



U6 Fix

Snap Back to Reality

GORDON GRAY | MARCH 8, 2019

Expectations were high for the February jobs number, and certainly a 20,000 employment gain substantially disappointed compared to consensus forecasts. Is this the late-cycle slowing in the labor market that we've all been expecting, or is this a seasonal, shutdown-compromised aberration? While this single report doesn't hold the answer, there are reasons not to be too alarmed.

Construction was the conspicuous miss in this report, and that is something to keep an eye on, particularly if the residential construction industry sputters. But housing starts recently topped expectations, so this is not quite a flashing warning.

The unemployment rate slipped back to 3.8 percent, though this is in part animated by the reinstatement of workers who were furloughed during the government shutdown. The labor force participation rate held at 63.2 with a modest decline in the civilian labor force. Following a period of substantial growth in the labor force at this stage in the recovery, this is a feature of this report.

Most encouraging was the 11 cent or 3.4 year-over-year earnings growth. Note that productivity grew at 1.9 percent annualized in the 4th quarter, closing out a particularly strong 9-month period. If that holds, then a labor market that yields strong earnings growth but smaller job gains at this stage of the recovery is a bargain most observers would take.

By education levels, unemployment declined or held steady. Workers with less than a high-school degree saw the largest decline of 0.4 percent. Unemployment rates for women and Hispanics declined, while African Americans saw a .2 percent increase in unemployment. Teenage workers also saw a 0.5 increase in unemployment.

Data junkies here's your fix: The February U-6 (the broadest measure of unemployment) declined to 7.3 percent, reflecting a major decline in those employed part time for economic reasons.

The headline jobs number disappointed compared to forecasts, but in the context of a shutdown, some possible seasonal considerations and a healthy productivity report, there is reason not to read too much into the disappointing payroll gain.