



U6 Fix

Good News Again...No Really

GORDON GRAY | OCTOBER 5, 2018

There's going to be a lot of initial attention on what may seem like a disappointing monthly change to the payroll survey number, ringing in at 134,000. It's telling, though, that on page one of the Bureau of Labor Statistics' (BLS) employment report is a big box explaining that Hurricane Florence was affecting the East Coast during the survey period. That likely suppressed monthly payroll numbers. But even if it did not, this is still a decent jobs report.

The unemployment rate ticked down to 3.7 percent and was encouragingly paired with a net increase in the labor force. In other words, this was an encouraging move, not a statistical shiny object. Hourly earnings ticked up 8 cents, a 2.8 percent year-over-year increase. This is off of last month's pace, but that reflected a near decade high. 2.8 percent is a healthy number.

Job gains across industries remained somewhat broad, but the retail and the leisure and hospitality industries saw net declines of 34,000. Manufacturing posted an 18,000 gain and saw its net decline in last month's report revised to a net plus. That's encouraging for observers worried about trade policy risk.

By education levels, unemployment declined across the board: by 0.2 percent for those with less than a high school education and with a high-school diploma. Unemployment for those with partial college educations and bachelor's degrees also declined by 0.3 percent and 0.1 percent, respectively.

Unemployment rates for women, Hispanics, and African-Americans declined, while Asians saw a .5 percent increase in unemployment.

Data junkies here's your fix: The August U-6 (the broadest measure of unemployment) ticked up to 7.5 percent, reflecting an increase in those employed part time for economic reasons.

The headline jobs number may disappoint observers, but any 6-figure payroll gain, paired with healthy earnings and decline in the unemployment rate is a good report. Hurricanes be darned.