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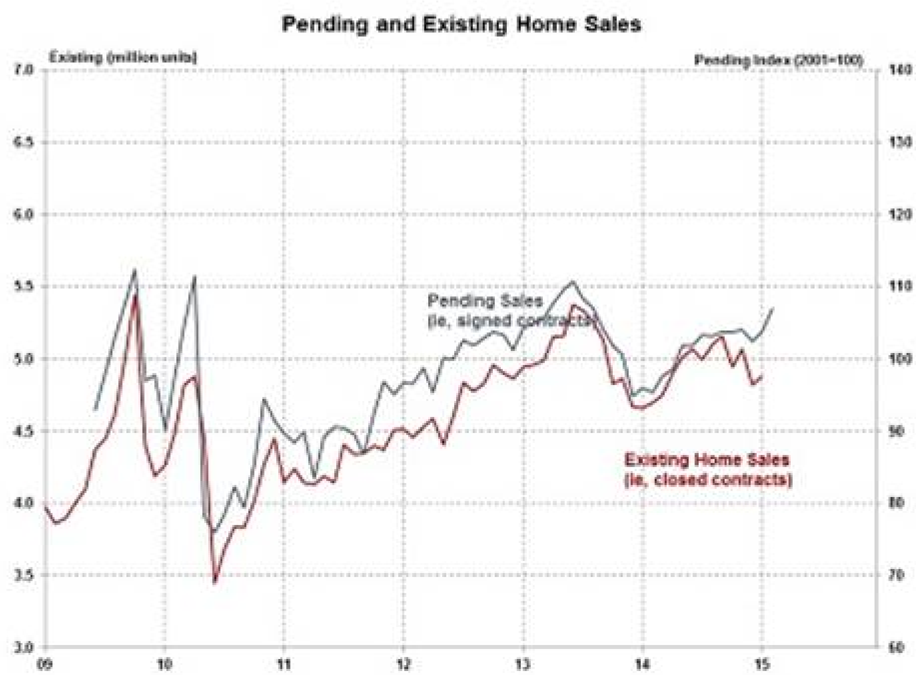
Weak Employment Gains in March



The March employment report disappointed most economists, casting some doubt on the strength of the labor market. The Bureau of Labor Statistics reported that payroll employment expanded by only 126,000 positions, with downward revisions totaling 69,000 for previously reported job gains in January and February. While the unemployment rate held steady at 5.5%, the downshift in the size of monthly job gains along with continued declines in labor force participation raise the question whether the miss for the March report represents a one-off blip in the data or if the labor market has not been performing as well as many analysts had previously assumed.

With no obvious factors, including weather, to blame for the slowdown in job growth in March, the most likely conclusion is that the economy and the labor market continue to improve, albeit at a slower pace than hoped.

Recent labor data from the construction market mirror some of these broader trends. In March, the residential construction industry employment (builders and specialty contractors) declined by 2,800 positions on a seasonally adjusted basis, the first monthly decline since May 2012. However, employers are seeking new workers, as the BLS JOLTS survey indicates that as of February, the number of

open construction positions totaled 160,000, the highest tally since July 2007.
The rate of open positions for the overall economy was 3.5% of total employment as of February, a cycle high, according to the JOLTS data. So while total employment growth slowed in March, employers are actively seeking new workers, which suggests job gains in the months ahead. The March miss also raises the probability that the Federal Reserve will delay interest rate hikes widely expected later this year.

Other economic indicators offer more positive news for housing. The National Association of Realtors Pending Home Sales Index increased 3.1% in February and is 12% stronger than a year prior. Home price gains continue, although at increasingly slower rates. The rise in pending sales matches ongoing increases in consumer confidence.

The Federal Housing Finance Agency measure of home prices rose by 5.1% on a 12-month seasonally adjusted basis for January, the 36th consecutive month of year-over-year gains. Similarly, the Case-Shiller national index was up 4.5%, with prices being 22.1% higher over the last two and a half years.

Housing's share of GDP for the final quarter of 2014 stood at 15.25%, with home building and remodeling yielding 3.09 percentage points of that total. The home building component continues to be driven by gains by completed multifamily properties. According to Bureau of Economic Analysis data of construction spending on completed projects, the pace of multifamily construction spending increased 31.5% over the 12 months ending February 2015, while single-family spending is up 9.7%.

For additional analysis regarding the latest housing news, be sure to check out the most recent posts from NAHB's economics blog Eye on Housing.

Latest Posts

Construction Job Openings Grow

The number of open, unfilled construction sector positions increased noticeably in February. Overall, the construction labor market has been characterized by relatively higher levels of turnover over the last few months, with an increase in hiring and quits at the end of 2014 and an upward trend in job openings. *Posted April 7.*

NAHB Updates Local Impact of Home Building Numbers

Updated examples of a local economic impact report of home building from NAHB. *Posted April 6.*

The Employment Situation in March - Snow Daze? Fed Delays
The Bureau of Labor Statistics reported that payroll employment expanded by a disappointing 126,000 in March, well below expectations. *Posted April 3*.

House Prices Record Annual Gains, Expected to Rise in the Future
The recent release by the Federal Housing Finance Agency shows that its measure of house prices, House Price Index-Purchase Only, rose by 5.1% on a 12-month seasonally adjusted basis in January. *Posted April 2.*

Annual Gains for Residential Construction Spending Continue
NAHB analysis of Census construction-spending data finds that over the last year, the pace of private single-family construction spending increased 9.7% and multifamily construction spending increased 31.5%. *Posted April 1.*

Strong First Quarter for Consumer Confidence
The University of Michigan Index of Consumer Sentiment reached a 10-year peak of 95.5 in the first quarter of 2015. Although the Index of Consumer Sentiment Index decreased to 93 in March from 95.4 in February, it was up from 80 in March 2014. *Posted March 31.*

Housing's Share of GDP Holds Constant
Housing's share of gross domestic product was15.25% in the fourth quarter of 2014, with home building and remodeling yielding 3.09 percentage points of that total. *Posted March 30.*

Pending Sales Strong: First-Time Buyers Join In?
The Pending Home Sales Index increased 3.1% in February and was up 12% from the same period a year ago. *Posted March 30.*

GDP Growth in the 4th Quarter: 3rd Estimate
In the third estimate of real GDP growth for the fourth quarter of 2014 the Bureau of Economic Analysis reported a seasonally adjusted annual rate of 2.2%, unchanged from the second estimate. *Posted March 27.*

Property Taxes Make Up 40% of State and Local Tax Revenues

According to NAHB tabulations of the Census Bureau's quarterly data, property taxes constituted 39.7% of state and local tax receipts among major sources for 2014. *Posted March*

Effective Rate on New Home Loans Drops Below 4%

The average effective interest rate on conventional mortgages used to purchase newly built homes dropped below 4% (going from 4.05 to 3.91) in February. *Posted March 26.*

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