

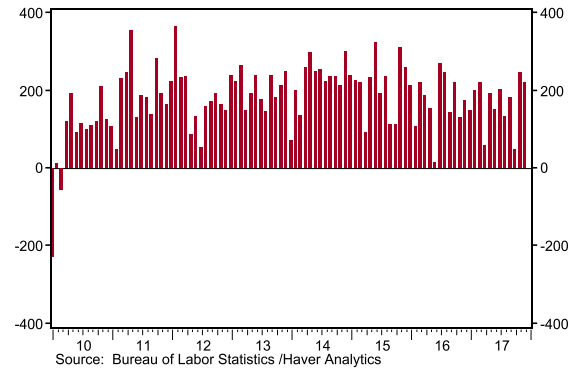
November Employment Report

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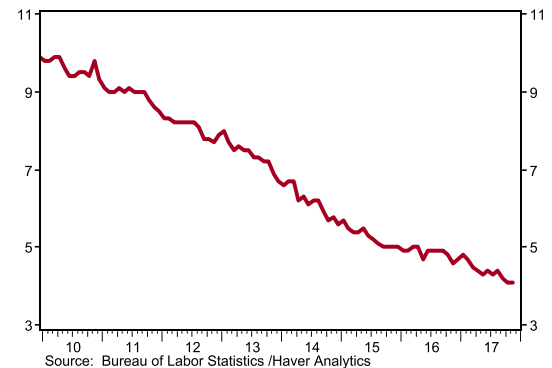
- Nonfarm payrolls rose 228,000 in November, beating the consensus expected 195,000. Including revisions to September/October, nonfarm payrolls increased 231,000.
- Private sector payrolls rose 221,000 in November and revisions to prior months added 30,000. The largest increases in November were for education & health care (+54,000), professional & business services (+46,000, including temps), manufacturing (+31,000), and construction (+24,000). Government rose 7,000.
- The unemployment rate remained at 4.1%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in November and are up 2.5% versus a year ago.

Implications: The labor market picture keeps getting brighter for American workers. Nonfarm payrolls increased 228,000 in November, beating consensus expectations. In the past year, payrolls are up an average of 173,000 per month. Although civilian employment, an alternative measure of jobs that includes small business start-ups, increased only 57,000 in November, that gauge is up 196,000 per month in the past year, so some convergence in the two measures of jobs should be expected. The unemployment rate stayed at 4.1%, as expected, but we anticipate continued declines in 2018-19. The lowest unemployment rate since the late 1960s was 3.8% in 2000 at the peak of that era’s tech boom. We expect to beat that by the end of 2018. The lowest jobless rate in the 1960s was 3.4%; assuming we stay on track for a major cut in the corporate tax rate, we think that record will fall in 2019, eventually hitting the lowest levels since the early 1950s. Although a relatively low participation rate makes it easier to have a lower unemployment rate, the participation rate is slightly higher than a year ago and the size of the labor force is up 1.6 million in the past year after a gain of 1.8 million in the year ending November 2016. In other words, the jobless rate has been falling even though the labor force has been expanding. Other good news in today’s report includes a drop in the median duration of unemployment to 9.6 weeks, tying the low so far in this expansion. As usual, we like to follow total earnings, which combines the total number of hours worked and average hourly earnings. Total earnings are up a sturdy 4.8% from a year ago, signaling plenty of growth in consumer purchasing power. This is not about the “rich getting richer;” a separate report on the earnings of full-time workers shows wages are rising faster in the lower income ranges than in the higher ones. Put it all together, and we have a recipe that makes a rate hike at next Wednesday’s Fed meeting almost certain. The Fed will also likely say it foresees three rate hikes in 2018. We think that’s about right, but we also think the odds of four rate hikes next year are higher than the odds of only two rate hikes.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Nov-17	Oct-17	Sep-17	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.1	4.1	4.2	4.1	4.3	4.4
Civilian Employment (monthly change in thousands)	57	-484	906	160	166	196
Nonfarm Payrolls (monthly change in thousands)	228	244	38	170	178	173
Construction	24	10	13	16	13	15
Manufacturing	31	23	9	21	20	16
Retail Trade	19	-2	12	9	2	-2
Finance, Insurance and Real Estate	8	7	12	9	11	13
Professional and Business Services	46	54	30	43	44	46
Education and Health Services	54	24	23	34	40	39
Leisure and Hospitality	14	104	-75	14	20	23
Government	7	-3	-12	-3	4	4
Avg. Hourly Earnings: Total Private*	0.2%	-0.1%	0.4%	2.0%	2.5%	2.5%
Avg. Weekly Hours: Total Private	34.5	34.4	34.4	34.4	34.4	34.4
Index of Aggregate Weekly Hours: Total Private*	0.5%	0.3%	0.0%	3.0%	2.4%	2.3%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized