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Your guide to understanding
today's economy and
financial markets

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THREDGOLD
ECONOMIC
ASSOCIATES

The TEA Company
A Professional Speaking and
Economic Consulting Company
1366 S Legend Hills Drive, Suite 150
Clearfield, Utah 84015
801-614-0403

www.thredgold.com

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Noise & Transition

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

The February U.S. employment data was subject to wide interpretation in regard to how the labor market is performing, with nasty East Coast weather during much of February greatly impacting the data. Economists refer to such data influence as “noise.”

Still, the overall gist of the data was positive, with a transition to announced employment gains in coming months both expected and exceedingly welcome. My view is that a period of “two steps forward and one step back” could characterize the employment data over the balance of the year.

The Bureau of Labor Statistics of the U.S. Labor Department announced on Friday, March 5 that the U.S. economy lost an estimated net 36,000 jobs during February. The consensus view of economists was closer to a 68,000 loss. In addition, the nation’s unemployment rate remained at 9.7%.

A few economists estimated that the announced employment total would have been as much as 230,000 higher had weather not been a factor. If that estimate is anywhere close, then the March employment data to be announced on Friday, April 2 should be robust!

As it was, the announced loss of 36,000 net jobs was in line with the much more favorable employment situation of recent months. Look at the monthly employment data chart. Job losses have averaged 27,000 monthly over the past four months, down more than 90% versus the prior six months.

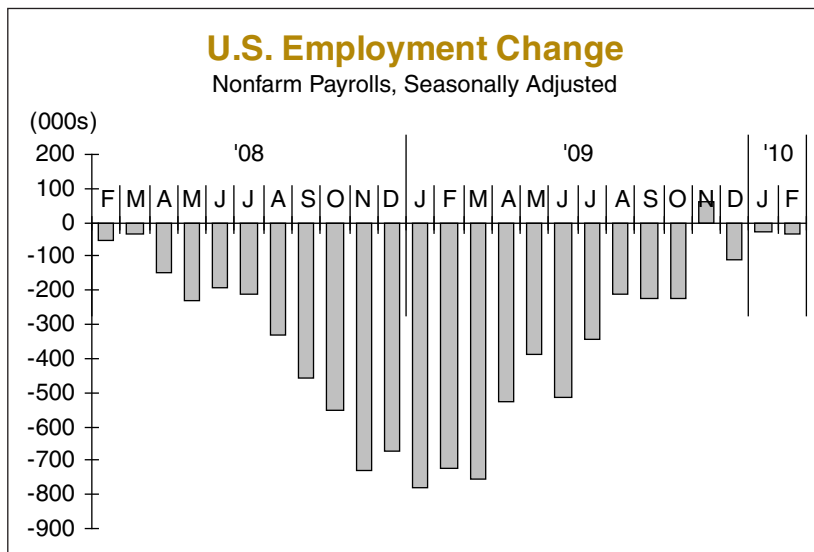
Noisy Numbers

The *goods producing* sector of the American economy lost 60,000 additional jobs during February, led by the loss of an estimated (and weather impacted, we think) 64,000 jobs in construction. The nation’s manufacturing sector added 1,000 jobs during the month, the second consecutive rise, while mining & logging added 3,000 jobs.

The much larger *service providing* sector of the economy added an estimated 42,000 jobs in February, led by the net addition of 51,000 jobs in professional & business services. More than 90% of the new jobs here were in the “temp”

employment sector, with the sector adding 284,000 jobs during the past six months. These gains are actually quite favorable as history suggests that employers are prone to add “temp” workers *before* making additions to permanent payrolls.

The transportation & warehousing sector lost 12,000 jobs during the month, while the information sector lost 18,000 jobs. Financial activities employment fell



Two severe and historic winter storms in the Northeast led an estimated 1.1 million people to not reach their work destinations at times during the month, the highest level in 14 years. To add to the noise, the two primary employment measures, the “establishment” survey and the “household” survey, treat weather differently as to how they calculate who is employed and who is not...I won’t bore you with the details.

by an estimated 10,000 jobs, while leisure & hospitality added 7,000 jobs.

