



...weekly since 1976

Your guide to understanding
today's economy and
financial markets

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Baby Steps

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...better and better

Check out the pattern underway in the chart below. American monthly job performance has gone from the worst since the Great Depression to stronger and stronger data in a classic pattern.

The pattern is likely to continue over the next few months as hundreds of thousands of temporary Census jobs are added in the economy. In addition, improving private sector job creation is likely to intensify.

The pattern will likely break down during the late summer as nearly one million temporary Census jobs are eliminated. By then, hopefully, private sector employment gains will be the longer-term norm, rather than the exception.

The surprisingly solid pace of job gains in April clearly does not suggest that all of our problems are behind us...

...but it is one more step in the right direction

The U.S. economy added 290,000 net new jobs during April, roughly 100,000 more than economists expected, and the strongest monthly gain in four years. Despite all of the media talk about "temp" Census jobs overstating employment gains, 80% of the rise (231,000 jobs) was in the private sector. Also important...previously reported job data of the two prior months was revised higher by an impressive 121,000 jobs.

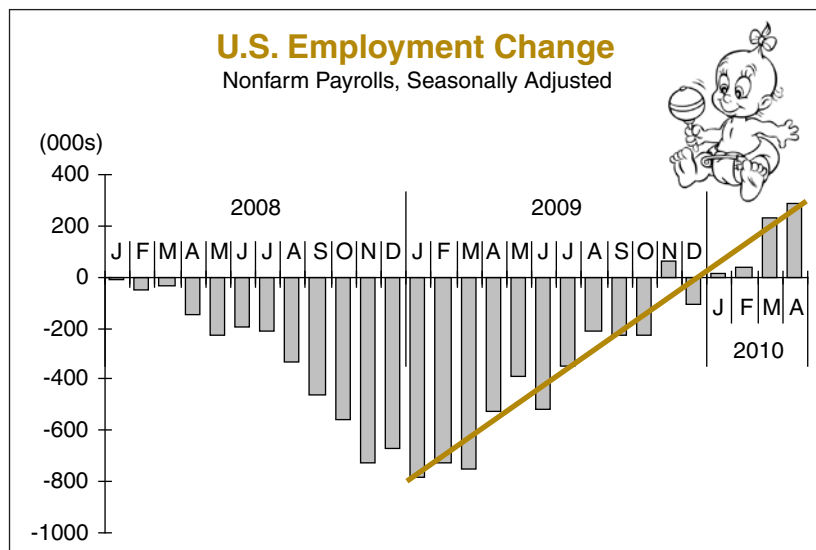
The U.S. economy added 573,000 net new jobs during 2010's first four months, an average monthly gain of 143,000 jobs. Yes...this does little to offset the loss of

more than eight million jobs during 2008 and 2009...

...but it is a step in the right direction

9.9%...?

But wait...didn't the unemployment rate actually go up to 9.9%, versus the 9.7% level of the three prior months? It did...and for the right reason.



We have suggested frequently over the past 4-6 months that the unemployment (jobless) rate would likely move back toward 10.0% even as employment gains improved sharply. The reason is simply more people returning to the labor force in search of a job.

An estimated 805,000 people—many formerly discouraged about job prospects who had left the labor force (and were therefore no longer counted as unemployed)—returned in April. An estimated 1,656,000 returned to the labor force in 2010's first four months alone.

Most of these people have heard about improving prospects for jobs...of friends or neighbors or former colleagues getting jobs in a strengthening U.S. economy. These people, by the hundreds of thousands, are more optimistic about regaining a job and have taken the steps to make themselves more available for employment. However, unless and until these people find a job, they are now counted as unemployed.

One could argue that the addition of more than 1.65 million new entrants to the labor market in such a short period of time could have pushed the jobless rate even higher. However, the jobless rate at 9.9% is slightly below the 10.0% level at yearend.

Much Stronger!

The jobless rate actually dipped slightly during the past four months because the household survey of employment—the source of the unemployment data—estimated that 1,663,000 people gained jobs during the past four months. This surge was nearly THREE TIMES the “official” gain of 573,000 jobs added via the larger establishment survey of employment, with an estimated 550,000 people gaining jobs during April alone.

As noted frequently, many economists suggest that the “household” survey can be a more accurate measure of employment at times of transition from recession to growth. Why? The survey contains more data about self employment and small business creation and expansion than does the establishment survey...

...a big step in the right direction

Where the Jobs Are

The official 290,000 rise in employment was across most sectors. The nation's *goods producing* sector, the location of millions of lost jobs during the Great Recession, added 65,000 jobs during the month. The nation's construction sector added 14,000 net new jobs, the second consecutive monthly rise after three years of continual, and painful, losses. The nation's mining and logging sector added 7,000 jobs.

More importantly, the U.S. manufacturing sector added an estimated 44,000 jobs...*44,000 jobs*...during April, the largest monthly gain in nearly 12 years! More than 100,000 new manufacturing jobs have been added during the past four months alone. In addition, the primary gauge of U.S. manufacturing, the ISM index, noted that April saw the strongest pace of manufacturing activity in six years.

The larger private-sector *service providing* arena added 166,000 net new jobs in April, led by the addition of 80,000 jobs in professional & business services. The nation's retail trade sector added 12,000 jobs, while leisure & hospitality

added 45,000 jobs. Education & health services added another 35,000 positions...

...each steps in the right direction

The government sector added 59,000 net new jobs in April, with 66,000 temporary Census jobs accounting for the net rise. State and local governments cut 6,000 jobs during the month as tight budgets continue to hurt.

Rising “Underemployment”

The most worrisome data points within the April report were primarily two:

- The “underemployment” rate, that which includes the unemployed, those working part-time who would prefer to work full-time, and those discouraged workers who have left the labor force (and are no longer counted as unemployed) rose to 17.1% in April from 16.9% in March
- Of the 15.3 million people unemployed, a record 45.9% (roughly seven million people) have been jobless for 27 weeks or longer

From Here?

Job creation in the U.S. is clearly moving in the right direction. Even stronger gains over the balance of the year would be highly desirable....no question.

In the near-term, high anxiety about the European sovereign debt situation (and European economic slowing) limits economic enthusiasm. Major players across Europe and the International Monetary Fund will throw more and more money (most of it borrowed) at the Greek crisis and euro currency support, hoping to prevent debt contagion spreading to Spain, Portugal, Italy, and Ireland.

Over the longer-term, the American private sector will deal with a national government obsessed with more and more expansion, more and more control, more and more interference, more and more mandates...and the damaging trillion dollar plus annual deficits that result...

...baby step killers each



“TEA”ser

TEACHER: Glenn, how do you spell ‘crocodile?’

GLENN: K-R-O-K-O-D-I-A-L

TEACHER: No, that’s wrong

GLENN: Maybe it is wrong, but you asked me how I spell it.



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