



# Jobs Data and the Annual Economic Spring

**B**etween January and June 2009, the U.S. economy lost 2.6 million jobs. Between January and June 2009, the U.S. economy gained 300,000 jobs.

Furnishing proof that economics and quantum physics may have more in common than most of us suspect, both these statements are true.

## Adjustments

Jobs data are messy—but in a fairly regular way.

Each January and July, U.S. employers significantly reduce the number of payroll jobs. The January job cuts coincide with the end of the holiday shopping season, but are not limited to the retail industry. Likewise, the July job declines coincide with the end of the school year and the start of summer, but are seen across a wide mix of industries. During other parts of the year, employers add jobs that (usually) more than make up for the January and July declines.

From an economist’s perspective, the result is a data series that, on an unadjusted basis, fluctuates wildly and makes it hard to get a handle on trends (see Figure 1).

To make the information easier to digest, Bureau of Labor Statistics (BLS) economists “seasonally adjust” the data series. The seasonal adjustment comes by way of a complex and well-established algorithm that tweaks the actual number of jobs reported in the BLS survey upward or downward based on whether the month in question has traditionally seen more or fewer jobs than other months.

The result is a series that provides greater insights into whether a particular month’s results indicate a growing or declining job market (see Figure 2).

But as is often the case, the distinctions and adjustments that make perfect sense in one context can be overlooked or can cloud the facts in another.

## Headlines

Most analysts, reporters and others follow the lead of the BLS and report the monthly jobs numbers on a seasonally adjusted basis. A June 5, 2009, Reuters story is typical in this regard, reporting: “The Labor Department said on Friday that U.S. employers cut 345,000 jobs in May—the fewest since September and far less than economists had forecast. They cut 504,000 jobs in April.”

Most readers could be expected to take from this story that in the heart of recession, 345,000 jobs that had been there at the beginning of May were no longer there at the end of May. But the unadjusted BLS numbers showed that employers had actually added 320,000 jobs during May.

The Reuters story, like most others, reported seasonally adjusted numbers, but didn’t distinguish them as such. (The seasonal adjustment performed by the BLS transformed the actual job growth of 320,000 to a seasonally adjusted job decline of 345,000 based on the fact that in a normal year, one would expect greater job growth during May than what was seen. For comparison purposes, the unadjusted number of jobs grew by 500,000 in both

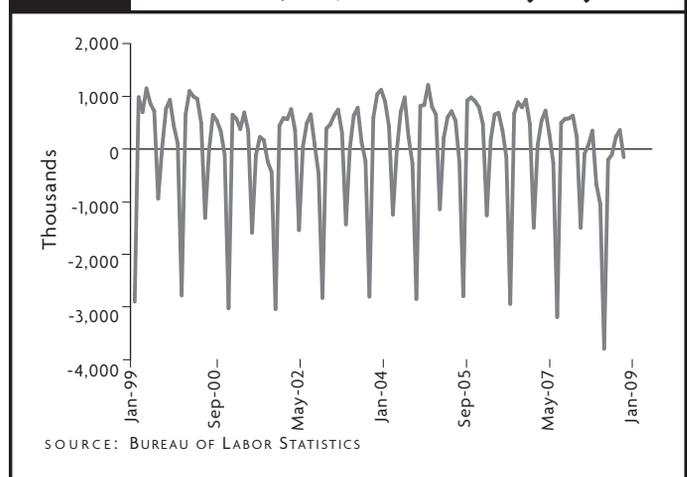
May of 2006 and May 2007.)

It is important to note that the same seasonal adjustments that make job growth appear weaker than it actually is for much of the year also make the massive job losses seen each January and July appear far less draconian. The adjusted jobs numbers for January 2009, for example, showed job losses of 741,000, while the unadjusted numbers showed an actual decline of 3.6 million jobs.

Did the U.S. economy see job growth or job decline in the spring of 2009? It depends. British Prime Minister Benjamin Disraeli famously quipped, “There are three kinds of lies: lies, damn lies and statistics.” The truth of the matter is that every statistic has a story, and the story is often just as telling as the statistics themselves.

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**Figure 1** Month-Over-Month Change in Total Non-Farm Jobs, Not Seasonally Adjusted



**Figure 2** Month-Over-Month Change in Total Non-Farm Jobs, Seasonally Adjusted

