



...weekly since 1976

Your guide to understanding
today's economy and
financial markets

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Direction Right

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Take a gander at the chart of monthly job losses below...

The chart represents near continual improvement (fewer monthly job losses) as we progressed throughout 2009. Let's hope that such a pattern continues, with actual and consistent monthly job gains sooner rather than later.

The American economy lost an estimated 11,000 net jobs during November, many fewer than the 125,000 loss expected by financial market players and economists. More impressive was the sharp downward (or is it upward?) revision to job losses of the two prior months. The Bureau of Labor Statistics noted that an estimated 159,000 *fewer* jobs were lost in September and October than reported previously.

A Decline!

Even better was the unexpected decline in the nation's unemployment rate from 10.2% in October to 10.0% in November. Note, however, that most forecasters still expect the jobless (unemployment) rate to reach, or exceed, 10.5% before mid-year 2010.

The "feel good" overall flavor of the jobs report was one more validation, one more piece of evidence that the longest, most painful, most destructive recession since the Great Depression is over. As noted before...Good Riddance!

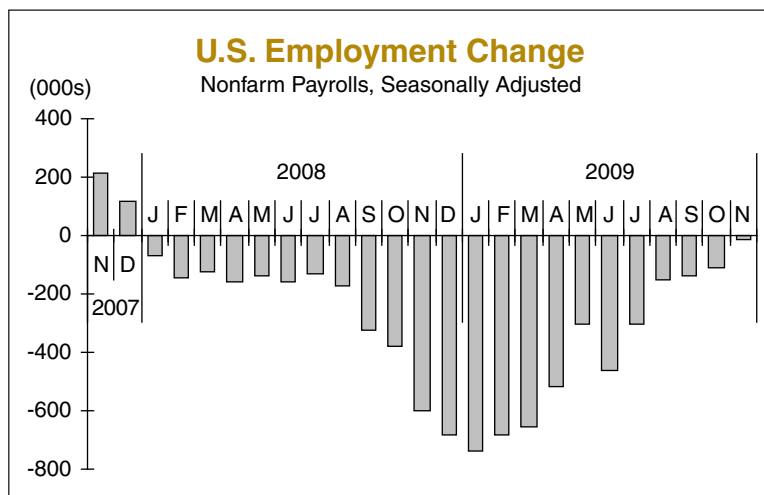
Good News

Various morsels within the report were solid indications of better days to come in the nation's labor markets...

- The number of "temp" workers in the economy jumped by 52,000 in November, the largest monthly gain since October 2004 and the fourth monthly gain in a row. Why is this

important? Because tens of thousands of U.S. employers will add workers from temporary help agencies when they see some improvement in business conditions...*before* adding to permanent payrolls. This change has typically been a precursor of rising permanent employment in subsequent months

- The average hourly work week for production and nonsupervisory workers rose from a record low of 33.0 hours to 33.2 hours. While a 12-minute rise in time spent working doesn't seem like much, it is the equivalent of 839,000 additional jobs in an economy where 138,502,000 people are counted as employed. More employees around the nation had their hours increased, with many shifted from part-time to full-time employment. In addition, the average manufacturing workweek has risen by one full hour during the past six months



- The unemployment rate declined from 10.2% in October to 10.0% in November because employment as measured by the *household survey* actually rose by an estimated 227,000 jobs during the month. Note: the "official" November estimate of 11,000 fewer jobs came from the *establishment survey* of roughly 400,000 medium- and large-sized businesses. Many would suggest that the monthly survey of roughly 60,000 households more rapidly reflects changes in small business hiring and new small business

start-ups when the economy shifts direction than does the larger survey

- The “underemployment” rate, that which reflects the number of unemployed, the number of people working part-time who would prefer to work full-time, and those discouraged workers who have left the labor force, fell to—a still much too high—17.2% in November, from 17.5% in October

Canadian Rebound

Our Northern neighbor added 79,000 net new jobs in November, much more than expected. Half of the new jobs were full-time, while half were part-time, with most of the gains in the educational services sector.

The Canadian jobless rate declined to 8.5% in November, versus 8.6% in October. Total Canadian employment is down 321,000 jobs since its October 2008 peak.

The Numbers

The *goods producing* sector of the U.S. economy continued to lose jobs in November, although at a lesser pace. The 69,000 job decline was led by the loss of another 27,000 jobs in construction and 41,000 jobs in manufacturing. Even so, the combined loss was 39% fewer than comparable losses the prior month.

The nation’s much larger *service providing* sector added jobs for the second month in a row. The net gain of 58,000 jobs was led by a solid 86,000 job rise in professional & business services. Education & health services added 40,000 net new jobs, while the government sector added 7,000 net new positions. Retail trade saw 15,000 jobs eliminated, while the leisure & hospitality sector lost 11,000 jobs.

All is Not Well

- Despite the good news within the report, November’s 11,000 job decline makes it 23 straight months of employment declines in the U.S. economy, the longest such period since the “big D”
- The average duration of unemployment is now 28.5 weeks, the highest on record

- The percentage of unemployed people who have been out of work for six months or more rose to 38.3% in November, from 35.6% the two prior months. Many of these 5.9 million people, particularly those from construction and manufacturing, will never be re-employed using their current skills as many of these prior jobs will not return

- A net 7.2 million fewer people are working today than when the recession officially started in December 2007

A long-awaited return to net job creation in coming months, should it occur, would also hasten a move by the Federal Reserve to boost its key short-term interest rate (the federal funds rate). More financial market players now see the Fed boosting the target rate from its current historic low of 0.00%-0.25% by June 2010.

Déjà vu

The Administration and the Democratic Congress are now quietly borrowing a mindset from the Clinton Administration...

...“it’s the economy, stupid”

Another round of stimulus is coming... and its focus will be on job creation. Many, many incumbent Democrats in the House and the Senate are already scared to death to face voters 11 months from now. Many incumbent Republicans are in the same boat, fearing that angry voters will return to pasture ANY incumbents (wouldn’t that be nice!). Neither party wants to face voters with an unemployment rate anywhere close to double-digits.

Some of the TARP money, along with other funds, will go toward a job creation program. Other funds will go to state and local governments to help maintain current employment levels. Unemployment benefits will be extended again. More government...more spending.



“TEA”ser

The roundest knight at King Arthur’s round table was Sir Cumference. He acquired his size from too much pi.

—from Bill Losey



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