

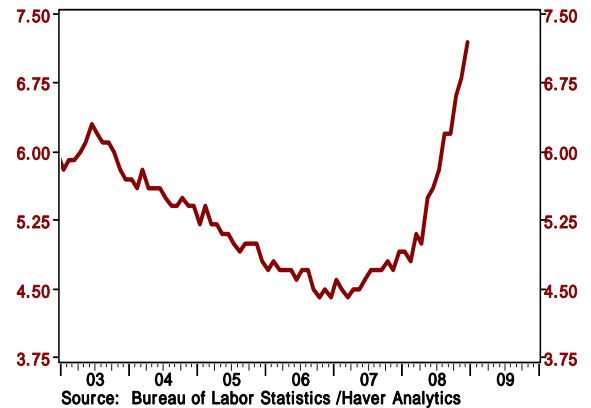
DECEMBER EMPLOYMENT REPORT

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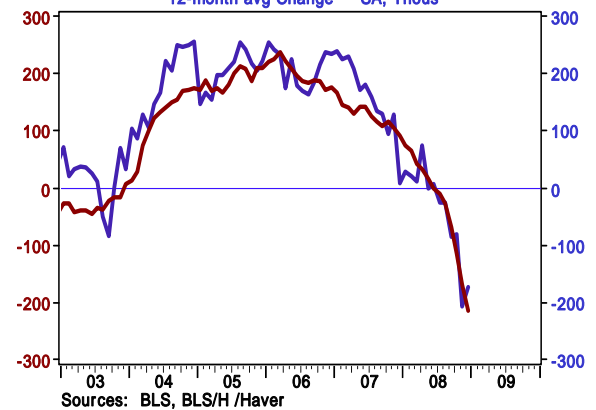
- Non-farm payrolls declined 524,000 in December, meeting consensus expectations, while revisions to October and November subtracted an additional 154,000 jobs.
- Private (non-gov't) payrolls dropped 531,000, with declines in almost all major sectors. The weakest job categories were manufacturing (down 149,000), construction (down 101,000) and employment services – such as temps – (down 81,000). The strongest sector was health and education (up 45,000).
- The jobless rate increased to 7.2% from an upwardly revised 6.8% in November. The consensus had expected 7.0%.
- Average hourly earnings rose 0.3% in December and are up 3.7% versus a year ago, both higher than expected.

Implications: Everyone expected an ugly report on the labor market today and that is exactly what we got. Private employers in almost all sectors were shedding jobs at an intense rate in December and are likely to continue to do so for the next few months. Not only are companies cutting payrolls, they are also reducing hours for the workers they retain. Total hours worked fell 1.1% in December, the largest decline since 1982 (except for one blizzard-related month in the mid-1990s). The one key bright spot in the report is that average hourly earnings (the cash earnings of production workers) increased 0.3%. Given our estimate that consumer prices fell 1.2% in December, this means that the purchasing power generated by each hour of work increased about 1.5%. It also means that even taking into consideration the decline in the number of hours worked, that total purchasing power related to workers' cash earnings went up 0.3% in December. Contrary to conventional wisdom, real consumption increased in November, by 0.6%. We expect another gain, of about 0.4%, in December, supported by inflation-adjusted gains in workers' earnings.

Civilian Unemployment Rate: 16 yr +
SA, %



All Employees: Total Nonfarm
12-month avg Change SA, Thous
Civ. Employment (Pop. Smoothed and Payroll Compatible)
12-month avg Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-08	Nov-08	Oct-08	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.2	6.8	6.6	6.9	6.5	5.8
Civilian Employment (monthly change in thousands)	-723	-802	46	-493	-387	-174
Nonfarm Payrolls (monthly change in thousands)	-524	-584	-423	-510	-355	-216
Construction	-101	-85	-79	-88	-61	-53
Manufacturing	-149	-104	-123	-125	-91	-66
Retail Trade	-67	-100	-67	-78	-60	-44
Finance, Insurance and Real Estate	-14	-28	-27	-23	-18	-12
Professional and Business Services	-113	-145	-81	-113	-80	-57
Education and Health Services	45	47	19	37	36	45
Leisure and Hospitality	-22	-67	-30	-40	-35	-14
Government	7	-3	15	6	9	15
Avg. Hourly Earnings: Total Private*	0.3%	0.4%	0.3%	4.2%	4.0%	3.7%
Avg. Weekly Hours: Total Private	33.3	33.5	33.5	33.4	33.6	33.6
Index of Aggregate Weekly Hours: Total Private*	-1.1	-0.6	-0.8	-9.4	-6.4	-4.0

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