According to the February JOLTS report, job openings were at their highest level in fourteen years. Hiring weakened slightly over the month.

Initial claims for unemployment insurance rose in the week ending April 4, but remained below 300,000 for the fifth straight week.

The ISM non-manufacturing index dipped in March to 56.5 percent, but remained comfortably above the 50 level that indicates expansion. The details were generally solid.

Import prices fell 0.3 percent in March, despite an increase in fuels prices. Export prices rose 0.1 percent.

After a soft first quarter, growth should be better in the second quarter. Job growth should rebound from a disappointing March.

Job openings, both the absolute level and as a share of total employment, rose in February according to the Job Openings and Labor Turnover Survey. There were 5.133 million openings during the month, or 3.5 percent of total employment, both at their highest since January 2001. The job openings rate in the private sector was 3.8 percent, with the biggest increases in construction, retail trade, and leisure/hospitality services.

Even though there were more openings, hiring fell slightly in February, although the hiring rate held steady at 3.5 percent. Hiring fell in construction even with more openings, indicating that firms may be having difficulty finding qualified workers.

The share of workers quitting a job held steady at 1.9 percent in February, down from 2.0 percent in January. The quit rate is well above its low of 1.3 percent during the Great Recession, but is not quite back to its pre-recession average of about 2.2 percent. The increase in the quit rate in recent years is a vote of confidence in the labor market; workers often quit to move to better jobs. The layoff rate fell slightly to 1.1 percent in February, and is at an all-time low; firms in general are adding to headcount, not reducing it. This is consistent with the results on hiring intentions from PNC’s recent small business survey.

Initial claims for unemployment insurance rose slightly in the week ending April 4 to 281,000, up from 267,000 the previous week (revised down from 268,000). This was the fifth straight week of claims below 300,000. The four-week moving average of claims fell by 3,000 to 282,250.

The ISM non-manufacturing index fell to 56.5 percent in March from 56.9 percent in February, but was still well above the 50 level that indicates expansion in private non-manufacturing industries. It was also above the index’s 56.2 percent average during 2014. Two of the four components used to calculate the overall index rose in March, employment and new orders, while the business activity and supplier deliveries components fell. All four were well above 50, with three above 55. Other details were good, with an especially big jump in the exports index, to a very solid 59.0 percent.

Fourteen of the eighteen industries covered reported expansion in March, with the best growth in management of companies and support services; and real estate, rental and leasing. Four industries reported contraction, with the biggest decline in mining, not surprising given the huge plunge in energy prices over the past half-year.
Import prices fell 0.3 percent in March, the eighth decline in nine months. Unlike in previous months, however, fuels were not behind the decline; prices excluding fuels were down 0.4 percent. Import prices were down 10.5 percent in March from one year earlier.

Export prices rose 0.1 percent in March, rising for the first time since July. Non-agricultural export prices were up over the month, while agricultural export prices fell. Export prices were down 6.7 percent from one year earlier.

Although the big plunge in energy prices appears to be over as production has been cut in response, export and import prices will remain under pressure in the near term. The stronger dollar makes imports less expensive in the U.S., and is forcing exporters to reduce the dollar prices of their wares overseas. The downward pressure on import prices from the stronger dollar is helping to contain U.S. inflation.

Economic growth appears to be picking up after a temporary slowing in early 2015, much of it tied to worse-than-usual winter weather in many parts of the country. The bad weather hit consumer spending and construction in particular. In addition, labor problems at West Coast ports disrupted trade and production in the first quarter. But things should be better in the second quarter. Auto sales

**Chart 1: ISM Non-Manufacturing Index Solid in Early 2015**

- ISM non-manufacturing index, %, greater than 50 indicates expansion
- New orders
- Composite

Chart source: Institute for Supply Management
rebounded in March, and the ISM non-manufacturing index remains solid. The March increase in new orders is reassuring for the near-term outlook, although they are down somewhat from mid-2014 (see Chart 1).

Most importantly job growth should rebound after the disappointing March employment report, with only 126,000 jobs added over the month, and downward revisions to job growth in January and February. Job growth has slowed from above 300,000 per month in late 2014 to around 200,000 per month so far this year. But the low level of unemployment insurance claims provides some reassurance that the weak March report was an aberration, and job growth should pick back up in the spring (see Chart 2).

Real GDP growth, which was likely around 1.2 percent at an annual rate in the first quarter, should bounce back to 4.0 percent in the second quarter. For all of 2015 the economy should expand by about 3 percent, the best growth since 2005. Job growth should average around 240,000 per month this year, just slightly below last year’s pace. And the unemployment rate should continue to decline, ending 2015 at about 5.1 percent, down from 5.5 percent in March.