

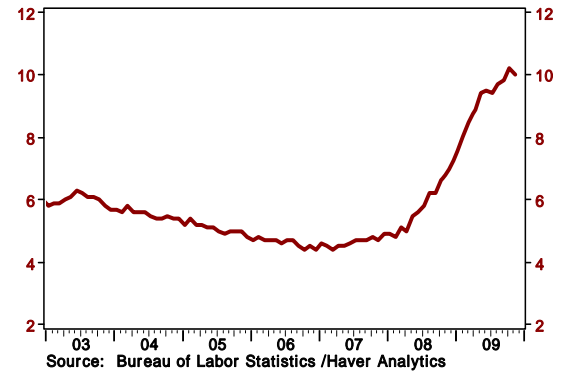
NOVEMBER EMPLOYMENT REPORT

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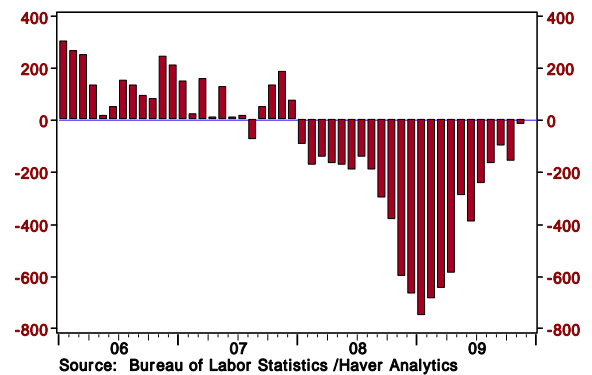
- Non-farm payrolls declined only 11,000 in November, much better than the consensus expected decline of 125,000. Revisions to September and October added 159,000 to payrolls, bringing the *net* gain (that’s right, net gain) in today’s report to 148,000.
- The strongest payroll gains were for employment services (+61,000), and education/health (+40,000). The weakest sectors for payrolls were manufacturing (-41,000) and construction (-27,000).
- The unemployment rate fell to 10.0% in November from 10.2% in October. The consensus expected 10.2%.
- Average hourly earnings were up 0.1% in November versus a consensus expected 0.2%. Earnings are up 2.2% versus last year.

Implications: The employment situation improved dramatically in November. Although payrolls declined 11,000, they were up 148,000 including revisions to the last two months. Given the recent trend of upward revisions, we think it’s probable that the November number itself will be revised into positive territory in the next couple of months. However, the best part of the employment report was that the total number of hours worked in the private sector increased 0.6%, which is the equivalent of a stunning 660,000 jobs. In other words, if the number of hours per worker had remained unchanged in November, the increase in labor demand could have pushed payrolls up a huge 650,000. No wonder that civilian employment – an alternative measure of job creation – increased 227,000. Given the economic growth we’ve had since the Summer, we believe the jobless rate peaked at 10.2% in October and has just started a downward trend with the November decline to 10.0%. The jobless rate will not decline every month but is likely to be significantly lower by late next year. Leading signals of improving demand for labor jumped out of today’s report. Temp employment increased 52,000, the fourth consecutive gain; overtime hours in the manufacturing sector are up 30% versus eight months ago. The only cautionary part of today’s report was that average hourly earnings were up only 0.1% in November, which is not enough to keep up with inflation. However, given the increase in hours, average *weekly* earnings were up 0.7%, which should be enough to beat inflation.

Civilian Unemployment Rate: 16 yr +
SA, %



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



Employment Report <i>All Data Seasonally Adjusted</i>	Nov-09	Oct-09	Sep-09	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	10.0	10.2	9.8	10.0	9.8	9.0
Civilian Employment (monthly change in thousands)	227	-589	-785	-382	-345	-436
Nonfarm Payrolls (monthly change in thousands)	-11	-111	-139	-87	-197	-397
Construction	-27	-56	-53	-45	-58	-82
Manufacturing	-41	-51	-41	-44	-59	-120
Retail Trade	-15	-44	-40	-33	-31	-42
Finance, Insurance and Real Estate	-10	-10	-11	-10	-17	-30
Professional and Business Services	86	38	24	49	2	-60
Education and Health Services	40	40	36	39	36	32
Leisure and Hospitality	-11	-36	13	-11	-11	-18
Government	7	46	-39	5	-17	-4
Avg. Hourly Earnings: Total Private*	0.1%	0.3%	0.1%	1.7%	2.3%	2.2%
Avg. Weekly Hours: Total Private	33.2	33.0	33.1	33.1	33.1	33.1
Index of Aggregate Weekly Hours: Total Private*	0.6	-0.4	-0.1	0.4	-1.4	-4.8

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

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