Countdown to Downturn

06-10-16

The Labor Market Conditions Index is derived from 19 labor market indicators grouped into 9 categories: unemployment and under employment, employment, workweeks, wages, vacancies, hiring, layoffs, quits, consumer-business surveys. It's goal is to develop a more balanced and objective picture of real labor conditions. Recently it's been attracting attention because it has declined for the last 4 months. The April and May declines, -3.4% and -4.8%, were especially notable because the Establishment Survey jobs report seems to have become in sync with the LMCI by reporting 123,000 and 38,000 (or 77,000 leaving out Verizon strikers) new private jobs. Such a reading, should it become a consistent trend, has been an indicator of a coming recession in at least the last two events. How many successive negative months will trigger the next event? Keep count. When it happens you will know.

Other labor news -- Construction jobs have declined for two successive months. The share of workers employed full time fell on an annual basis for the first time in three years. The temp growth rate at 0.6% is the lowest since 2010.

The hollowness of the once booming jobs growth in Establishment Surveys is exposed in the minuscule growth in total labor hours. If there is really a big increase in real jobs there also should be a similar increase in total annual hours worked. In the 1970s total annual hours growth averaged 2% annually. In the 1980s it was 3%. From December 2000 to the present the average annual growth has been 0.15%. Stated differently: From 1980-1990 the total grew 23.5%. From 2000-2015 grew a measly 2.3%; this in spite of the addition of 28 million Americans between the ages of 16 and 65. There should be no doubt with respect to the slackness of wage growth. The slackness is due to lackness, of real paid hours of work.

One might have expected Monday to be the market day that didn't happen last Friday -- that the May jobs number was the largest decline in years, and the collapse in industrial production and stagnation in the services section -- would be reflected in a like decline in the indexes. But that didn't happen because the ever alert Yellen appreciates the value of her words. She announced that a Brexit would be a threat to the American economy. That essentially confirmed that June is off the table for an interest rise increase. The dregs of the financial media tried to pin the market rise on a 20% increase in commodity prices since the beginning year (that boost having nothing to do with real economy demand which is in decline), but most knew and identified the real source.

Chinese imports fell for the 19th month in a row but by a much smaller amount than expectations -- 0.4% year to year rather than 6%. The markets took this as a sign the recent Chinese stimulus is working. The odd thing is that imports were still very low from most of the major economies of the world, like the US and the EU. Where did much of the increased imports come from? Would you believe a $242.6% increase in imports from Hong Kong? In others words it's the old cover-

capital-outflows-by-fake-imports-from-HK ruse. Meanwhile, exports continued to decline -- 4.1% in May, a 7% year to date decline.

The National Association of Business Economist projected American GDP to be 1.9% this year -- the lowest since 2012.

World markets experienced major red readings on Friday. Once again fear of Brexit was thrown out as an excuse. While anything can happen what usually does in cases like a vote on the UK's departure from the EU is that the EU supporting mainstream engages in such of flood of scaremongering that they get their way. Others think the real cause for market concern is the vastness of world debt and the failing world economy. Governments have ordered financial institutions to increase their reserves, but as Jeffrey Snider noted, are mostly dollar denominated securities. If there is a widespread need to redeem them, there is not nearly enough cash in the world fulfill the promise of payment.

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