

TRENDMACRO LIVE!

On the September Jobs Report

Friday, October 7, 2011

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An upside headline surprise -- still weak, but encouraging when you look deeper inside.

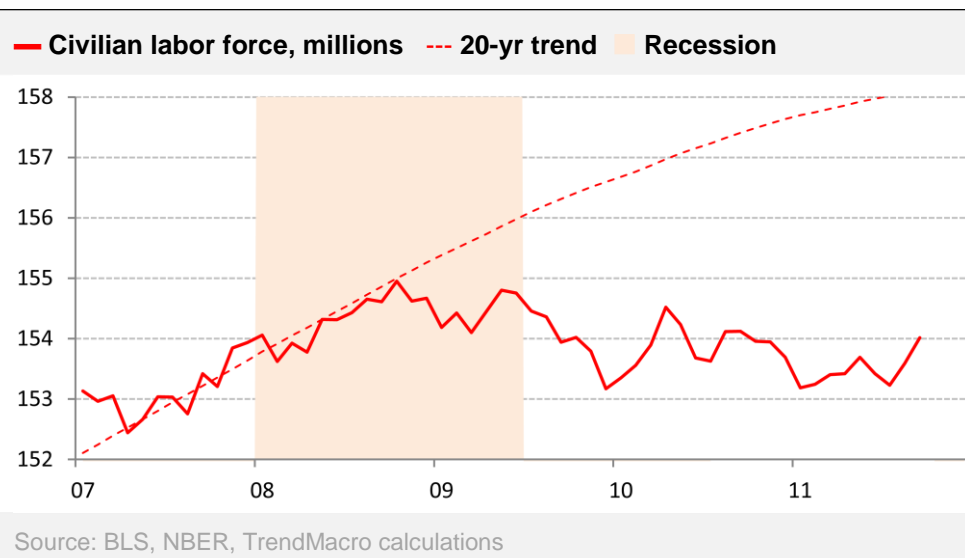
[This morning's September Employment Situation Report](#) was an upside surprise, including strong revisions of disappointing past data. The return of 45,000 striking Verizon workers makes this no less a surprise -- that was built into baseline expectations.

- Obviously, a gain of 103,000 non-farm payroll jobs is a lousy number for a recovery from a deep recession. But this should prove what we've argued repeatedly: that panic about a double-dip recession is overblown (see ["Testing 1, 2, 3"](#) September 7, 2011). If this fear-driven soft-spot is fated to eventually be called a recession in the history books, it will only be as much a recession as the recovery has been a recovery -- that is, not much of one.
- But given what we're given, this was a good jobs report. We are especially encouraged by the increase in employment reported in the household survey -- a gain of 398,000 jobs. This builds strongly on last month's increase of 331,000 jobs (see ["On the August Jobs Report"](#) September 2, 2011). If the payroll survey were producing numbers like this, everyone would say we are in a boom.
- The household survey showed an increase in *unemployment* of only 25,000. That means the labor force grew by 423,000 (see the chart below), and most of these new entrants came in employed.

Update to strategic view

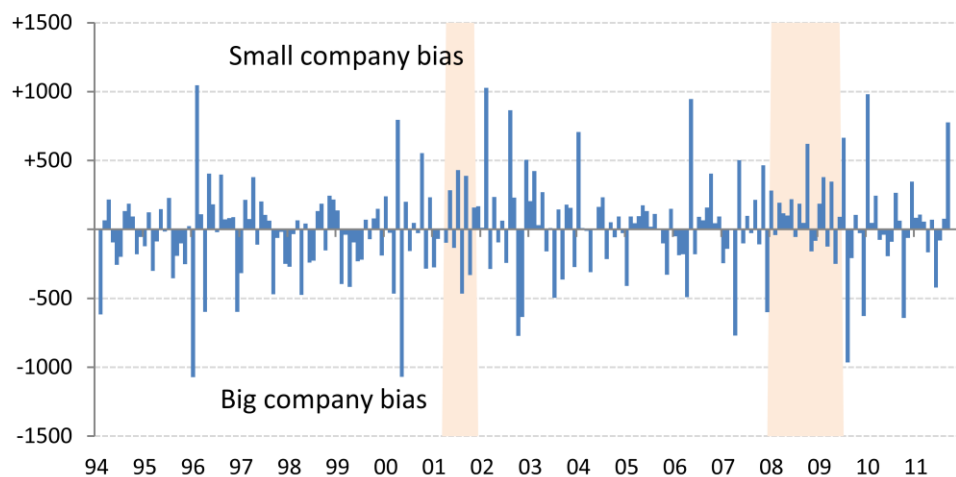
US MACRO: This morning's jobs report was a pleasant surprise, but it nevertheless shows a soft-spot in an already lackluster recovery. There's no sign in the report of an imminent double-dip recession. And while the headline numbers are uninspiring, internals are more encouraging. The household survey continues to show sharper gains in employment -- with a small business bias -- and an expanding overall labor force.

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- That's why, even though the labor force grew dramatically, the unemployment rate was reported unchanged at 9.1%.
- Better yet, when the household survey's 398,000 gain in employment is adjusted to the [same definitional basis](#) as the payroll survey, the gain is a whopping 880,000 jobs.
- The household survey is naturally biased to smaller businesses that the payroll survey misses. So this kind of disparity between the two surveys -- 880,000 jobs gained versus 103,000 -- indicates more robust activity among small businesses, which the economy relies on to create most new employment over the long term (please see the chart below).

— Change in household survey employment (on payroll basis) minus change in payroll survey employment, thousands ■ Recession



Source: BLS, NBER, TrendMacro calculations

Bottom line

This morning's jobs report was a pleasant surprise, but it nevertheless shows a soft-spot in an already lackluster recovery. There's no sign in the report of an imminent double-dip recession. And while the headline numbers are uninspiring, internals are more encouraging. The household survey continues to show sharper gains in employment -- with a small business bias -- and an expanding overall labor force. ▶

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