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UNPACKING THE LATEST EMPLOYMENT AND UNEMPLOYMENT ESTIMATES

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The employment figures released Friday morning by the Bureau of Labor Statistics *suggest* that *perhaps* the U.S. economy is slowing down. Payroll employment, a count of the number of nonfarm jobs, dropped by an estimated 17,000 from December to January, reinforcing evidence of a deterioration in economic conditions reported earlier with the advanced estimates of fourth quarter 2007 GDP growth of only 0.2 percent. However, these data must be handled with care. First, payroll employment counts jobs not persons employed. Second, the GDP estimates are based on partial returns of information from producers and will not become final until March.

The household data for January are difficult to interpret because the Census Bureau revised its December 2007 estimate of the population by 745,000 and its employment estimate by 598,000. For that reason, the BLS is warning the public that no comparisons should be made regarding changes in employment and unemployment estimates from December 2007 to January 2008. At this point we simply do not know if the number of persons employed also decreased since December and the number unemployed increased, leaving us puzzled as to whether the economy is contracting or on hold.

However, there is no such technical problem with the rate of unemployment because the revised population controls had no effect on that critical piece of information. As widely reported already the jobless rate dropped by 0.1 percent point to 4.9 percent in January. Among men 20 years of age and older, the jobless rate in January was unchanged from December at 4.4 percent. For women of the same ages, the rate actually dropped from 4.4 percent to 4.2 percent. Looking back in 2007, there is hardly any difference in this important indicator between adult men and adult women. No evidence here of any economic backsliding.

What is troubling, though, is the January 2008 unemployment rate for all blacks/African Americans which seasonally adjusted increased by 0.2 percent point from 9.0 percent in December. In addition, the year-to-date comparison is even more troubling: 8.0 percent in January 2007 versus 9.2 percent in January 2008. For all whites, the jobless rate climbed to 4.4 percent in January 2008 from 4.1 percent one year earlier. Among black/African American teens the January 2008 rate was 35.7 percent compared to 15.6 percent for white teenagers.

The data released on Friday by the BLS are indicative of both good news and bad news. The bad news is that that the data disaggregated by race reveal a familiar divide: there is a perceptible labor market slowdown over the past 12 months for blacks/African Americans but not for whites. The good news is that for the very large numbers of *married men* (2.7 percent unemployed) and *married women* (3.1 percent unemployed) the labor market in January 2008 is still functioning at full employment.

Policymakers and public officials at the moment are faced with conditions that are commonplace for meteorologists. It's raining in certain places but not others. The forecast is partly cloudy with variable winds and a 30-40 percent chance of severe thunderstorms.

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