

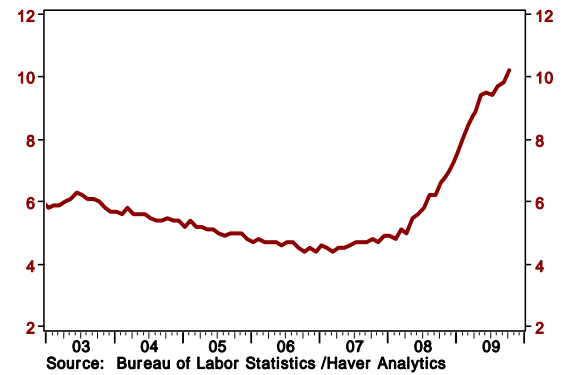
# OCTOBER EMPLOYMENT REPORT

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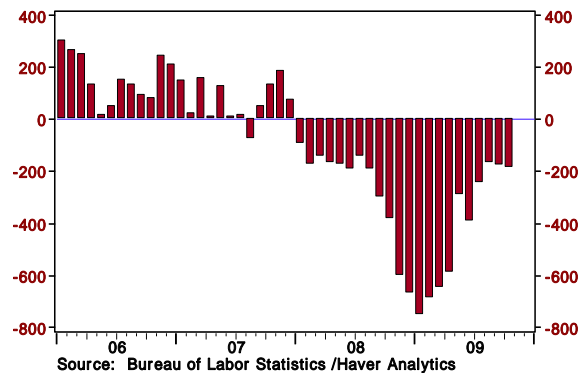
- Non-farm payrolls fell 190,000 in October, close to the consensus expected decline of 175,000. Revisions to August and September added 91,000 to payrolls, bringing the *net* loss in today's report to 99,000.
- Payrolls continued to fall in most major sectors. The largest payroll losses were in construction (-62,000), manufacturing (-61,000), and retail trade (-40,000). The strongest payroll gains were for education/health (+45,000) and temps (+34,000).
- The unemployment rate increased to 10.2% in October from 9.8% in September. The consensus expected 9.9%.
- Average hourly earnings were up 0.3% in October versus a consensus expected 0.1%. Earnings are up 2.4% versus last year.

**Implications:** The turnaround in the labor market is clearly lagging the turnaround in the overall economy. At 10.2%, the unemployment rate is the highest since 1983. Given the economic growth we've had since the Summer, we believe the jobless rate is at or extremely close to peaking. However, today's news did have some important silver linings. Including the revisions to prior months, net payroll losses were 99,000 in October, many fewer than earlier this year. Payrolls losses have averaged 188,000 over the past three months, substantially smaller than the 700,000 early this year. The 3-month average of job losses has gotten smaller in each of the past eight months. Meanwhile, temp jobs – often a leading sign of overall job creation – increased for the third month in a row. In addition, average hourly earnings increased 0.3% in October and are up at a 2.8% annual rate in the past three months, a slight acceleration from earlier this year. Productivity growth has been extremely rapid of late, part of the ongoing process of technological change that rivals (and may surpass) the industrial revolution. In the short term, this process lets companies raise production even as they continue to cut jobs. Over time, though, higher output with lower labor costs means more profits, which will help stimulate rapid job growth once companies become more confident about the durability of the economic recovery.

Civilian Unemployment Rate: 16 yr +  
SA, %



All Employees: Total Private Industries  
1-month Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-09	Sep-09	Aug-09	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	10.2	9.8	9.7	9.9	9.7	8.8
<b>Civilian Employment (monthly change in thousands)</b>	-589	-785	-392	-589	-455	-498
<b>Nonfarm Payrolls (monthly change in thousands)</b>	-190	-219	-154	-188	-272	-459
<b>Construction</b>	-62	-68	-66	-65	-67	-92
<b>Manufacturing</b>	-61	-45	-55	-54	-79	-127
<b>Retail Trade</b>	-40	-44	-21	-35	-33	-48
<b>Finance, Insurance and Real Estate</b>	-8	-9	-23	-13	-19	-33
<b>Professional and Business Services</b>	18	3	-6	5	-24	-81
<b>Education and Health Services</b>	45	17	50	37	33	33
<b>Leisure and Hospitality</b>	-37	-2	-14	-18	-7	-23
<b>Government</b>	0	-40	12	-9	-28	-8
<b>Avg. Hourly Earnings: Total Private*</b>	0.3%	0.1%	0.4%	2.8%	2.4%	2.4%
<b>Avg. Weekly Hours: Total Private</b>	33.0	33.0	33.1	33.0	33.1	33.2
<b>Index of Aggregate Weekly Hours: Total Private*</b>	-0.2	-0.5	-0.2	-3.6	-3.6	-6.4

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

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