Written by **Bob Adelmann** on April 5, 2013

Friday's Jobs Report In Line with Reduced Expectations

Friday's report from the Bureau of Labor Statistics (BLS) only surprised those with unrealistic expectations about the health of the economy, showing that job growth of just 88,000 new jobs in March not only was far less than the 200,000 jobs the establishment economists had predicted, but *half* of the average job growth over the last 12 months. The retail sector, which previously had shown some strength in part-time and temp workers, faltered significantly, dropping by 24,000 jobs last month compared to average monthly gains of 32,000 over the last six months.

Although the unemployment rate dropped slightly, most of that was due to an overall shrinkage in the work force, as nearly 500,000 workers stopped seeking work altogether. That participation rate, according to the *New York Times,* "has not been this low — 63.3 percent — since 1979 … [with] discouragement about job prospects in a mediocre economy [seeming] to be playing a large role [in that decline]."

The quality of the jobs being created is also in question. As a report from the National Employment Law Project observed, the majority of jobs lost during the Great Recession was in "the middle range of wages," but most of those gained during the recovery "have been low paying." And temp jobs have increased as well, as employers have found it more efficient to hire them and keep them as temps rather than moving them into full-time positions with the benefits, and pitfalls, of providing them with healthcare and retirement plans. Many small companies are electing to stay small and employ temporary workers who work less than 30 hours per week, in order to avoid offering them health insurance as mandated under ObamaCare.

Weakness in jobs growth was predicted by Lakshman Achuthan of the Economic Cycle Research Institute (ECRI), and his call that the U.S. economy entered a recession last summer was buttressed by the latest jobs report. In his latest report on how ECRI views the current economy, Achuthan said that recent reports that GDP had shown some slight improvement are likely to be revised downward in the next couple of months as distortions from Hurricane Sandy and attempts to pull income from 2013 into December of 2012 to avoid the expected higher tax rates all made the economy to appear more robust than was warranted. Said Achuthan, "As these temporary distortions pass, those coincident indicators [of economic health] are likely to pull back to their earlier downtrends."

Remarkably, not knowing Friday's jobs report in advance, Achuthan made this prediction: "Downward revisions are quite possible for the other coincident indicators, and some of what we see at this time [in late March] as modest but positive job growth could also be revised away."

The BLS report of jobs data coming in way below economists' expectations and at half of the previous 12 months' average certainly lends credence to Achuthan's recession call and his current defense of his position in his clients' newsletter.

The weakness in the retail sector also reflects the "pulling back" by consumers as predicted by Anthony Mirhaydari at MSN Money. Retail spending has up until now been largely financed by drawing from savings. But that can't continue, said Mirhaydari: "[Consumers] will soon have no choice but to pull back even more." As that reality hit the retail sector in March, the result was the expected decline in jobs.

Confidence in the economy, according to Rasmussen Reports, continues to wane as well, with just 36 percent of Americans expecting the economy to be stronger five years from now. But investor confidence as recently as two weeks ago was reflected by Wall Street making new highs. As noted here, the Standard and Poor's Index of 500 stocks (S&P 500) closed on March 28 at 1569, topping its all-time high set back in October 2007. Since then, the reality of the weakness of the economy on which Wall Street is making its bets is beginning to set in, with the markets trading significantly off its highs.

As noted previously by *The New American*, the Baltic Dry Index (BDI) is one of the most predictable of economic indicators as it measures the activity of sea-going bulk carriers moving commodities like oil, coal, and building materials. In June of 2008 the BDI was at 12,000. At the end of March it was at 910. As of Friday, it was at 861, nearly 10 percent lower.

There seems to be a tug-of-war between Wall Street and Main Street. Just two weeks ago that tug-of-war was at a standstill. Friday's jobs report strengthens the position of those suggesting that Wall Street's enthusiasm for stocks based on expected future improvements in the economy is misplaced. The enormous gap between the two appears about to be getting much smaller.

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