

# Labor Market Conditions

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## LABOR MARKET CONDITIONS AND ECONOMIC OUTLOOK

May, 2010

“The jobs report confirms the economy is gaining enough strength to increase jobs across a broad number of industries, including construction. Most encouraging was the 205,000 increase in private sector jobs outside of the temporary help service industry.”

- Employers added 290,000 payroll jobs in April. It was the largest monthly increase in over four years, and follows an upwardly revised increase of 230,000 in March and 39,000 in February. April marked the fifth month of job gains since the recession began in December of 2007, and strongly suggests the recession is over.
- In the first four months of 2010, the employers have added 573,000 jobs, including 483,000 jobs in the private sector, with the remainder consisting mainly of temporary Census workers.
- Despite this job growth, it was not fast enough to absorb the increase in the number of Americans looking for work as the unemployment rate increased to 9.9 percent. The broadest measure of unemployment also rose to 17.1 percent as the labor force increased by 805,000 in April, its largest monthly gain since January 2003.
- The average duration of unemployment increased to another record high of 33.0 weeks in April. There are 5.6 unemployed workers for every job opening.
- Administrative and Support Services (60,700), Leisure and Hospitality (45,000), Manufacturing (44,000), and the federal government (69,100 mostly temporary Census workers) accounted for over 75 percent of the job growth. However, construction added 14,000 jobs in April and a revised 26,000 in March for its first back to back increase in more than 3 years.
- Transportation and warehousing lost 19,500 jobs in April while most other industries were little changed.
- In April, the average workweek rose to 34.1 hours and is slowly increasing from last year's lows.

## THE LABOR MARKET RECOVERY WILL PICK UP STEAM THROUGH THIS SUMMER:

- Real GDP grew at a 3.2 percent annual rate during the first quarter on the strength of inventory rebuilding and a modest gain in consumer spending and business investment.
- An open question is whether the problems in Portugal, Italy, Greece, and Spain will reduce the demand for American exports. Although Asia is recovering, Europe is one of our strongest trading partners.
- Second quarter real GDP is likely to grow by 3 percent and then slow during the second half of the year as some of the boost from various stimulus programs diminishes.
- Personal income rose increased by 0.3 percent in March, however, private sector wage and salary disbursements has remained flat for the past year, and real average hourly earnings has fallen 0.6 percent over the past year.
- Both the savings rate and household debt continue to fall. Chain store sales data indicate that upper-income families are increasing their consumption and reducing their savings, while those in the middle and at the lower end continue to reduce debt.
- The consumer confidence measures are mixed with the Conference Board Index rising and the Michigan Index falling. Consumers are slightly more optimistic about the job outlook, but less confident about their personal finances and income growth.
- Although the number of first-time unemployment claims and continuing claims has declined, the improvement has paused over the past month; something that is not unusual at this point in the business cycle.
- Total non-farm productivity increased 3.6 percent during the first quarter of 2010. Both output and hours risen for two consecutive quarters. Manufacturing productivity rose 2.5 percent in the first quarter and hours increased for the first time (4.9 percent) since the second quarter of 2007.
- New orders for manufactured durable goods decreased 1.3 percent in March and shipments increased 1.2 percent. More importantly, new orders of core capital goods, excluding aircraft and defense, increased 4.0 percent in March.

