



## Wall Street Has Lowered the Bar for April's Jobs Report

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April's employment report is expected to show that the slow growing economy added about 170,000 jobs—better than March but a more sluggish pace than earlier in the year.

Economists expect to see the unemployment rate hold at 8.2 percent, when the report is released at 8:30 a.m. ET Friday. Wall Street is bracing for disappointment after March's small 120,000 gain and a recent string of weak economic data.

For instance, the **ISM nonmanufacturing** survey Thursday was a bit lighter than expected, and the employment index in the service-sector survey slipped 2.5 points to 54.2. Even so, economists say one place the jobs number could deliver an upside surprise could be in retail.

On the bright side, the **ISM manufacturing** survey was much stronger than expected and the employment index in that report improved.

"We have seen tremendous growth in manufacturing employment. That has been a real growth engine. I'm not sure we'll get as big a gain in April as we did in March," said Deutsche Bank chief U.S. economist Joseph LaVorgna. "It's the service sector we're assuming improves. Retail, but also business services."

LaVorgna expects to see 175,000 nonfarm payrolls were added in April. He said Thursday's weekly report on **jobless claims** was a good sign, even though it came after the survey week. Claims were at 365,000, after running at an elevated rate above 380,000 for the past three weeks.

"We said that Easter tends to distort claims for whatever reason. We tend to notice a pattern where claims rise the week before, and/or during the Easter week, and then gradually drift lower. We think that's what's happening," LaVorgna said.

Economists also say March's weak jobs number was the result of warm weather-related hiring pulled forward to the winter months, resulting in a payback in March. There is a debate about how much that payback will affect April and May payrolls.

"The lawn-mowing people already hired who they were going to hire back in February," said Diane Swonk, chief economist at Mesirov Financial. She said the warm weather and seasonal factors have distorted the numbers, and have impacted her forecast, which is for 122,000 new jobs in April.

"The reality is it's somewhat better than it looks. I think there's still some resilience to the recovery, and the risks are Europe and the fiscal situation at the end of the year. To look at it, you need to sort of look at this as a moving average right now because of all the distortions we're seeing," she said. The average nonfarm-payroll gain for the past three months was 212,000.

Goldman Sachs economists expect to see only 125,000 nonfarm payrolls added in April, and they also see weather as a factor. But Goldman Economist Andrew Tilton agrees that if there's a surprise, it may be in retail. In the employment reports in February and March, retail showed total layoffs of about 80,000 workers in the general apparel category. About 50,000 of those were in March — a record level — according to Tilton.

Manufacturing should see continued gains. "Auto workers are adding shifts," said John Canally, LPL Financial economist and financial investment. "State and local government stuff is getting less worse."

Canally said he will be particularly watching the temporary-help category, which saw a surprising decline of 8,000 workers in March.

"It had been up every month since July, roughly between 20,000 and 50,000 a month. If you get another one of those (declines) in April, then people might stand up and take pause because that's a pretty good leading indicator. That would be a big concern to me if it's a negative print," said Canally.

Canally said March's soft report may also look better when the latest employment report is released. "That's the second-best month for upward revisions," he said, noting that nine of the last 13 March reports were revised higher.

Small business could be one area adding jobs. The NFIB small business survey's jobs report, released Thursday, showed that employers were still net positive when it came to jobs, though more firms cut employment than added jobs in April.

The average change in employment per firm was up 0.1 percent, down from the 0.2 percent in March. But there were more hard-to-fill jobs and employers plan to add more jobs. The NFIB also said that the net percent of business owners planning to create new jobs was positive in every industry and strongest in manufacturing and construction.

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Elisha Tropper, CEO of Cambridge Security Seals, runs a small manufacturing company in Pomona, N.Y. He started his company about 16 months ago, and employs 20 workers, who make security seals.

"If we grow, we will continue to hire," he said. Tropper said his company is typical of the kind of manufacturing that he expects to see grow in the U.S. He said he pays close attention to things like energy efficiency and other cost-saving opportunities in production techniques, to make sure his American-made products are priced competitively.

He said there is also a shortage of skilled workers for the modern factory. "It's a different kind of job. The things that are coming back are not going to be line jobs. The folks we hire are high five- and six-figures employees. They're engineers. They're highly educated. They're mechanical engineers," he said.

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