

## Employment gains not likely without further stimulus: TrimTabs

By Editor Test      Wed, Aug 1, 2012

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TrimTabs Investment Research estimates The U.S. economy added an estimated 115,000 jobs in July, a 53% increase from its estimate of 75,000 new jobs in June, but down 7.3% from its estimate of 124,000 jobs in May, according to a release from TrimTabs Investment Research. U.S. Bureau of Labor Statistics (BLS) is expected to report July job growth of 90,000 on Friday, the release added.

"We are unlikely to see any significant improvements in the job market without further government stimulus," said Madeline Schnapp, TrimTabs director of macroeconomic research.

TrimTabs bases its employment estimates on an analysis of daily income tax deposits to the U.S. Treasury from all salaried U.S. employees. These estimates are historically more accurate than initial estimates from the BLS.

Although the U.S. economy has created an average of 105,000 new jobs a month over the past three months, job growth is not strong enough to significantly reduce the nation's unemployment rate or boost economic growth, TrimTabs said, pointing out that the economy needs to create a minimum of 150,000 jobs per month to absorb all the new people entering the labor force. TrimTabs expects the unemployment rate to remain above 8%.

"Since consumption is now 71% of GDP growth, the lack of jobs is having a negative impact on disposable income, which is pulling down economic growth," Schnapp said.

In a research note, TrimTabs points to several real-time indicators signaling sluggish economic growth for the foreseeable future:

- According to real-time tax-withholding data, wages and salaries rose 3.1% year-over-year in July, up from 2.8% in June but down from an average 3.6% in April and May. Taking inflation into account, real wage and salary growth is just 1.4% year-over-year. In a moderate economic growth environment, real wage and salary growth should be 3%-4%.
- The TrimTabs Online Job Postings Index declined 1.5% in July and is down 2.4% over the past three months. This index gained 6.6% over the same time period in 2011.
- Initial unemployment insurance claims have been volatile since the week of the 4th of July due to elevated seasonal adjustments. Taking a longer-term view, the unemployment insurance claims trend remains elevated and has returned to mid-March levels. The lack of improvement in this indicator suggests that growth in the labor market has stalled.