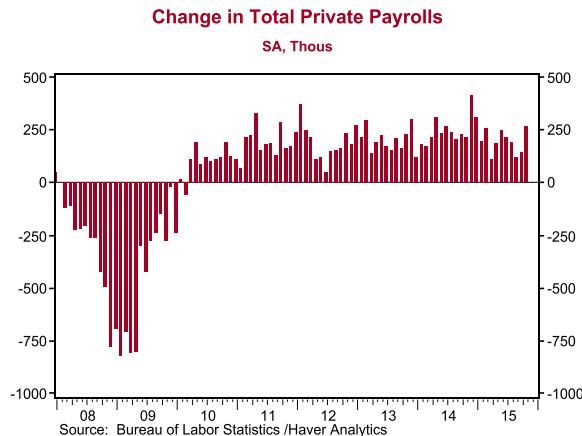


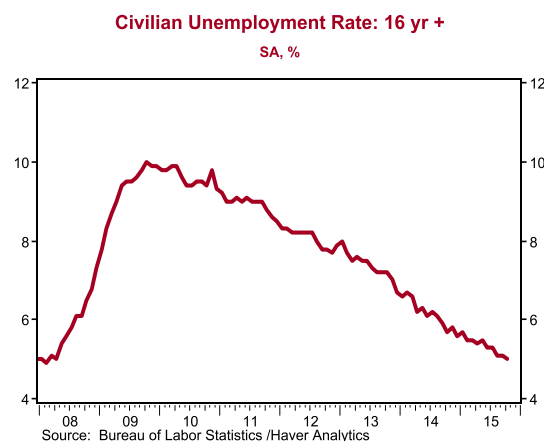
# October Employment Report

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- Nonfarm payrolls increased 271,000 in October, easily beating the consensus expected 185,000. Including revisions to prior months, nonfarm payrolls increased 283,000.
- Private sector payrolls increased 268,000 in October, while August and September were revised up a combined 56,000. The largest gains in October were for professional & business services (+78,000, including temps), health care (+45,000), retail (+44,000), and restaurants/bars (+42,000). Manufacturing payrolls were unchanged while government rose 3,000.
- The unemployment rate ticked down to 5.0% from 5.1% in September.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in October and are up 2.5% versus a year ago.



**Implications:** After two tepid months in a row, the labor market was firing on all cylinders in October, with more jobs, higher wages, and lower unemployment. Keep this in mind the next time we hit a soft patch. It's not the end of the world; the data will turn up again. Payrolls increased 271,000 in October, easily beating the consensus expected 185,000 and higher than any forecast from any economics group. (First Trust was at 220,000 and Bloomberg rates us the #1 payroll forecasting group in the past two years.) Even better, private payrolls rose 268,000 in October and, with upward revisions for prior months, were up 324,000. Meanwhile, civilian employment, an alternative measure of jobs that includes small business start-ups, increased 320,000. We're sure the pessimists will scour the report for any negative nugget they can find, but they'll have no chance with part-time jobs. Part-time employment for economic reasons fell in October and is down 1.2 million from a year ago, meaning a larger share of jobs are full-time. In the past 20 years, part-time jobs have averaged 18.1% of total employment. Right now, part-time is 18.2%, very close to the norm. Besides more jobs, the jobless rate fell to 5.0%, the lowest since early 2008. In addition, the expansive U-6 definition of unemployment, which includes discouraged workers and part-timers who want full-time jobs, slipped to 9.8% versus a peak of 17.1% back in 2009-10. Moreover, the drop in unemployment came even as the labor force rose 313,000. But the good news didn't stop there. Average hourly earnings rose 0.4% in October and are up 2.5% from a year ago, the fastest 12-month gain in the past six years. Remember, this measure excludes irregular bonuses/commissions and fringe benefits, and given rising health care costs is probably understating the growth in employment costs. As a result of more jobs and higher wages, total wages were up 0.6% in October and are up 4.6% in the past year. In other words, recent gains in consumer spending are being driven by higher total earnings, not consumers loading up on too much debt. The one negative in today's report was that the participation rate remained very low, at only 62.4%, still reflecting retiring Boomers, too easily available disability benefits, and overly generous student aid. The bottom line is the trend in job growth is likely around 210,000, faster than in August/September, but slower than October. As we said last month, don't get too depressed when we fall short or too excited when we beat it. The economy remains a Plow Horse. Payrolls should expand about 2.5 million in the next year as real GDP keeps growing right around 2.5%.



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-15	Sep-15	Aug-15	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>5.0</b>	5.1	5.1	5.1	5.2	5.4
<b>Civilian Employment (monthly change in thousands)</b>	<b>320</b>	-236	196	93	100	129
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>271</b>	137	153	187	215	235
<b>Construction</b>	<b>31</b>	12	8	17	12	19
<b>Manufacturing</b>	<b>0</b>	-9	-19	-9	-2	7
<b>Retail Trade</b>	<b>44</b>	6	4	18	25	26
<b>Finance, Insurance and Real Estate</b>	<b>5</b>	0	14	6	11	12
<b>Professional and Business Services</b>	<b>78</b>	33	35	49	54	55
<b>Education and Health Services</b>	<b>57</b>	46	56	53	53	52
<b>Leisure and Hospitality</b>	<b>41</b>	51	37	43	39	36
<b>Government</b>	<b>3</b>	-12	28	6	14	9
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	0.0%	0.4%	3.1%	2.5%	2.5%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.5	34.6	34.5	34.5	34.6
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.3%</b>	-0.2%	0.1%	0.8%	2.1%	2.1%

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