The usually solid education & health services sector added 32,000 jobs last month. Retail trade lost 400 jobs. The overall government sector lost an estimated 18,000 jobs last month, with the addition of 7,000 federal jobs failing to offset the loss of 25,000 state and local positions...

...again, the impact of severe weather on each of these sectors is the subject of intense debate

9.7% Again

As noted, the nation's unemployment rate remained at 9.7%. The rate had been expected to rise slightly. The rate was unchanged despite an estimated 342,000 people entering the labor force last month. The household survey, the source of the unemployment or "jobless" rate, also noted that an additional 308,000 people identified themselves as employed during the month...good news.

Not good at all is the reality that nearly 15 million people are considered unemployed, with roughly 40% (6.1 million) of the total out of work for six months or longer. Note, however, that the comparable long-term unemployed total was estimated at 6.3 million during January...good news again.

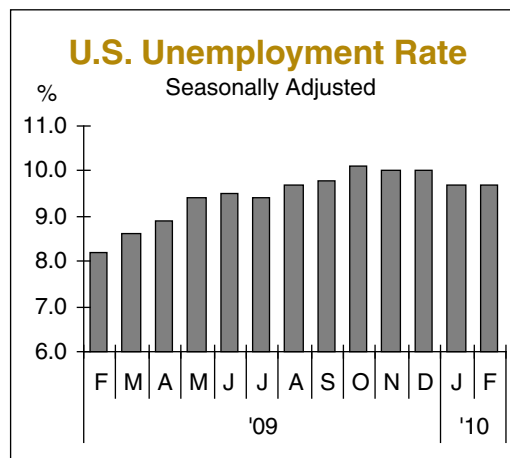
Of more concern was the rise in the "underemployment" rate to 16.8% from the prior month's 16.5% rate. This total includes those that are jobless, those who are working part-time but would prefer to work full-time, and those discouraged workers who have left the labor force.

From Here?

The debate continues as to where the unemployment rate will go in coming months. A recent survey of 50 national economists by USA TODAY suggested the rate would average 10.2% during 2010's second quarter, even as monthly job gains are likely to begin.

How? Because hundreds of thousands of former workers who have left the labor force are likely to return to seek jobs, and unless and until they find work they will be counted as unemployed. Note, however, that various economists suggested in recent days that the more favorable flavor

of the February data, even with the weather unknowns, make it possible that the rate might have already peaked at a revised 10.1% level last October.



State Pain

As one would expect, the reality of painful U.S. employment data during the past two years would also suggest that the states have not fared well. In fact, all 50 states were in recession at the end of 2009 when considering the most recent monthly employment data, with EVERY state having fewer workers than the year before (December 2009 versus December 2008). Losses ranged from a decline of less than 1.0% in North Dakota and Alaska to losses exceeding 6.0% in Nevada and Wyoming...

...the only area adding jobs during the 12-month period? Why Washington DC of course

As one would assume, all 50 states also saw their average jobless rates move sharply higher last year. Each state saw at least a 1.0% rise in the jobless rate, with the sharpest increases in Michigan (13.6% average during 2009) and Nevada (at 11.8%).

Census Gains...and Losses

One factor that will clearly boost the employment picture over the next 3-4 months is the addition of 1.15 million temporary workers to conduct the once-every-10-year population count. April – June data will likely be most impacted. Note, however, that the elimination of these jobs later this year will come at a rather sensitive time for the Administration and the Congress...

...that election thing

"TEA"ser

The easiest way to find something lost around the house is to...buy a replacement.

—Scott Friedman, CSP



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Thredgold Economic Associates
1366 S Legend Hills Drive, Suite 150
Clearfield, Utah 84015
www.thredgold.com

Graphics and layout by Kendall Oliphant
Research assistance by Shawn Thredgold