U6 Fix

And the Beat Goes On

DOUGLAS HOLTZ-EAKIN | APRIL 5, 2019

Remember the dying U.S. expansion? Uh, maybe not. After a very weak 20,000 jobs in February, the economy generated 196,000 jobs in March (and February and January were revised upward by 14,000) – much higher than the demography would indicate for yet another month. At the same time, the unemployment rate remained unchanged and average hourly earnings rose by 4 cents – the equivalent of year-over-year growth of 3.2 percent.

Employment growth was not especially widespread, with health care and social assistance contributing nearly one-third (61,200). Manufacturing and retail trade showed declines.

The remainder of the establishment report was solid. Average weekly hours were unchanged, which, when combined with rising wages and employment, means that aggregate payrolls rose a strong 0.5 percent. That means payrolls are expanding at 6 percent annually – roughly 4 percent in real terms – providing a strong foundation for household spending.

Turning to the household survey, the labor force fell by 201,000 and the labor-force participation rate dropped by 0.2 percentage points. There was considerable movement in unemployment rates. Teenage unemployment fell by 0.6 to 12.8 percent; African-American unemployment fell by 0.3 percent to 6.7 percent; Hispanic unemployment rose 0.4 to 4.7 percent. Finally, those working part time for economic reasons rose by 189,000.

Data junkies here’s your fix: the March U-6 (the broadest measure of unemployment) was unchanged at 7.3 percent.

The bottom line: The March report should put to rest the notion that the economy is doomed to falter in 2019. The household sector – 70 pecent of the economy – will continue to benefit from rising jobs and payrolls. One cannot expect a repeat of 2018 as the economy moves toward trend, but 2019 has started solidly.