U6 Fix

Which Way Next?

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Lackluster, tepid, listless or soft. Take your pick. The employment report indicates that job growth was slowing going into the government shutdown. Total jobs were only 148,000 and the unemployment rate fell to 7.2 percent only because of a very flat labor force growth. The October report will be weak, but the data suggest that this started before the government shutdown.

Continuing a theme, the report had soft details: hours and earnings were flat to up modestly. Payroll growth continues to hover in the range of 2 to 3 percent annually. Labor force participation was flat, and there were more part time workers.

<u>Inside the top line data:</u>

- The labor force gained only 73,000 workers and labor force participation was flat at 63.2 percent. As has been true for too many months to count, this remains at a decade's low rate.
- The private sector created only 126,000 jobs – very weak – and the government added to employment growth leading into the shutdown.
- July and August job growth were revised up by only 9,000 jobs.
- The Hispanic unemployment rate dropped along with labor force participation – from 9.3 to 9.0 percent.
- Part-time work for economic reasons rose, again raising suspicions that the incentives of the Affordable Care Act.

Data Junkies here's your fix: the September U-6 (the broadest measure of unemployment) fell from 13.7 to 13.6 percent.

<u>*The bottom line: The September report showed that the labor market was weakening – close to stall speed – leading into to government shutdown and debt ceiling fight. To the extent that consumer confidence holds up, the economy will continue to muddle along, but downside risks are rising and long-term, pro-growth policies are desperately needed.*</u>