

Fed: “Research and analysis about consumers, their financial experiences, and the communities in which they live inform Federal Reserve policymaking.” – Fed Board

Fed Unfiltered: Each week we’ll read through and outline the most relevant information for your decision-making.

The Employment Situation (aka Jobs Report): The monthly employment situation report offers a explanation about how the jobs data is collected. The SF Fed talks about what benchmark policymakers are relying upon. The St. Louis Fed publishes a graph showing the estimated natural rate of unemployment. And, back in 2016, the St. Louis Fed put together a report explaining the details of the jobs report.

BLS – The Jobs Report Explained

- The jobs report “presents statistics from two major surveys, the Current Population Survey (CPS; household survey) and the Current Employment Statistics survey (CES; establishment survey). The household survey provides information on the labor force, employment, and unemployment that appears in the "A" tables, marked HOUSEHOLD DATA. It is a sample survey of about 60,000 eligible households conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics (BLS).”
- “The establishment survey provides information on employment, hours, and earnings of employees on nonfarm payrolls; the data appear in the "B" tables, marked ESTABLISHMENT DATA. BLS collects these data each month from the payroll records of a sample of nonagricultural business establishments. Each month the CES program surveys about 131,000 businesses and government agencies, representing approximately 670,000 individual worksites, in order to provide detailed industry data on employment, hours, and earnings of workers on nonfarm payrolls. The active sample includes approximately one-third of all nonfarm payroll jobs.”
- “For both surveys, the data for a given month relate to a particular week or pay period. In the household survey, the reference period is generally the calendar week that contains the 12th day of the month. In the establishment survey, the reference period is the pay period including the 12th, which may or may not correspond directly to the calendar week.”

BLS, The Employment Situation Report, Text from “Technical Note”

SF Fed – Natural Rate of Unemployment, 2 Benchmarks

- “Policymakers often rely on two different unemployment benchmarks, or so-called natural rates of unemployment, to assess appropriate monetary policy (Crump, Nekarda, and Petrosky-Nadeau 2020).”
- “The first benchmark, the longer-run unemployment rate, provides a guide for normal economic activity in the longer run, after all the

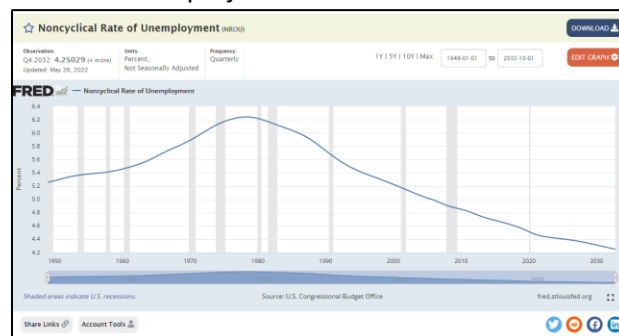
shocks that are thought to cause a current business cycle, either an expansion or a contraction, have dissipated. While there is no consensus on the time horizon for this longer run, a general guidepost is 10 or more years in the future.”

- “The second benchmark assesses the degree of economic slack and inflationary pressures in the short run and medium run over the next few months through a few years. This “noninflationary rate of unemployment” associated with price stability provides a guide to how likely current labor market conditions are to be connected with inflationary pressures.”
- “In sum, these two concepts of the natural rate of unemployment help policymakers address separate concerns when assessing the current state of the economy.”

SF Fed, Report: Estimating Natural Rates of Unemployment 5/31/22

St. Louis Fed – Natural Rate of Unemployment, Graph

- “Starting ... July 2021 ... this series was renamed from "Natural Rate of Unemployment (Long-Term)" to "Noncyclical Rate of Unemployment.”
- “The natural rate of unemployment (NAIRU) is the rate of unemployment arising from all sources except fluctuations in aggregate demand ... The short-term natural rate is used to gauge the amount of current and projected slack in labor markets.”



St. Louis Fed Website - NROU

St. Louis Fed – Alternative Measures of Unemployment

Different Measures of Labor Underutilization		
Measure	What it Looks at	Seasonally Adjusted Rates (As of January 2023)
U-1	Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.2%
U-2	Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	1.5%
U-3	Total unemployed, as a percent of the civilian labor force (official unemployment rate)	3.4%
U-4	Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	3.6%
U-5	Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force	4.2%
U-6	Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force	6.6%

NOTES: Seasonally adjusted rates are as of January 2023. Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule.

SOURCE: Alternative measures of labor underutilization, Bureau of Labor Statistics.

St. Louis Fed, Report: Different Measures of Unemployment, Is There Just One Number to Watch 2/15/23



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