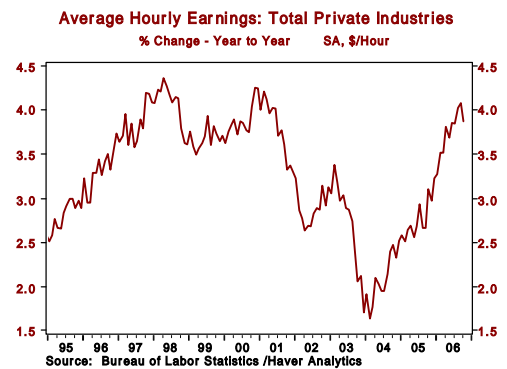
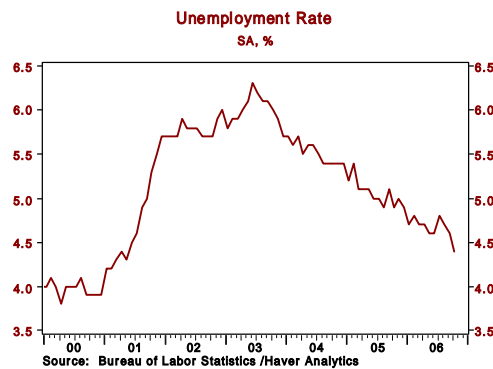
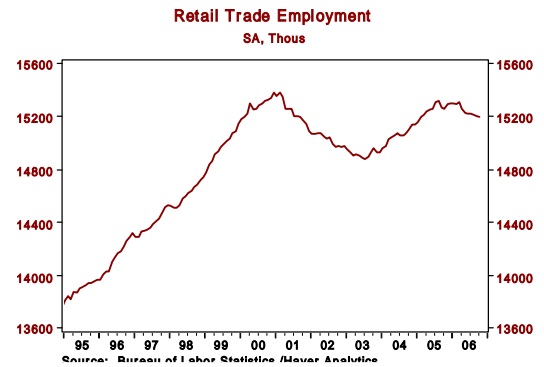
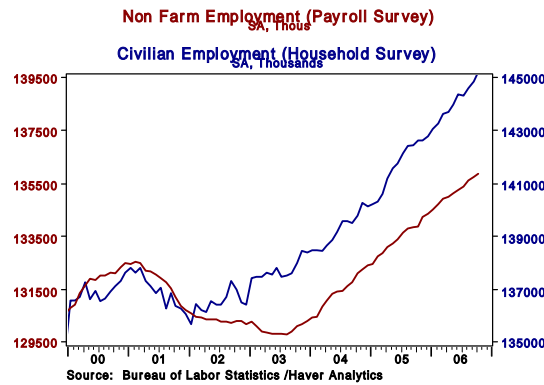


OCTOBER EMPLOYMENT REPORT

Brian S. Wesbury
Chief Economist

- Non-farm payrolls rose a less-than-expected 92,000 in October, but the prior two months were revised up by a total of 139,000 jobs – September alone was revised up by 97,000.
- The household survey reported a huge gain of 437,000 new jobs last month after adding 271,000 in September. The UE rate fell to 4.4%.
- Average hourly earnings increased 0.4% in September, and are up 3.9% in the past year – nicely above the 25-year average of 3.5%.



Implications: Any distress over the weaker-than-expected gain of 92,000 jobs in October was short-lived. Large revisions to previous months pushed the three-month average gain in payrolls to 157,000. The average revision to the previous two

months was 69,500 – almost exactly equal to the recent BLS *mea culpa* – when it admitted to undercounting job growth by 810,000 last year – an average revision of 67,500 per month. The Household Survey is a more accurate measure of employment growth in our New Era economy of small business and entrepreneurship. The household survey shows an average monthly gain of 319,000 jobs in the past three months and 222,000 in the past year. Moreover, the unemployment rate fell to 4.4% in October, its lowest level in more than five years. Average hourly earning increased by a strong 0.4% in October, and with energy prices dragging the CPI down again last month, real wages will grow by more than this. Both economic pessimism, and the odds of any near-term rate cuts, took a major hit today.

Employment Report	Oct-06	Sep-06	Aug-06	3-month moving avg	6-month moving avg	12-month moving avg
Nonfarm Payrolls (monthly change in thousands)	92	148	230	157	138	164
<i>Goods-Producing Industries</i>						
Mining	5	2	3	3	4	5
Construction	-26	5	8	-4	-2	12
Manufacturing	-39	-12	-4	-18	-11	-1
<i>Service-Producing Industries</i>						
Retail Trade	-4	-12	-10	-8	-11	-5
Finance, Insurance and Real Estate	1	27	12	13	9	13
Government	34	28	50	37	27	19
Avg. Hourly Earnings: Priv. Nonfarm Payrolls*	0.4%	0.2%	0.3%	3.6%	3.6%	3.9%
Avg. Weekly Hours: Priv. Non-agric	33.9	33.8	33.8	33.8	33.9	33.8
Avg. Weekly Hours: Manufacturing	41.2	41.1	41.3	41.2	41.3	41.1
Index of Aggregate Weekly Hours*	0.3%	0.1%	-0.1%	1.1%	1.3%	2.3%
Unemployment Rate	4.4	4.6	4.7	4.6	4.6	4.7
Labor Force	199	101	164	155	198	163
Civilian Employment	437	271	250	319	267	222

Source: Bureau of Labor Statistics

*3, 6 month figures are % change annualized; 12 mo. = year over year % change

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