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The "R" Word

Written by Jeff Thredgold, CSP, President, Thredgold Economic Associates

The dreaded "R" word raised its ugly head again last Friday...

...No, not Recession...Revision!

The latest U.S. employment data supports our prior view that the U.S. economy has slowed in recent months, but will continue to grow at a reasonable pace. At the same time, however, those economists who have been forecasting imminent U.S. recession took one in the chops.

October job gains came in slightly weaker-than-expected, with a rise of 92,000 net new jobs. HOWEVER, job gains of the two prior months were revised dramatically higher! August's reported gain of 188,000 net new jobs was revised to a strong 230,000 rise, while September's initially-reported (and puny) 51,000 net employment rise was TRIPLED to 148,000 net new jobs!

Revisions!!...Ahhhhhhhhh!!

The revision impact would be similar to those football coaches and sports writers who rank the "Top 25" football teams each week, only to find that NCAA administrators change the scores of games played in prior weeks!

The new data (to be revised again next month) shows a U.S. economy adding nearly 150,000 net new jobs monthly in 2006 to date. The overall gain expected in 2006 of just below two million net new jobs will approach similar gains in 2004 and 2005.

4.4%

The other major news was the decline in the nation's unemployment rate from 4.6% in September to 4.4% in October. The current 4.4% jobless rate is the lowest in more than five years.

The jobless rate declined to 4.4% because the household survey of employment noted a whopping 437,000 rise in October employment. At the same time, the number of people "officially" considered unemployed has dropped from 7.4 million a year ago to 6.7 million today, with a drop of 238,000 people in October alone.

The Jobs

Goods producing employment was hit hard in October, with a net loss of 60,000 jobs. Manufacturing employment fell by 39,000 jobs in October, while construction employment fell by 26,000 positions. Mining employment rose by 5,000 jobs.

Service providing employment led the way in October, with a rise of 152,000 net new jobs. Professional & business services employment rose by 43,000 jobs, while leisure & hospitality jobs grew by 35,000 positions. Government added 34,000 net new jobs in October, while education & health care added another 28,000 jobs. Other service providers added 12,000 jobs.

The average hourly wage rose 0.4% (six cents) to \$16.91 hourly, a rise of 3.9% over the past 12 months... versus the 2.1% rise in consumer prices over the same period. The average workweek rose to 33.9 hours from 33.8 in September. While seemingly insignificant, the gain in hours worked equates to ANOTHER 430,000 new jobs!

What It Means... (at least until the data gets revised again)

Stronger job gains in recent months move the recession view of some to the back burner. Such job gains also (for the moment) preclude any consideration of monetary ease by the Federal Reserve.

The combination of 1) a tight 4.4% jobless rate, 2) the 3.9% rise in hourly wages, 3) substantially higher gains in average worker incomes during the past year when including bonuses, stock options, and benefits, and 4) a sharp slowing in recent productivity gains suggest the Fed will remain on hold for some time to come...

Prior to the employment report, financial markets had priced in a likely move toward Fed ease in March 2007. For the moment, that rate cut is unlikely, while renewed discussion of an additional rate hike or two by the Fed will be vigorously preached by select economists. Our view has monetary policy staying on hold through the first quarter, in line with the stable rate environment since last August 8.

Dancing with the Red Priest

No, this isn't a discussion about mid-term election results...or the delicate negotiations with Communist China's chief trade minister...in fact, this topic has nothing to do with politics, the economy, or financial markets.

Dancing with the Red Priest is the title of the latest CD released by violinist Lynnette Thredgold, my exceptionally talented bride of 21 years. It was co-produced by Mannheim Steamroller's Chuck Penington, features Air Supply's Jed Moss on piano...and is, quite simply, outstanding music!

But please don't take my word for it (I'm a bit biased). We've prepared a web page that features audio samples from the CD, as well as samples from her two previous CDs, **Cool Energy** and **Amazing Grace**. Simply [click here](#) or go to www.thredgold.com, scroll down to the music samples link, and enjoy. If you like what you hear, please take advantage of our special offer (see below).



Dancing with the Red Priest

Lynnette Thredgold's versatile violin is featured once again with her band in this ultimate musical fusion, co-produced by Chuck Penington of Mannheim Steamroller.

1 CD - \$15
2 CDs - \$27
3 CDs - \$39

“Free Time” Special Offer

Because life is more than just work, listen to beautiful music and curl up with a great joke book in your “free time.” Purchase Lynnette Thredgold's latest CD **Dancing with the Red Priest** for \$15, plus one more CD of your choice (**Dancing with the Red Priest**, **Cool Energy**, or **Amazing Grace**) for only \$12, and we will include a copy of Jeff Thredgold's book **On the One Hand... The Economist's Joke Book**, a value of \$6.50, at no charge. We even pay sales tax and shipping on your order to anywhere in the continental U.S.

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Cool Energy



Amazing Grace



“TEA”ser

If con is the opposite of pro, is Congress the opposite of progress?



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