

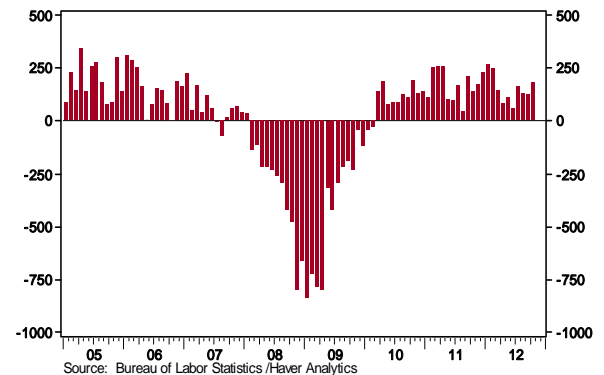
October Employment Report

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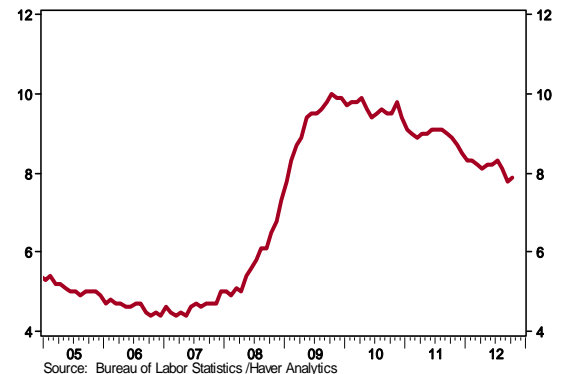
- Non-farm payrolls increased 171,000 in October, beating the consensus expected 125,000. Revisions to August/September added 84,000, bringing the net gain to 255,000.
- Private sector payrolls increased 184,000 in October (245,000 with revisions to August/September). October gains were led by retail (+36,000), administrative & waste services, including temps, (+34,000), health care (+31,000), and restaurants & bars (+23,000). Government payrolls declined 13,000.
- The unemployment rate ticked up to 7.9% from 7.8%.
- Average weekly earnings – cash earnings, excluding benefits – were unchanged in October but up 1.6% from a year ago.

Implications: The labor market continues to make steady progress, just like it has over the past few years. Payrolls rose 171,000 in October and 255,000 including upward revisions for prior months. Some analysts wearing political lenses seem ready to pop champagne bottles, but payroll gains have averaged 162,000 per month in the past year and 170,000 in the past three months, so October is really just more of the same. Civilian employment, an alternative measure of jobs that includes small-business startups, increased 410,000 in October and is now up 240,000 per month in the past year, the most since 2006-07. That bodes well for faster payroll gains in 2013, once we get over disruptions caused by Hurricane Sandy. Despite the gain in civilian employment, the unemployment rate ticked up 7.9% as the labor force increased 578,000. In the past year, the jobless rate is down 1 percentage point while the labor force has grown 1.3 million. However, some of the details in today's report were notably weaker than the headlines. Total hours worked only increased 0.1% in October and downward revisions to September more than fully offset that gain. Meanwhile, average hourly earnings were unchanged in October and are only up 1.6% from a year ago. Hourly earnings for production & nonsupervisory workers are only up 1.1% in the past year, the smallest gain on record going back to 1964. Still, total cash earnings (based on hourly earnings and hours worked) are still up 3.4% from a year ago, so consumers have room to increase spending. The bottom line is that today's report, generated from data gathered before Hurricane Sandy, shows a continuation of the plow horse economy. Sandy will likely have a negative effect for the next month or two but should be offset by rebuilding in the following months. In other recent news, autos and light trucks were sold at a 14.3 million annual rate in October, down 4.4% from September, but still up 7.2% from a year ago. Most of the decline in October was likely due to Sandy. Auto dealers may have one more tepid month due to transportation disruptions (some dealers simply won't be able to get desired vehicles in stock), but sales should then rebound sharply due to pent up demand and purchases of replacements for cars and trucks destroyed in the storm.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-12	Sep-12	Aug-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.9	7.8	8.1	7.9	8.1	8.2
Civilian Employment (monthly change in thousands)	410	873	-119	388	253	240
Nonfarm Payrolls (monthly change in thousands)	171	148	192	170	137	162
Construction	17	2	3	7	-1	2
Manufacturing	13	-14	-13	-5	4	16
Retail Trade	36	27	18	27	14	12
Finance, Insurance and Real Estate	4	14	7	8	7	7
Professional and Business Services	51	8	24	28	31	44
Education and Health Services	25	50	31	35	32	35
Leisure and Hospitality	28	36	49	38	25	28
Government	-13	20	58	22	6	-1
Avg. Hourly Earnings: Total Private*	0.0%	0.3%	0.0%	1.0%	1.5%	1.6%
Avg. Weekly Hours: Total Private	34.4	34.4	34.4	34.4	34.4	34.5
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.1%	0.2%	1.7%	0.8%	1.8%

*3, 6 and 12 month figures are % change annualized