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The May labor market data are mostly disappointing, with 411 of the 431 thousand job gains due to temporary Census 2010 staff increases. The raw data indicate that April SAAR job growth was 2.7 percent and May was 4 percent. If we remove the temporary Census workers from the data, then the revised SAAR growth rates are 2.1 percent for April and 0.8 percent for May. The 0.8 percent for May might be why the Dow Jones Industrial Average is down 244 points as of 12:15pm EST.

In other labor market indicators, long term unemployment levels rose from 6.72 million to 6.76 million people and the unemployment rate fell a bit from 9.9 to 9.7 percent. From the establishment survey, we see that Construction, Retail Trade, Information, and Financial/Real Estate continue to lose jobs.

This is exactly in line with our U.S. economic forecast. Our forecast is weaker than consensus because we believe that fundamental weaknesses still remain. The fundamental domestic weaknesses include: residential real estate, commercial real estate, banking, and household balance sheets. There are also foreign weaknesses, especially in Europe. Each of these job-losing sectors, except the Information sector, is related to the fundamental domestic weaknesses. Unfortunately, we believe that a conservative economic forecast is the most accurate one.