US job growth strong in March

The U.S. economy continued to churn out jobs at a brisk pace in March, pushing the unemployment rate down to 3.5%, signs of persistent labour market tightness that could see the Federal Reserve hiking interest rates again next month.

Nonfarm payrolls increased by 236,000 jobs last month, the Labour Department said in its closely watched employment report on Friday. Data for February was revised higher to show 326,000 jobs were added instead of 311,000 as previously reported.

Some of the slowdown in hiring reflected the fading boost from unseasonably mild weather in January and February.

Economists polled by Reuters had forecast payrolls rising 239,000. Estimates ranged from 150,000 to 342,000. The economy needs to create roughly 100,000 jobs per month to keep up with growth in the working-age population.

As with most recent economic data, it was too early for financial market stress, triggered by the failure of two regional banks in March, to show up in the employment report.

The unemployment rate fell to 3.5% from 3.6% in February. Average hourly earnings rose 0.3% in March after gaining 0.2% in February. That lowered the annual increase in wages to 4.2% from 4.6% in February, which was still too high to be consistent with the Fed's 2% inflation target. Fed officials will now await inflation data later this month to gauge the impact of their year-long monetary policy tightening campaign.

Financial markets were leaning toward the U.S. central bank increasing rates by another 25 basis points at the May 2-3 policy meeting, according to CME Group's (NASDAQ:CME) FedWatch tool.

The Fed last month raised its benchmark overnight interest rate by a quarter of a percentage point, but indicated it was on the verge of pausing further rate hikes in a nod to financial market stress. It has hiked its policy rate by 475 basis points since last March from the near-zero level to the current 4.75%-5.00% range.

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