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OFF THE CHARTS

The Jobless Rate May Have Hit Its Peak

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The peak in unemployment in the United States has probably passed, according to one economic indicator that has proved reliable in all 10 previous recessions since World War II.

If it is correct, it indicates that the recovery from the 2007-9 recession will be very different from the “jobless” recoveries after the last two recessions, when the unemployment rate continued to rise for many months after the recession officially ended.

That indicator is part of the monthly survey done by the Institute for Supply Management, in which manufacturing companies are asked if their business is getting better or worse.

The data was released earlier this week, before the government reported on Friday that the unemployment rate had fallen to 10 percent in November, from 10.2 percent the previous month. If the indicator is accurate, the October figure will prove to be the high rate for this cycle.

The I.S.M figures showed that for the fourth consecutive month, more companies thought business was getting better than believed it was getting worse.

A part of that survey asks whether companies are adding or subtracting workers. It showed more companies hiring than firing in both October and November.

In the past, two such months of gains in the I.S.M. employment component always came after the recession was later determined to have ended, and usually after the unemployment rate had begun to decline. The only exception was in the recession that ended in February 1961. Then, the unemployment rate peaked in May 1961, which was the also the second month that the I.S.M. employment indicator showed growth in manufacturing employment.

Before this cycle, the I.S.M. indicator has never showed consecutive gains before the unemployment rate hit its cyclical high.

In recoveries before 1990, employment usually came back soon after the recession ended. But that did not happen after the recessions of 1990-91 and 2001, and there has been considerable fear that this recovery could follow the same course.

If it does not, one reason may be that the firing of people at the height of the recession was severe, as the credit squeeze last fall led companies to panic and cut costs wherever they could. That could have left the companies without enough workers to deal with even a modest uptick in business.

In the eight months after September 2008 — the month that Lehman Brothers failed — the unemployment rate rose 3.2 percentage points, to 9.4 percent. That was the largest gain over such a period since 1975, when the 1973-75 recession was drawing to a close.

The National Bureau of Economic Research has not yet ruled on whether the recession that began in December 2007 has ended. But many economists say they think the bureau will eventually determine that the bottom was reached sometime in the late summer or fall of this year.

The early 1990s recession ended in March 1991, when the unemployment rate was 7.8 percent. But that rate kept rising, and did not peak until June 1992, at 8.8 percent. The I.S.M. indicator, however, did not confirm that employment was growing until April and May of 1994.

After the 2001 recession, which officially ended in November of that year with the unemployment rate at 5.5 percent, the jobless rate did not peak until June 2003, at 6.2 percent. The I.S.M. indicator finally turned positive at the end of 2003.

The I.S.M. numbers are weighted so that any number above 50 shows growth, and any number under 50 shows declines. Numbers far above or below 50 indicate that most companies are reporting the same trend. The employment indicator in November was 50.8, down from 53.1 in October and an indication that only a few more companies said they were adding workers than said they were reducing employment.

One possible caveat is that manufacturing has been declining in importance in the American economy. The I.S.M. survey of service companies does not show employment growing, and a reluctance of such companies to hire could offset any gains in manufacturing. But manufacturing employment has traditionally lagged other parts of the economy in coming out of recessions, and it seems unlikely it will have reversed positions this time.

The reports by manufacturers that more are hiring than firing has not yet been confirmed by the Labor Department's establishment survey. It found that 41,000 manufacturing jobs were lost in November. There have been no monthly increases since November 2007, but the declines are now smaller than they were when unemployment was rising rapidly.

Even if the unemployment rate has peaked, long-term unemployment remains a major problem. The number of unemployed workers who have been out of work for less than five weeks has fallen to 2.8 million. That figure is down by a quarter since it peaked in January.

But the number of workers who have been without a job for more than 26 weeks rose to 5.9 million in November, the highest ever and more than double the number in January.

The median duration of unemployment is up to 20.2 weeks, and the average figure is now 28.5 weeks. Both are records, indicating that those who are finding jobs are not the people who have been out of work for a long time.

Floyd Norris comments on finance and economics in his blog at nytimes.com/norris.