



EMPLOYMENT

Job Gains Strongest Since 2007; Further Growth Anticipated as Choppy Recovery Makes Headway

- Employers added 162,000 jobs in March, the strongest monthly gain since 2007 and the latest indication the choppy economic recovery continues to make headway. In addition, positive revisions to the previous two months provide further confirmation that the labor market is transitioning to an expansion cycle. Job growth during this recovery has resumed two months after positive quarterly GDP growth was recorded, compared with a six-month lag during the recovery after the 2001 recession. While the March job gains represent a positive step, the proportion of short-term census positions and temporary workers conceals the more modest increase in permanent positions last month. The continuing reliance of employers on temporary workers amid uncertain business conditions will weigh on consumer sentiment and behavior in the months ahead, producing a constrained pace of economic growth.
- Nine of the 11 primary employment sectors hired workers in March, with only the financial activities and information sectors shedding a combined 33,000 jobs. More than half of the positions added in March were short term, as the federal government hired 48,000 census workers, and temporary employment grew by 40,200 employees. Temporary employment, a leading indicator of a recovery in job growth, has increased for six consecutive months, and is now beginning to result in permanent job creation. In other sectors, education and health services expanded by 45,000 positions, while manufacturers hired 17,000 employees. Manufacturing employment has gained 45,000 workers this year, as factories have increased production in an effort to rebuild inventories purposely depleted during the recession.
- Improvements in the labor market will progress slowly but accelerate somewhat in the second half of the year, leading to the creation of approximately 1 million jobs in 2010. Apartment demand will strengthen as new workers form households and re-employed individuals move out of shared residences. As a result, national apartment vacancy will decline 30 basis points in 2010 to 7.7 percent on resurgent demand. A decline in apartment construction this year to only 65,000 units will support a more vigorous demand-driven improvement in vacancy in 2011.
- As the economy has slowly strengthened, consumer spending has picked up, contributing to the hiring of 42,500 workers by food services and drinking places so far this year, following the loss of 112,500 jobs in 2009. Greater traffic at restaurants and bars may result in additional shopping trips to nearby retailers, providing relief for those merchants and helping to stabilize the performance of retail properties. Nonetheless, scaled-down expansions by national retail chains will slow the backfilling of 289 million square feet of vacant space accumulated during the recession, pushing up national retail vacancy 50 basis points to 10.4 percent.

