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U.S. job market has economists worried

Global economic indicators

Top economic releases expected this week, including the median forecast of analysts surveyed by Reuters and the last reported figure.

DAY	COUNTRY	INDICATOR	MEDIAN FORECAST	PRIOR PERIOD
Mon.	Euro zone	Markit manufacturing P.M.I.** for July	56.5	56.5
Mon.	Britain	CIPS/Markit manufacturing P.M.I.** for July	57.0	57.5
Mon.	U.S.	Construction spending* for June	–0.5%	–0.2%
Mon.	U.S.	I.S.M. manufacturing P.M.I.** for July	54.1	56.2
Tue.	U.S.	Personal income* for June	0.2%	0.4%
Tue.	U.S.	Factory orders* for June	–0.5%	–1.4%
Wed.	Euro zone	Markit services P.M.I.** for July	56.0	56.0
Thurs.	Britain	Bank of England interest rate decision for August	0.50%	0.50%
Thurs.	Euro zone	E.C.B. interest rate decision for August	1.00%	1.00%
Fri.	Britain	Industrial output* for June	0.2%	0.7%
Fri.	Germany	Industrial output* for June	0.7%	2.6%
Fri.	Canada	Unemployment rate for July	7.9%	7.9%
Fri.	U.S.	Nonfarm payrolls for July	–63,000	–125,000
Fri.	U.S.	Unemployment rate for July	9.6%	9.5%
Fri.	U.S.	Consumer credit for June (in billions)	–$5.25	–$9.15

*Month over month **P.M.I. - Purchasing managers' index

Economy watch

A snapshot of key figures for the world's largest economies.

COUNTRY	G.D.P. in billions in 2009	G.D.P. GROWTH Year over year	CURRENT ACC'T/G.D.P. in 2009	INFLATION Year over year	JOBLESS
United States	$14,256	2.4%†	–2.9%	1.1%	9.5%
Euro zone	13,625	0.6	–0.8	1.4	10.0
Japan	5,068	5.0†	2.8	–0.7	5.3
China	4,520*	10.3	9.4*	2.9	4.2‡
Germany	3,353	1.7	4.8	1.2**	7.6
France	2,676	0.8	–1.5	1.7**	9.9
Britain	2,184	1.6	–1.3	3.2	7.8
Italy	2,118	0.5	–3.4	1.8**	8.5
Russia	1,660*	5.8	6.2*	5.8	6.8
Brazil	1,574	9.0	–1.5	5.4	7.0
Canada	1,336	6.1†	–2.7	1.0	7.9
India	1,207*	8.6	–2.2*	10.6	n.a.
Mexico	875	4.3	–0.6	3.7	5.1
South Korea	833	7.2	5.1	2.6	3.5

* Actual figures of 2008 ** Harmonized figures †Quarter on quarter annualized ‡Urban end March

Sources: Governments, I.M.F., World Bank

Reuters

Economic Outlook

PEDRO NICOLACI DA COSTA
REUTERS

WASHINGTON Employment, it turns out, may not be such a laggard after all.

The job market, often described as reacting in slow motion to shifts in the pace of economic growth, may actually be a pretty solid indicator of U.S. economic prospects.

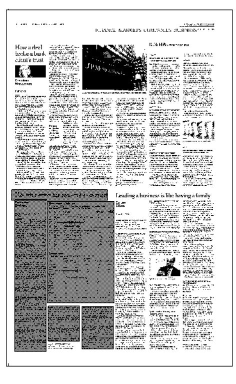
That means a double-dip U.S. recession cannot yet be completely ruled out, particularly since economists are predicting that the July payroll report this Friday will show a second straight month of net job losses.

Granted, the decline of 63,000 projected by a Reuters survey will reflect temporary census workers' being let go by the government. Still, the increase of 91,000 private sector jobs that forecasters expect is paltry and not enough to keep up with new entrants into the labor force.

"Employment typically lags the business cycle, but that doesn't have to be the case," said Karen Dynan, a former Federal Reserve economist now at the Brookings Institution, a research group in Washington. "The loss of momentum in labor markets in recent months was one of the signals that we weren't entering a self-sustaining recovery."

U.S. gross domestic product, the broadest gauge of economic activity, grew at a 2.4 percent annual rate in the second quarter, far weaker than the upwardly revised 3.7 percent pace in the first three months of the year.

Uncertainty about a further slowdown in the second half of the year is making employers reluctant to hire. The



Il mercato del lavoro americano preoccupa gli economisti (sa) unemployment rate is likely to rise again, to 9.6 percent from 9.5 percent, according to the Reuters poll, having peaked at 10.1 percent late last year. Nearly half of jobless Americans have been without work for six months or more.

The U.S. job quagmire has big implications for other economies around the world. With European economies struggling to keep their heads above water amid lingering anxiety about high levels of sovereign debt, a sputtering global economy needs at least one engine firing on all cylinders.

Apart from China, which continues to expand rapidly, though at a bit more of a restrained pace, the United States is pretty much the only country big enough to pull things along.

Just as global economic growth can feed on itself, so can the many risks posed by volatile financial markets. The debt problems in Europe and worries about European banks may have contributed to the soft patch facing the United States, which has been marked in part by a tapering off of manufacturing activity.

"There has been concern about how much circumstances in Europe might create a contagion effect," said Dana Johnson, chief economist with Comerica in Dallas.

Some of that nervousness was quelled after European bank stress tests found only 7 of 91 banks needing additional capital, though many investors remain skeptical of the methodology.

The European Central Bank, which meets Thursday, is widely expected to leave official rates at 1 percent. The bank began buying euro zone government bonds in May in an effort to quell investor nervousness about sovereign bonds from heavily indebted countries like Greece, Portugal and Spain.

Despite a recent lull in market anxiety, the Continent's economic prospects are at best mixed, with economic growth in the euro zone still meager even as some countries, like Germany, show some vigor. Data on German industrial output, slated for release Thursday, are expected to show an increase of 0.7 percent in June after a 2.6 percent jump in May.

Yet with the U.S. economy again on the ropes, it is difficult to see Europe coming back very strongly. At the same time, government stimulus spending appears close to tapped out on both sides of the Atlantic.