



U6 Fix

May Jobs: A Report from Wonderland

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The May jobs report was a step through the looking glass. Usually the jobs and unemployment are ok, but wages disappoint. In May, average hourly earnings grew as expected. Everything else tanked.

The economy added only 38,000 jobs in May, the lowest jobs number since September 2010. Multiple sectors including manufacturing, construction, and temporary work among others saw employment declines. The only job gains were in the health care sector (perhaps we should pray we never bend the cost curve!). Those who could only work part time due to economic reasons jumped to a shocking 468,000.

On the household side of the surveys, the labor force participation rate decreased by 0.2 to 62.6 percent and is now down 0.4 in the past two months. A disaster. The labor force fell by 458,000. The final flourish in this upside-down report was that the unemployment rate fell to 4.7 percent!

Meanwhile, the one relatively bright spot of this report were average hourly earnings, which edged up by 0.2 percentage points. Along with anecdotal evidence of labor market tightening, it may be beginning to show up in the data.

The teenage unemployment rate stayed steady at 16.0 percent, while the Hispanic unemployment rate fell 0.5 to 5.6 percent.

Data junkies here's your fix: the May U-6 (the broadest measure of unemployment) remained unchanged at 9.7 percent.

The bottom line: The May report is a disaster. It is weak enough to scare the Fed off of any rate increase, despite the fact that it would probably be smart to start moving rates toward normal. It's also a sign that President Obama should interrupt his economic victor tour.