

Labor markets took one step backward in September after taking two small steps forward in July and August. Total employment decreased by 263,000 jobs and the unemployment rate increased by 0.1 percentage points to 9.8%. Average hourly earnings increased 0.1% on the month and were up 2.5% from a year ago – a new low for this cycle.

The 263,000 decrease in employment in September ended a two-month string of successively smaller employment declines. Total employment fell 201,000 in August and 304,000 in July, compared with a decline of 463,000 in June. Construction (-64,000), manufacturing (-51,000), retail trade (-39,000) and government (-53,000) posted the largest employment declines. State and local education uncharacteristically accounted for more than one-half of the decline in government employment.

Even though employment fell by a record amount in this cycle – down 7.2 million jobs or 5.2% – the Bureau of Labor Statistics expects the March 2009 level to be adjusted down by 824,000 jobs in the annual benchmark revision to be announced next February. The adjustment would lift the total job loss by a like amount to approximately 8.0 million or 5.8%.

Although labor markets have a long way to go to fully recover from the recession, the slowing in the rate of decline in temporary help employment and the slower rate of increase in the unemployment rate are both consistent with the beginning of that process. Temporary help employment fell by just 1,700 jobs in September and has decreased by an average of only 9,000 jobs per month during the past five months, compared with an average decline of 69,000 per month during the previous five months. Temporary help employment is viewed by some as a leading indicator of labor market health, because temporary workers can be added and dismissed more easily than permanent workers.

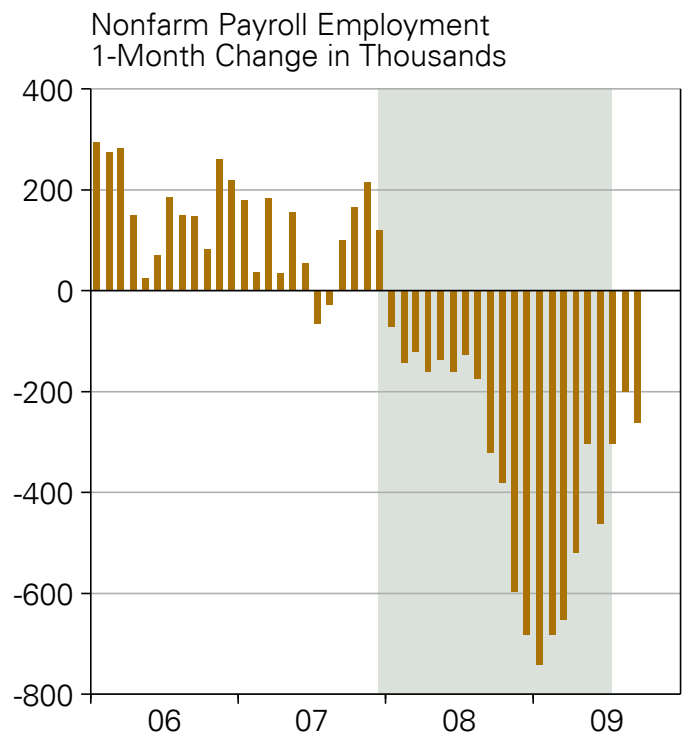
At the same time, the rate of increase in the unemployment rate has slowed to an average of 0.1 percentage points point per month during the last four months from 0.4 percentage points per month during the previous six months.

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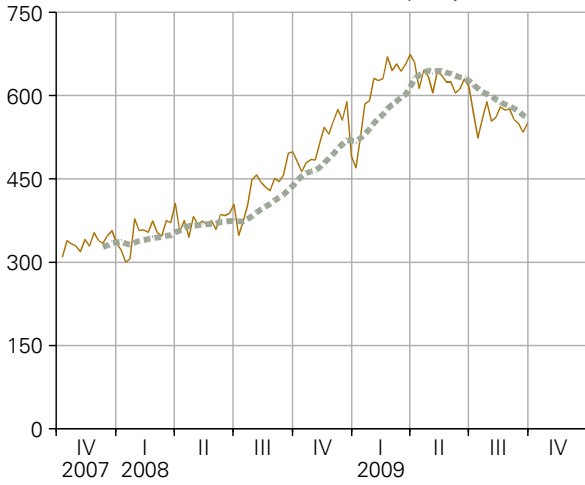
Even so, at 9.8%, the unemployment rate is 5.4 percentage points above its low-point in the previous expansion and stands at its highest level since 1983. The broadest measure of unemployment, which includes so-called discouraged workers, increased to a new all-time high of 17.0%.

Initial jobless claims resumed a downward path in September, but remained close to the four-week average in the final week of the month. At 551,000 claimants in the most recent week, initial claims remain well above the normal level of approximately 325,000.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100



Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA

