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Your guide to understanding today's economy and financial markets

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21 Straight

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September employment data was nothing to write home about as the jobless rate rose again and job losses were worse than expected. The employment data adds to views that while the U.S. economy has likely turned the corner toward positive economic growth, the growth pace is not likely to be very impressive.

Getting Old

The U.S. Labor Department reported a net loss of 263,000 jobs during September—worse than the 180,000 loss expected, led by a substantial drop in local government employment. In addition, previously reported losses in July and August were revised to show the addition (or is it subtraction?) of 13,000 more job losses.

September's decline was the 21st straight, consecutive, uninterrupted, in-a-row, successive month of U.S. job losses. One has to go back to December 2007 for the last time the American economy added jobs.

By coincidence, December 2007 is the "official" date when the Great Recession began...the longest, deepest, most pervasive, most costly, and most painful downturn since the Great Depression. We are now 22 months into the recession. By comparison, the two prior recessions in 1990-91 and 2001 each lasted eight months.

The nation's unemployment rate also moved higher, as expected, to 9.8% in September from 9.7% in August. The current 9.8% rate compares to the 6.2% jobless rate of one year ago and is more than twice the 4.7% rate of September 2007.

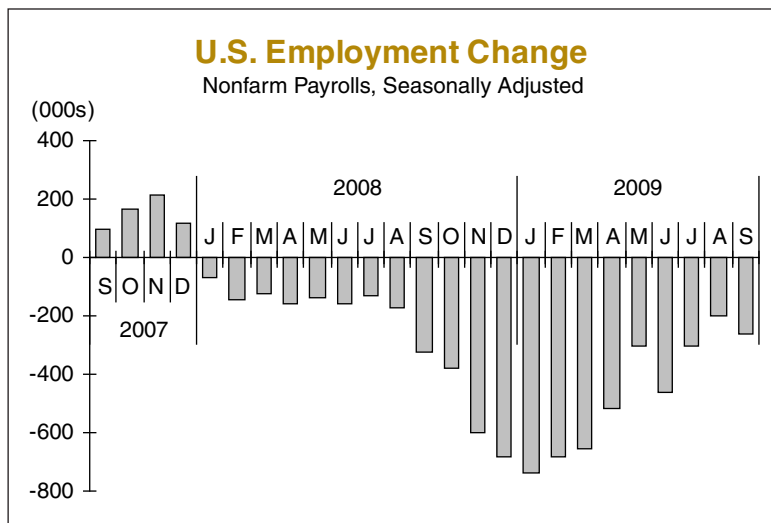
Since It Began

The U.S. *goods producing* sector lost another 116,000 jobs in September. The construction sector lost another 64,000 jobs during the month. The overall construction sector has now seen total employment

plunge by 19.7% since the recession began (*Source: The Wall Street Journal*). The manufacturing sector lost an additional 51,000 jobs with total manufacturing employment down 14.9% since December 2007.

The U.S. *service providing* sector lost 147,000 jobs in September, with retail trade losing another 39,000 jobs. Total retail trade employment is down 5.6% since the recession began. The leisure & hospitality sector lost another 9,000 jobs, with total employment declining by 2.9% since December 2007.

Professional & business services employment had a less painful decline of 8,000 jobs, although recession losses have seen an 8.3% decline. Financial activities employment fell by 10,000 jobs during the month, with a 6.6% net decline over the past 22 months.



The education services sector lost 16,900 jobs during September, but has seen total employment rise 2.7% since the Great Recession began. Health care & social assistance employment rose by 20,500 jobs during the month and has climbed 4.2% since December 2007.

The government sector lost an estimated 53,000 jobs in September, with most of these in local (non-education) government. Sharp declines in tax revenues across the nation contributed to the sharp decline. Funding from the Administration's \$787 billion stimulus program had arguably

softened the blow in state and local government job cutbacks in recent months. Government employment has risen 0.2% since the recession began.

Adding Insult to Injury

Even more ominous was the U.S. Labor Department's preliminary estimate of the annual benchmark revision to be formally issued in February 2010. The estimate suggests that an additional 824,000 jobs were lost in the 12-month period ending in March 2009.

More than 70% of the downward revision impacts *service providing* employment. *Goods producing* primary sectors of construction and manufacturing could see another combined 219,000 jobs estimated to have been lost.

Current data already shows that the economy lost more than 4.8 million jobs during that 12-month period. The loss of another 824,000 jobs would bring the total to more than 5.6 million American jobs lost in the 12 months ended last March, likely the darkest 12-month period for employment since the Great Depression.

In addition, job losses since the Great Recession began, already at more than 7.2 million, would exceed 8.0 million jobs. Here's hoping that once we finally get through the challenges of the past nearly two years, we never face such a downturn again.

Still Rising

As noted, the nation's unemployment rate rose again to 9.8%, a 26-year high. We continue to suggest that the jobless rate will likely reach, and probably exceed, 10.0% in coming months. Note: given the national media's obsession with bad news (it sells newspapers and draws viewers), one can only imagine the "ink" that will be used to discuss a 10.0% unemployment rate when, and if, it arrives.

The unemployment rate for adult men rose to 10.3% in September, versus 10.1% in August. This recession has hit traditionally male-dominated sectors of construction and manufacturing particularly hard.

The unemployment rate for adult women rose to 7.8% during the month, up from 7.6% in August. The jobless rate for teenagers seeking jobs rose to a painful

25.9%, up from the prior month's 25.5% rate.

More Insult...

An estimated 15.1 million Americans were out of work in September, with roughly half the total losing jobs since the recession began. More than one-third of these people have been unemployed for more than six months.

...and More Injury

The "underemployment" rate, the total of those officially counted as unemployed, combined with those working part-time who would prefer to work full-time, and those discouraged workers who have left the labor force, reached 17.0% in September, versus 16.8% in August. The 17.0% rate is the highest since this measure began in 1994.

The average hourly wage rose only 0.1% (one cent) to \$18.67 hourly for rank-and-file workers, which represent 80% of the labor force (*The New York Times*). The 2.5% rise during the past 12 months was the smallest year-over-year rise in four years. Even so, it looks better versus the actual 1.5% decline in the consumer price index for the most recent 12-month period.

Chickens and Eggs

We have noted previously that the unemployment rate typically continues to rise and monthly job losses continue even after an economic recovery has begun. This latest trip around the economic cycle is unlikely to be any different.

A "chicken versus the egg" time is approaching. Thousands of shell-shocked American businesses want to see sales and business activity improve before they add additional workers.

At the same time, improving sales and more robust business activity are constrained by ongoing jobs losses and the lack of hiring by employers. Consumer income gains and consumer spending remain weak.

Unfortunately, the prospect of bigger government, more government spending, enormous deficits, more regulation, and higher taxes doesn't exactly inspire either companies or consumers to get off the dime...



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