

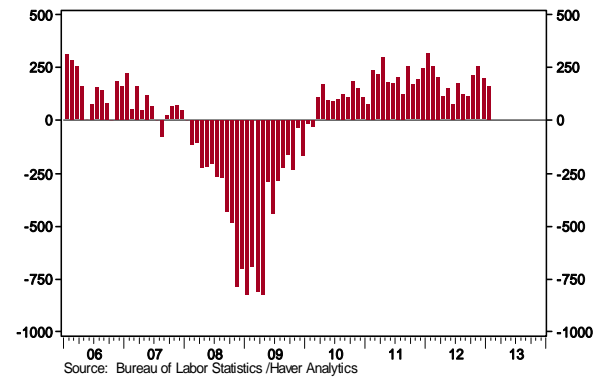
January Employment Report

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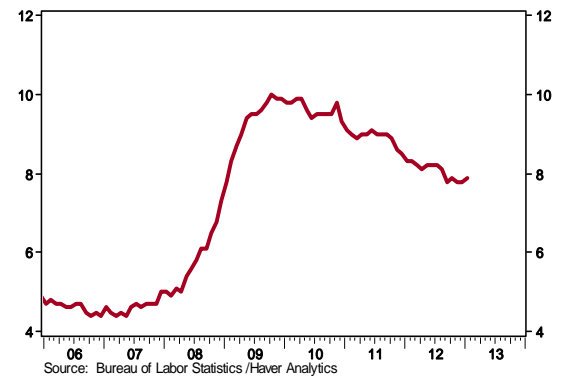
- Non-farm payrolls increased 157,000 in January, very close to the consensus expected 165,000.
- Private sector payrolls increased 166,000 in January, led by retail (+33,000), construction (+28,000), health & social services (+28,000), and professional & business services (+25,000). Government payrolls declined 9,000.
- The unemployment rate ticked up to 7.9% (7.923%).
- Average weekly earnings – cash earnings, excluding benefits – were up 0.2% in January and up 2.1% from a year ago.

Implications: New year, same labor market. January payroll gains came in very close to what the consensus expected and the average for the past year. The job market continues to show modest steady improvement. Nonfarm payrolls rose 157,000 in January. Every year at this time, the Labor Department adjusts payroll figures for prior years based on tax filings by employers for unemployment insurance. This year, these figures led Labor to upwardly adjust payroll gains for April 2011 thru March 2012 by 422,000. (It's normal to have upward adjustments when the economy is growing, downward adjustments when it's shrinking.) For more recent adjustments, Labor upwardly revised December 2012 payrolls by 647,000, a combination of the 422,000, new seasonal factors, plus the normal revisions each month to the prior two reports. These new figures now show an average monthly payroll gain of 181,000 in 2012. Given today's technological advances, we should be doing much better, more like 300,000 jobs per month as in the 1990s. What's holding us back from much faster gains is the huge increase in the size of government, particularly transfer payments, over the past several years. One other hopeful part of the report was a decline in the median duration of unemployment to 16 weeks, the lowest since mid-2009. Not all of the news in today's employment report was as good as the payroll figures. The unemployment rate ticked up to 7.9%. However, this rise was because the labor force increased 143,000 while civilian employment (an alternative measure of jobs that includes small business start-ups) only rose 17,000. In the past year, the labor force is up 1.3 million while the jobless rate is down 0.4 percentage points. One minor cause for concern is that in the past twelve months, nonfarm payrolls are up an average of 168,000 while civilian employment is up 143,000. Usually, at this point in the business cycle, civilian employment is growing faster than payrolls. In terms of what today's report means for consumer purchasing power, total hours worked are up 1.6% from a year ago, while average hourly earnings are up 2.1%. As a result, total cash earnings are up 3.7% from a year ago (and about 2.1% when adjusted for inflation), so consumers have room to increase spending. The plow horse recovery continues.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-13	Dec-12	Nov-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.9	7.8	7.8	7.8	7.9	8.0
Civilian Employment (monthly change in thousands)	17	28	-51	-2	179	143
Nonfarm Payrolls (monthly change in thousands)	157	196	247	200	177	168
Construction	28	30	24	27	17	9
Manufacturing	4	8	7	6	-1	9
Retail Trade	33	11	70	38	34	18
Finance, Insurance and Real Estate	6	9	5	7	8	9
Professional and Business Services	25	2	55	27	30	39
Education and Health Services	25	50	14	30	34	36
Leisure and Hospitality	23	33	21	26	29	28
Government	-9	-6	-9	-8	-5	-6
Avg. Hourly Earnings: Total Private*	0.2%	0.3%	0.4%	3.4%	2.0%	2.1%
Avg. Weekly Hours: Total Private	34.4	34.4	34.4	34.4	34.4	34.4
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.2%	0.5%	3.4%	1.9%	1.6%

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