

OCTOBER EMPLOYMENT REPORT

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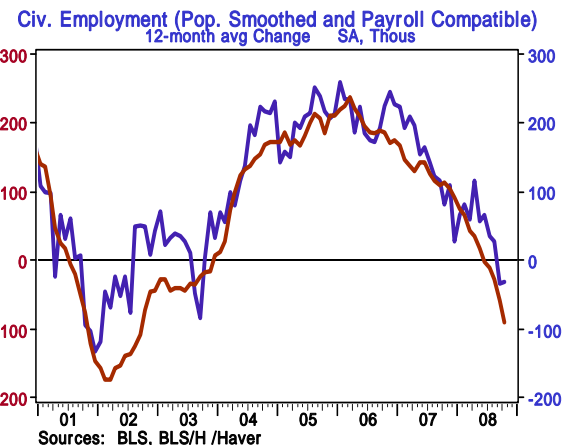
- Non-farm payrolls declined 240,000 in October while revisions to August and September subtracted 179,000 jobs, resulting in a net loss of 419,000. The consensus expected a loss of 200,000.
- Private (non-gov't) payrolls declined in almost all major sectors. The weakest job categories were manufacturing (down 90,000), employment services – such as temps – (down 51,000), and construction (down 49,000). The strongest sector was health care (up 26,000).
- The jobless rate jumped to 6.5% from 6.1% in September. The consensus had expected 6.3%.
- Average hourly earnings rose 0.2% in October and are up 3.5% versus a year ago, both as expected.

Civilian Unemployment Rate: 16 yr +
SA, %



Implications: The US labor market was very weak in October, with a large payroll loss, substantial negative revisions to previous months, and another spike upward in the unemployment rate. Payrolls are shrinking across almost all major sectors. A bright spot, or a “less bad” spot, is that average weekly hours remained at 33.6. Usually average hours worked drop more steeply in a recession. The fact that firms are cutting jobs more quickly than hours may be behind the unusually rapid increase in the jobless rate in the past six months, to 6.5% from 5%. Given the rise in fixed costs per worker – such as health care – firms can save more money by laying off workers rather than just trimming hours across the board. Another factor driving the unemployment rate up so quickly is likely the extension of unemployment benefits enacted earlier this year. Workers have to say they are still looking for work in order to get benefits. The labor market tends to be a lagging indicator of economic performance. Given the intense nature of the risk aversion hysteria and the recession in the general economy, the labor market is going to continue to weaken for the next several months.

All Employees: Total Nonfarm
12-month avg Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-08	Sep-08	Aug-08	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.5	6.1	6.1	6.2	5.9	5.4
Civilian Employment (monthly change in thousands)	-12	-511	49	-158	-199	-32
Nonfarm Payrolls (monthly change in thousands)	-240	-284	-127	-217	-144	-90
Construction	-49	-35	-20	-35	-36	-42
Manufacturing	-90	-56	-61	-69	-52	-43
Retail Trade	-38	-45	-28	-37	-27	-23
Finance, Insurance and Real Estate	-24	-16	-10	-17	-12	-11
Professional and Business Services	-45	-39	-50	-45	-44	-25
Education and Health Services	21	-16	62	22	41	43
Leisure and Hospitality	-16	-21	-16	-18	-15	0
Government	23	-41	12	-2	16	20
Avg. Hourly Earnings: Total Private*	0.2%	0.2%	0.4%	3.4%	3.6%	3.5%
Avg. Weekly Hours: Total Private	33.6	33.6	33.7	33.6	33.7	33.7
Index of Aggregate Weekly Hours: Total Private*	-0.3	-0.6	-0.1	-3.7	-3.0	-1.7

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

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