



U6 Fix

Stubborn and/or Resilient

GORDON GRAY | MAY 5, 2023

Payroll growth in April came in close to expectations, reflecting a healthy gain in employment and further declines in unemployment. Both the regular and U-6 unemployment series are, with the exception of the recent past, plumbing historic depths. The acceleration in the average earnings may give the Fed some consternation. The upshot of today's report suggests that both the labor market and inflationary pressures remain resilient and stubborn in the face of tightening monetary policy.

The Bureau of Labor Statistics (BLS) reported that employers added 253,000 workers to their payrolls in April. The private sector added 230,000 workers to their rolls last month, while government employment gained 23,000. Goods-producing industries rebounded from last month with an employment gain of 33,000 new workers. The construction industry led the gains with 15,000 new workers, while manufacturing added 10,000 new workers. The service sector gained 197,000 workers. The private education and health-services industry added 77,000 new workers, reflecting the largest employment gain in the service sector. Professional and business services added 43,000 and the leisure and hospitality sector added 31,000. There was weakness in two industries: Temporary help services lost 23,300 workers, while the wholesale trade industry lost 2,200 workers. Employment gains in February and March were significant with a combined downward revision of 149,000. This revision pulls the March employment gain down to 165,000 – the lowest since December of 2020.

BLS reported that the unemployment rate in March fell back to 3.4 percent, the lowest rate (other than the recent past) since May of 1969. The labor force participation rate remained at 62.6 percent, reflecting a 43,000 decline in the labor force. Nevertheless, over the past six months, over 2 million workers have joined the labor force and the participation rate has increased by 0.4 percentage points. The Household survey reflects the payroll survey, showing a 182,000 decline in unemployed workers and gain in employed workers of 139,000.

The unemployment rate fell for all but one race and all but one education level. By race, the unemployment rate decreased most for Blacks by 0.3 percentage points. For Hispanics and Whites, it dropped 0.2 and 0.1 percentage points, respectively. It remained constant for Asians. By education, it rose for those with less than a high school diploma by 0.6 points. High school graduates, those with some college or associate degree, and those with a bachelor's degree or higher all saw a 0.1-point drop.

Average hourly earnings increased by 16 cents, reflecting a 4.5 percent yearly gain, and an acceleration in the monthly rate of change to 0.5 percent, which is the fastest monthly gain since March of last year. Average hourly earnings for production and non-supervisory workers increased by 11 cents, for a 4.95 percent gain over the year.

Data junkies, here's your fix: The April U-6 (the broadest measure of unemployment) ticked down to 6.6 percent largely due to overall declines in unemployment.