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Weekly Commentary

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Jobs report not so shocking

It is somewhat surprising that the markets were surprised by the poor jobs report that was released last week, showing that U.S. nonfarm payrolls rose by only 266,000 jobs in April. Economists on average expected around 900,000 jobs would be added. While the labor market has continued to improve since the depths of the historic lockdowns of last spring, the progress has been uneven. The surge in added jobs in March should have put analysts on notice that there might be a pullback. Also, the first reading of any employment report is just that—a first reading. The initial data is almost always revised and, sure enough, the Labor Department revised March's blowout 916,000 new hires to 770,000.

Some will point to the extra payment to the unemployed stemming from fiscal stimulus as a reason more positions were not filled, while others will counter that Covid-19 remains a concern for many and that companies should pay better wages to compete with unemployment benefits. In any case, it's a reminder that, even as the economy is reopening and pent-up demand combined with stimulus checks have driven up retail sales, the damage of the pandemic will take a while to heal. That's one reason the Federal Reserve is not overly concerned about the recent budding inflation. It wants to see a robust labor market before raising rates and will point to this report as evidence we are farther from full employment than the market thinks.