The Daily Dish

October 2nd Edition

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August's jobs report was not a blockbuster by any means, however, it did see wages rise slightly and lower unemployment. Underneath the numbers reveal a story of labor force participation declining by 41,000 to the lowest since 1977. Teen unemployment rose to 16.9 percent. Catch Douglas Holtz-Eakin's predictions for the September report below. For a reminder, here is a recap of key economic indicators since last month's report:

- The price index of U.S. imports decreased 1.8 percent in August;
- The Producer Price Index for final demand increased 1.4 percent in August;
- The Consumer Price Index decreased 0.1 percent in August;
- Real average hourly earnings increased 5 cents from July to August;
- Orders for durable goods decreased 2.0 percent;
- Consumer Confidence index increased from 101.3 to 103.0;
- New home sales increased 5.7 percent in August;
- ISM manufacturing index decreased to 50.2 percent in September;
- ADP reported private-sector employment was up by 200,000 jobs in September.

Eakinomics: Groundhog, oops, Jobs Day

It is that time of month again; this morning the Labor Department will release the payroll report for September. There is no reason to expect any real drama or change. The economy has expanded at an average annual rate of 2.2 percent since June of 2009, and apparently continues to do so. (Don't be fooled by the revised 2nd quarter Gross Domestic Product (GDP) growth rate of 3.9 percent as most of that is timing shifts from the weak first quarter.) Growth at that pace — in the absence of productivity improvements — translates into roughly 250,000 new jobs. Of course, productivity is not precisely zero, although it is staggering along, so job growth will likely fall below that. My estimate is 190,000 jobs, which corresponds to productivity growth of 0.6 percent. It is also in line with recent payroll reports — more of the same.

The unemployment rate is another more-of-the-same story. Given the uninspired pace of job creation, most of the action in month-to-month surprises stems from labor force participation. Increases raise the unemployment rate (other things being equal), while decreases perversely look like good news because of declining measured unemployment. Given the fall off in consumer confidence, the latter seems a bit more likely. So, I'd expect the unemployment rate to remain unchanged at 5.1 percent or decline a tenth. Given that I have to pick, I'm going with unchanged.

The only real innovation of the jobs reports this year is the focus on wages. This is because wage and income growth has disappointed and because rising wages suggest cost pressures that might push up inflation. In a world where there is keen interest on when the Fed will begin to normalize, this is a useful piece of information. Over the past year, average hourly earnings have grown 2.2 percent. I expect more of the same this month.

Month-to-month forecasting is just throwing economic darts. I’m at 190,000 jobs, 5.1 percent unemployment and average hourly earnings of $25.13. I’ll check my score at 8:30.

From the Forum

NDAA Veto Threat Endangers Major Defense Reforms by Rachel Hoff, AAF Director of Defense Analysis

Fact of the Day

The rate of emergency room visits has nearly doubled since 2004.