U6 Fix

January Jobs: Ignore the Jobs

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JANUARY JOBS: IGNORE THE JOBS

The January jobs report was generally strong, thanks to higher earnings, slightly lower unemployment and a longer work week. The top-line job growth was 151,000 – below most expectations. November's numbers were revised up, but December's number were revised down by nearly the same amount.

The unemployment rate dropped to 4.9 percent, and the labor force participation rate ticked up slightly by 0.1 to 62.7 percent. Surprisingly, the manufacturing sector is still creating jobs, with a 29,000 increase in January.

The teenage unemployment rate dropped slightly by 0.1 to 16.0 percent. In other good news, the Hispanic unemployment rate fell 0.4 to 5.9 percent.

Inside the report, wage growth is up by 0.5 percent, though there's an important caveat here: one-time minimum wage hikes may make some of this a temporary bump. Weekly hours increased by 0.1 to 34.6, another good indicator of labor market strength.

Data junkies here's your fix: the January U-6 (the broadest measure of unemployment) stayed at 9.9 percent.

The bottom line: The January report is a solid report in disguise. It is evidence that the financial turmoil has not spilled over to the real economy and it should give the Fed the room to continue to normalize interest rates. The latter is far from a lock, however, as the overall strategy of the Fed continues to be confusing and confused.