U.S. Employment Report (June)

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U.S. Workers: Still An Endangered Species

U.S. nonfarm payrolls fell a much larger-than-expected 467,000 (or 0.4%) in June, stalling the recent trend towards moderating job losses. The loss is up from a revised -322,000 in May (-345,000 initially), though down from an average -607,000 from October-April. The net layoffs were widespread, cutting across the services-producing, construction and manufacturing sectors. Even excluding a rare large drop in government jobs (-52k), the decline in private employment (-415k) was sizeable. Temporary help, often a leading indicator of labour market trends, fell 38,000 following a modest decline the previous month. The June swoon takes total job losses in the current recession to 6.46 million, or 4.7%, the worst percentage decline since the 1949 recession.

The unemployment rate rose one-tenth to 9.5%, a new 26-year high. It is expected to peak at 10% early next year, below the postwar high of 10.8% set in 1982. The average duration of unemployment hit a record-high 24.5 weeks, suggesting companies remain very reluctant to hire, also evident in the still-high level of initial jobless claims (614k) last week.

Wage growth continues to grind lower, with average hourly earnings flat in the month and the yearly rate dropping to a near four-year low of 2.7% compared with 3.6% a year ago. The aggregate weekly hours index slid 0.8% in the month, and is down a hefty 7.9% annualized in Q2 versus -8.9% in Q1. Even with a jump in productivity, this suggests a downside risk to our -2.9% estimate for Q2 GDP.

				(average change)	
(thousands)	Jun	May	Apr	3 months	12 months
Nonfarm Payrolls	-467	-322	-519	-436	-472
Goods Producing	-223	-215	-267	-235	-224
Service Producing	-244	-107	-252	-201	-248
Manufacturing	-136	-156	-150	-147	-138
Construction	-79	-48	-103	-77	-83
Retail Trade	-21	-18	-33	-24	-50
Avg. Hourly Earnings (% chng)	0.0	0.2	0.0	0.7 **	2.7 ***
Private Workweek (hours)	33.0	33.1	33.1	33.1 *	33.6 *
Mfg. Workweek (hours)	39.5	39.4	39.6	39.4 *	40.9 *
Aggr. Hours Worked (% chng)	-0.8	-0.3	-0.6	-6.6 **	-7.0 ***
Unemployment Rate (%)	9.5	9.4	8.9	8.5 *	5.6 *

* 3 and 12 months ago ** 3-month % change *** year/year % change

The Bottom Line: Though moderating somewhat from earlier in the year, job losses remain massive and are a continuing source of downside risk to the economic outlook.

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