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Your guide to understanding today's economy and financial markets

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Job Sluggish

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Another reasonably dismal employment report...

The American economy suffered the net loss of 125,000 jobs in June, largely matching forecasting economists' expectations. The loss was totally tied to the termination of 225,000 temporary Census jobs.

Private businesses—the more critical component of U.S. employment reports as Census hiring & layoffs muddy the job picture during 2010's first three quarters—added 83,000 jobs during June. The gain, while more than twice the revised 33,000 gain in May, was still less than the 100,000 gain widely expected. Better news saw overall job gains for April and May revised to show 25,000 more jobs.

The fact that an additional 339,000 temporary Census job “losses” will negatively impact payroll totals over the next few months suggest that July and August reports will be lackluster as well, at least as far as the headline number is concerned.

economic performance in recent weeks. Such weakness has emboldened more bearish prognosticators of the economy to more firmly embrace the double-dip recession view.

We will maintain our view of a 2.2% to 3.0% real (after inflation) annual growth pace of the U.S. economy for 2010. We didn't jump on the much more optimistic “growth bandwagon” earlier this year when employment gains and other economic data were more impressive. We won't jump on the “woe is me bandwagon” now, although many economic growth forecasts will move down toward the 1.5% to 2.5% level, or less. And note: the chance of a double-dip has risen.

The Numbers

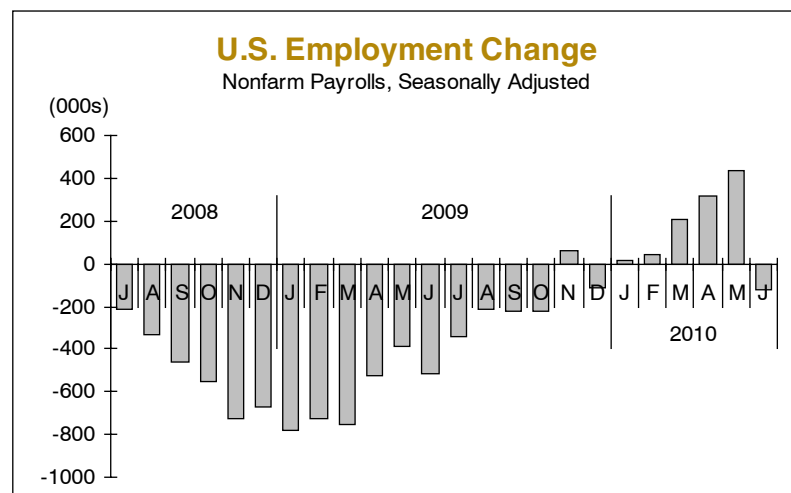
The *goods producing* sector of the American economy saw employment decline by 8,000 jobs in June. The construction sector lost another 22,000 jobs during the month, in part tied to the end of government financial incentives for homebuyers.

The nation's manufacturing sector added an estimated 9,000 net new jobs in June, although it was the smallest gain of the year. The mining & logging sector added 5,000 net new jobs.

The nation's much larger *service providing* sector added 91,000 jobs during June, with the addition of 46,000 net

new jobs in professional & business services. The leisure & hospitality sector added 37,000 jobs during the month, while the education & health services sector added 22,000 net new jobs. The transportation & warehousing sector added 15,000 positions, while retail sales employment fell by 7,000 jobs.

Overall government employment fell by 208,000 positions, again led by the loss of 225,000 Census jobs. In addition, the loss of 10,000 jobs in the financially strapped



The nation's unemployment rate surprisingly declined to a 12-month low of 9.5% in June, down from May's 9.7% rate. The decline, however, occurred for the wrong reason...discouraged people leaving the labor force in droves, rendering them no longer counted as unemployed.

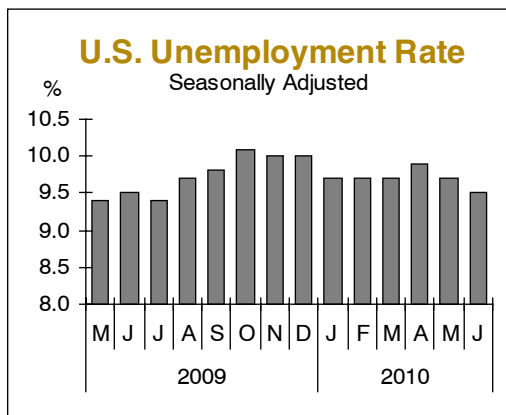
Growth Slows

The weak nature of the employment report combines with a volatile stock market and other signs of slowing U.S.

state & local sector partially offset government job gains apart from the Census.

Down to 9.5%

It would be great if we could talk of a declining unemployment (jobless) rate associated with strong job gains...didn't happen. As noted, the U.S. unemployment rate did decline to 9.5% in June from May's 9.7% rate because another 652,000 people left the labor force...hence they are no longer counted as unemployed.



The estimated 652,000 labor force decline in June, combined with the 322,000 decline in May, shows nearly a million people giving up on a job search over the past two months. This contrasts sharply with a labor force rise of more than 1.6 million people during 2010's first four months, when economic optimism was more solidly entrenched in the economy.

Many of these people who stopped looking for jobs in more recent months did so because their unemployment benefits have or soon will stop arriving in the mail. Note: One must be looking for a job to draw unemployment benefits. Others have left the labor force because of genuine and real despair about finding gainful employment in their communities.

Ironically, we could see additional slight declines in the nation's unemployment rate in coming months because of greater pessimism about job availability... hence more people leaving the labor force. We could also see a rising unemployment rate in coming months if optimism regains ground, with hundreds of thousands of people re-entering the labor force.

Other Job "Stuff"

- 14.6 million people have officially been out of work for an average of 35 weeks, the longest duration on record

- Of the unemployed, the largest number, or 3.46 million people, were between the ages of 25 and 34. The jobless ages 45 to 54 numbered 2.72 million, while the jobless ages 35 to 44 totaled 2.62 million (*Bloomberg.com*)
- The average work week of all workers declined to 34.1 hours from 34.2 in May
- The average hourly wage fell two cents (-0.1%) to \$22.53, a 1.7% rise over the past 12 months
- The "underemployment" rate, a figure which includes the unemployed, people working part-time who would prefer to work full-time, and those discouraged workers who have given up looking for jobs, declined slightly to 16.5% in June, versus 16.6% in May

From Here

The American economy has added private sector jobs at a rate of roughly 100,000 net new jobs monthly during 2010. No question: this pattern is a far cry better than 12-18 months ago, when the U.S. economy and its employment were in free-fall.

However, stronger job gains are needed...

...just to keep the unemployment rate from rising over time. Roughly 130,000 net new jobs are typically needed monthly simply to meet the needs of a rising population. Stronger job gains are necessary to push the unemployment rate lower over an extended period

...to help offset the net loss of 8.4 million jobs during 2008 and 2009. The rise of roughly 600,000 net new private sector jobs during 2010's first six months recoups only 7% of the losses of the past two calendar years

More powerful job gains are required to keep a fragile U.S. economic recovery going. However, given the anti-business flavor of numerous tax increases, more regulations, and higher health care costs emanating from Washington D.C., those job gains will be most difficult to achieve.

"TEA"ser

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