Tea Leaf

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Your guide to understanding today's economy and financial markets

April 8, 2009

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Job Erasure

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One more month…one more exceedingly painful U.S. employment report

We have now had seven consecutive terrible job reports since the American consumer was told "the sky was falling" last September 18 by Federal Reserve Chair Ben Bernanke and then-U.S. Treasury Secretary Paulson. It was on that day that this dynamic duo emotionally and very publicly asked the U.S. Congress for $700,000,000,000 to fix financial markets.

That request, and the up-and-down discussion within the U.S. Congress during the following week, simply scared the American consumer to death. The consumer stopped spending…companies of all sizes adopted a "shoot first, ask questions later" approach to layoffs…and the economy dropped quickly. The rest, as they say, is history.

The Numbers

Total U.S. employment fell by another 663,000 net jobs during March, matching economists' consensus view. February's previously reported loss of 651,000 jobs was not revised. That's the good news. However, January's previously reported (and previously revised) loss of 655,000 jobs lost was revised to show a loss of 741,000 jobs during the month—the worst month for job losses in 59 years. April losses will be ugly as well.

Equally painful was the surge in the nation's unemployment rate from 8.1% in February to 8.5% in March, the highest level in 25 years. By comparison, the jobless rate was 5.1% just one year ago. The jobless rate averaged 4.6% in both 2006 and 2007 and 5.8% during 2008. An American jobless rate at or slightly above 9.5% is a real possibility within the next 9-12 months.

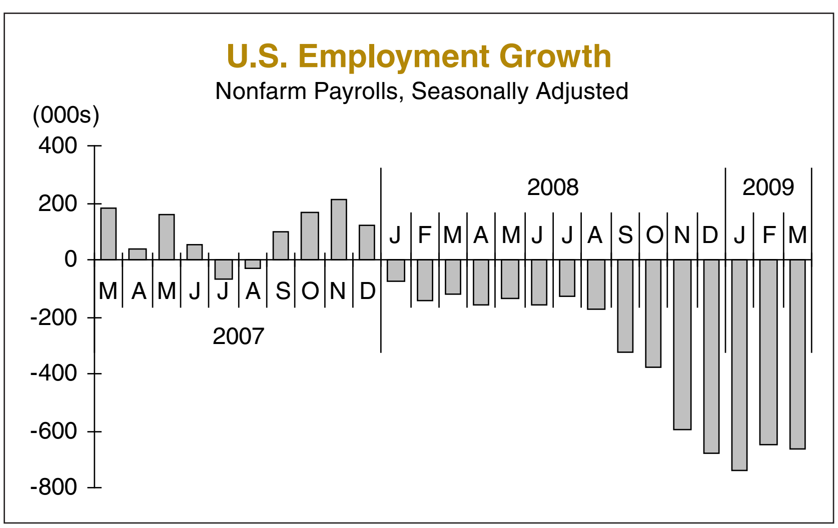
Economists have pointed out a handful of more positive economic statistics in housing, manufacturing, and retail sales in recent weeks to suggest that the U.S. economy is seemingly in the process of bottoming out. The consensus view of forecasting economists, as well as the collective view of the stock market, is for a return to marginally positive (yes positive!) U.S. economic growth during 2009's second half.

We continue to expect GDP to be slightly positive during the fourth quarter. There was nothing in the March employment data to support this view, although yes, employment data is a lagging economic indicator.

Job Demise

The American economy has now lost 5.1 million jobs since the U.S. recession officially began in December 2007. Nearly two-thirds of the job erasures have occurred during the past five months alone.

As noted previously, the net loss of 3.1 million jobs during 2008 was the worst year for employment since 1945. To illustrate just how bad the first three months of 2009 have been… if no additional job losses were recorded over the balance of the year, 2009 would still be the fourth worst year since the U.S. Labor Department began tracking such data in 1939 *(CNNMoney.com)*.



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Inside the Pain

To illustrate just how pervasive and all-encompassing the current lengthy recession is, almost no employment sector is avoiding job cuts. The nation's goods producing sector lost another 305,000 jobs during March. U.S. manufacturing was hit with the loss of another 161,000 jobs during the month, the 16th consecutive monthly decline. The nation's embattled construction sector lost another 126,000 jobs, the 21st month in a row of cuts.

Equally dismal was the 358,000 net decline in service sector employment. The professional & business services sector lost another 133,000 jobs, while retail trade saw another 48,000 jobs bite the dust. Leisure & hospitality lost another 40,000 jobs, the finance industry lost another 25,000 jobs, and government employment declined by 5,000 positions. Only the education & health services category saw rising employment, although the net increase of 8,000 jobs was the weakest in that sector in many moons.

Better news was found in regard to the average hourly wage, which rose 0.2% (three cents) to $18.50 hourly. While the 3.4% rise over the past 12 months is hardly worth writing home about, it looks good versus consumer inflation which has been essentially zero during the past year.

More Jobless

Almost everyone knows one or many people who have seen their jobs disappear during the past 12-24 months. Prospects to replace these jobs with similar income levels are, for most, difficult. Such is the nature of a recession, especially the long and deep variety from which we are currently suffering.

A record 13.2 million people are now officially unemployed. Even more painful is the "underemployment" rate. This rate, which attracts rising attention each month, includes those who are unemployed, those who are working part-time but would prefer to work full-time, and those discouraged people who have dropped out of the labor force but would accept a job if one were offered…

…the "underemployment" rate is now 15.6%, up from 14.8% in February, and the highest since this particular measure began being tracked 15 years ago. This rate will move higher in coming months as well.

Pick Your Poison

No gender, race, or education level avoided the employment ax in March. The jobless rate for adult men spiked from 8.1% in February to 8.8% in March as traditionally male-dominant (can I say that?) sectors such as manufacturing and construction got hammered. The jobless rate for women rose from 6.7% to 7.0%.

The jobless rate for Whites rose from 7.3% in February to 7.9% in March. The jobless rate for those workers of Hispanic or Latino ethnicity rose from 10.9% to 11.4%. The jobless rate for Blacks or African-Americans actually dipped by 0.1%, but was still an unacceptably high 13.3%.

Unemployment rates for those of all educational levels also rose during the month. Those with at least a bachelor's degree had a jobless rate of 4.3%, with the rate moving higher for those with less education. The jobless rate for those with less than a high school diploma? 13.3%!

We will get through this recession, but seeds of new growth will continue to be seen in other sectors besides and before employment…

Jeff

Coll Grads

Current job prospects for new college graduates are dicey. The National Association of Colleges and Employers forecast that employers will hire 22% fewer graduates this spring *(The Associated Press)*.

More newly minted graduates are required to pound the pavement for jobs, rather than simply waiting for recruiters to visit their campuses. That may actually be a good thing. Since the average graduate will change jobs three times within five years of graduation, developing good job search skills now may just come in handy.

"TEA"ser

If all economists were laid end to end they would not reach a conclusion.

—George Bernard Shaw (from our book, ***On the One Hand…The Economist's Joke Book***)

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