



...weekly since 1976

Your guide to understanding
today's economy and
financial markets

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Best of Three

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The long-awaited transition to American job growth continues...

...it's about time

The American economy saw a net rise of 162,000 jobs during March, the strongest monthly gain in three years. The reported gain was slightly below expectations of a rise of 190,000 jobs. However, job data of the two prior months was revised to show 62,000 additional jobs.

Following revision, the U.S. economy has added jobs during three of the past five months. Consensus forecasts hold expectations of hundreds of thousands of new jobs to be reported over the next few months.

Yes...more than one-half million of the jobs to be reported in coming months will be temporary Census jobs. Yes, when these jobs are completed in 4-6 months, they will detract from employment totals then. However, the majority of jobs being created in the economy will be permanent jobs, providing meaningful income gains to tens of thousands of American families.

roughly 125,000 net new jobs each month just to keep the unemployment rate the same. Any meaningful decline in the nation's unemployment rate still seems many moons distant.

9.7% Three Times

As expected, the nation's unemployment (jobless) rate remained at 9.7% in March, matching the rate of the two prior months. It is still feasible that the rate could actually move slightly higher in coming months—despite solid job gains—as hundreds of thousands of people reenter the labor force in search of more plentiful jobs.

Most private sector and government economists expect the jobless rate to average 9.7%-9.8% this year and between 8.0% and 9.5% during the two subsequent years. A return to a 5.0% jobless rate by 2016, the government's forecast, seems at this point a pipe dream.

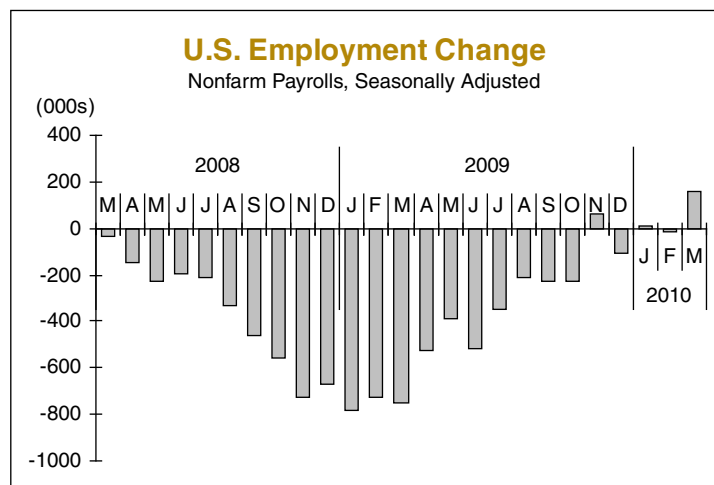
Where the Jobs Are

Of the 162,000 net new jobs reported for March, 48,000 were tied to the Census. With modest declines in other government employment sectors, 123,000 net new jobs were added in the private sector, the largest gain since May 2007, and the fourth private-sector gain in five months. Some economists had feared that most, if not all, of the expected March gain would be temporary Census jobs.

Job gains in March were spread across the economy. An estimated 60% of industries added jobs in March, the highest

share in four years (*CNNMoney.com*).

The goods-producing component of the economy added 41,000 net new jobs during March, the first gain in three years. The long-suffering construction sector added 15,000 jobs during the month, the first gain since the summer of 2007. Manufacturing added another 17,000 jobs, the third consecutive monthly gain,



Powerful Swing

The U.S. economy added an average of 54,000 jobs monthly during 2010's first quarter. While not impressive versus traditional employment gains, the 54,000 average *rise* is worlds apart from the 753,000 average monthly *loss* during 2009's first quarter.

As noted before, however, a U.S. economy with a rising population requires

cementing the notion that the nation's manufacturing sector has helped lead the way toward U.S. economic recovery.

The nation's much larger service-providing sector added 82,000 jobs last month, with gains in wholesale and retail trade, transportation, professional & business services, leisure & hospitality, and education & health services. Job gains in the health care sector since the recession started in December 2007 now total 588,000, with 27,000 net new jobs in March.

Pain Continues

Despite the more favorable nature of the March data, much in the way of employment pain and suffering still exists...

- The "underemployment rate"...the total of those officially counted as unemployed, those working part-time hours who would prefer to work full-time, and those discouraged workers who have left the labor force but would accept a job if one were offered, rose slightly to 16.9% from 16.8% in February
- A total of 15 million people are counted as unemployed, close to record levels
- Of the 15 million unemployed, a record 6.5 million, or 44% of the total, have been out of work for at least six months, a record high. That figure rose by 414,000 last month alone

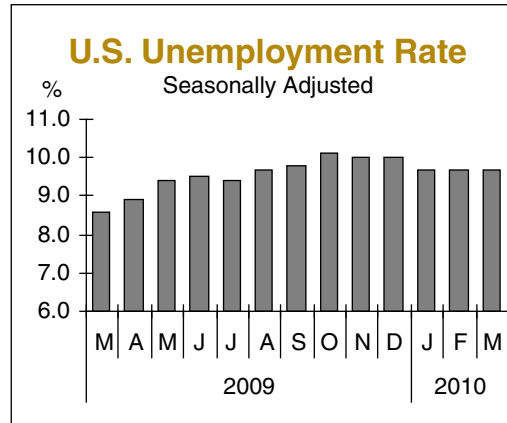
A Better Story

The job gains and losses reported above, and the primary focus of media coverage of the job market, comes from a monthly survey of roughly 375,000 businesses, known as the establishment survey. The unemployment rate comes from a different survey, one conducted monthly of 60,000 households. It has a disadvantage of a smaller sample size, but includes estimates of the self-employed and other workers who are excluded from the larger establishment survey.

The more encouraging employment story being told by the household survey is worth mention. While the U.S. economy officially added 162,000 jobs during March, the household survey estimated a much stronger 264,000 rise.

More importantly, while the establishment survey noted a net gain of an identical

162,000 jobs during the first quarter just ended, the household survey estimates that total employment jumped by 1.1 million jobs during the quarter! Many economists would suggest that the household survey can be a better measure of job gains during transition periods from job contraction to job creation.



Value of Education

It comes as no surprise that one's educational attainment typically has a direct impact on employment. The jobless rate for those workers with less than a high school diploma was 14.5% in March. For those with a high school diploma, but no college, the rate was 10.8%.

For those workers with some college or an Associate's degree, the jobless rate was 8.2%. For those with a Bachelor's degree and higher, the average unemployment rate was 4.9%.

In Coming Months

Gains in employment have been, and typically are, the final piece of the economic growth puzzle. Most estimates suggest the economy began to grow again last summer. Renewed growth has occurred in part due to massive government stimulus. Such growth has also occurred despite government.

We have been through the economic wringer during the past 27 months, twisted and wrenched in ways thought unlikely until it actually happened. Millions of people remain unemployed, with job prospects meager for simply too many. Millions of others will see prospects improve, with economic conditions getting better.

"TEA"ser

Definition

Decafalon (n.): The grueling event of getting through the day consuming only things that are good for you



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