
US jobs report leaves markets gulping for air

The latest US jobs report is a sobering reminder of the recession, writes Martin Hutchinson.

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So much for green shoots. [The 467,000 decline in US non-farm payroll employment in June](#) was greater than in any month of the 2001-02, 1990-91 or 1980-82 recessions.

Even discounting possible "noise" in the Bureau of Labor Statistics figures, this shows the recession is not yet bottoming.

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Stock markets, budget estimates and stress-test assumptions may all have been too optimistic.

The fall was higher than expected and reversed what had appeared to be an improving trend. US job losses in the last 12 months - totalling 5.66m - are almost twice the next highest loss on record, the 3.17m decline in the 12 months to September 1945, caused by the reduction in war-related employment.

Compared with recent US recessions, the new figure looks particularly dire. In all three recent downturns, peak monthly job losses were lower than June's. Workforce expansion put the 1980s recession's highest

monthly job loss above June's in "real" terms. But the sustained rate of job cuts since the banking crisis hit last autumn is unprecedented post the Great Depression.

These losses indicate that economic activity is still on a downward slope. And there is an even more important implication for the Federal budget, sent to Congress in May.

It assumed unemployment of 8.1pc in the fourth quarter of 2009 and an annual average of 7.9pc in 2010.

Both figures now appear much too low, suggesting that the projected Federal deficits of \$1.84 trillion in the year to September 2009 and \$1.26 trillion in the following year are substantially understated.

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