.3%), marking the third consecutive month of favorable results. The manufacturing sector rebounded from a soft performance in the prior month, with the jump of 21,000 (0.2%) more than offsetting the drop of 14,000 in January.

Some areas stood out on the soft side. The construction industry shed 61,000 jobs (-0.8%), perhaps temporary cuts driven by severe weather (although not the extreme conditions in Texas, as those storms occurred in the week after the survey week). The mining sector also might have been affected by the weather, as it cut 8,000 jobs (-1.3%) after expanding or holding steady in the prior five months. The warehousing industry eliminated 1,000 jobs (-0.1%), a minuscule total in isolation, but it marked the third consecutive decline and perhaps signaled a topping out of support facilities behind online shopping and delivery. The financial services industry posted soft result for the second consecutive month.

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private-Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate	Household Emp. (Chg., Thousands)	Labor Force	Emp.-Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2019	168	150	3.7	7.2	166	121	60.8	9.2	4,408	0.2	34.4
2020	-785	-679	8.1	13.7	-742	-334	56.8	12.6	7,227	0.5	34.6
2021	273	278	6.3	11.1	205	-178	57.6	16.8	6,021	0.2	34.8
Qtrly. Average											
20-Q1	-360	-375	3.8	7.6	-1,066	-619	60.7	8.0	4,818	0.4	34.3
20-Q2	-4,333	-3,860	13.1	20.7	-4,479	-975	52.9	7.6	10,190	0.7	34.5
20-Q3	1,342	1,174	8.8	14.5	1,814	94	56.1	16.5	7,405	0.2	34.7
20-Q4	213	346	6.8	11.9	762	163	57.4	18.2	6,493	0.5	34.8
2020 Monthly											
July	1,726	1,523	10.2	16.5	1,677	288	55.2	15.1	8,400	0.1	34.6
Aug.	1,583	1,066	8.4	14.2	3,499	733	56.5	16.7	7,533	0.3	34.7
Sept.	716	932	7.8	12.8	267	-740	56.6	17.8	6,283	0.1	34.8
Oct.	680	954	6.9	12.1	2,126	640	57.4	19.0	6,668	0.1	34.8
Nov.	264	359	6.7	12.0	140	-182	57.4	18.9	6,641	0.3	34.8
Dec.	-306	(-227)	6.7	11.7	21	31	57.4	16.8	6,170	1.0	34.7
2021 Monthly											
Jan.	166	(49)	6.3	11.1	201	-406	57.5	15.3	5,954	0.1	34.9
Feb.	379	465	6.2	11.1	208	50	57.6	18.3	6,088	0.2	34.6

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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The unemployment rate fell 0.1 percentage point to 6.2%. The change reflected a moderate increase in employment as measured by the household survey (up 208,000) that exceeded an increase of 50,000 in the size of the labor force. The broad unemployment rate was unchanged at 11.1%. An increase in the number of individuals working part time involuntarily exceeded a drop in the number of marginally attached individuals, and the net effect of these changes offset the influence of the dip in the narrow unemployment rate.

The length of the average workweek fell 0.3 hour. We suspect random volatility played a role, as this measure posted a surprising jump in January. Still, the length of the average workweek moved to the bottom of its recent range. With workweeks shorter, the amount of production in February was probably less than robust.

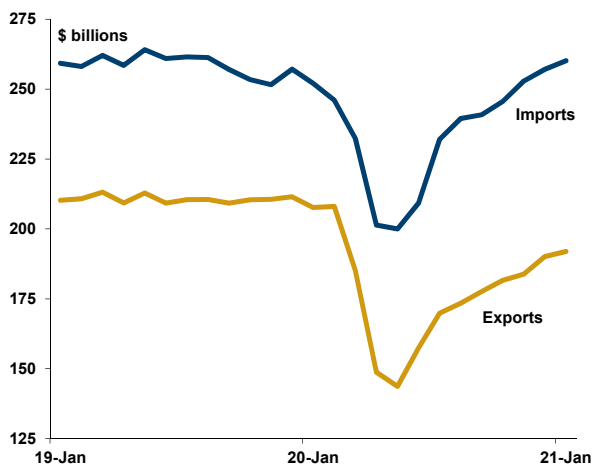
Average hourly earnings rose 0.2%, an underwhelming change, but the increase was probably constrained to a degree by the increase in employment in the leisure industry. Many of the jobs in this sector are below average, and the addition of large numbers of lower-wage workers could constrain the average.

International Trade

Both exports and imports in January continued to move along their upward trends (chart, left). As in most other recent months, the increase in imports was larger (up 1.2% versus 1.0% for exports), which left a wider trade deficit (slippage of \$1.2 billion to \$68.2 billion, wider than the expected shortfall of \$67.5 billion). Although the trade results were softer than expected, the report carried a favorable development with a slight improvement in the surplus in service trade. The improvement of \$81 million to \$17.236 billion was modest, but it ended a string of six consecutive declines in the monthly surplus.

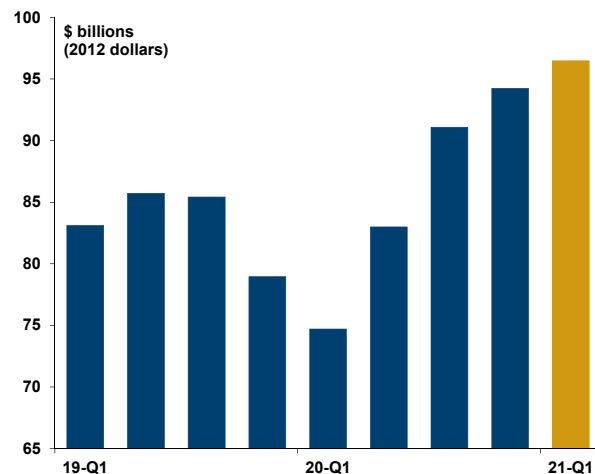
The real trade deficit in goods provides insight into the influence of net exports on GDP growth, and this figure for January was a bit wider than the average in Q4 (chart, right), suggesting that international trade will be a drag on economic growth in the first quarter. The picture could change with results for February and March, but the figures in hand suggest that net exports will subtract one-half to three-quarters of a percentage point from GDP growth in Q1. The drag, while disappointing, would represent an improvement from the negative contributions of 3.2 and 1.6 percentage points in Q3 and Q4, respectively.

Imports & Exports of Goods and Services



Source: Bureau of Economic Analysis via Haver Analytics

Real Trade Deficit in Goods*



* Quarterly averages of monthly data. The reading for 21-Q1 (gold bar) is the observation for January 2021.

Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America