

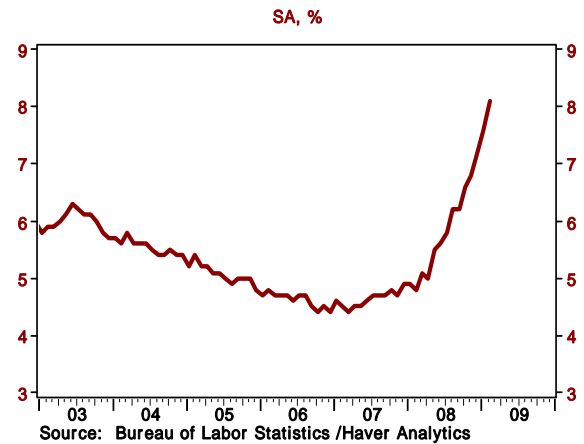
# FEBRUARY EMPLOYMENT REPORT

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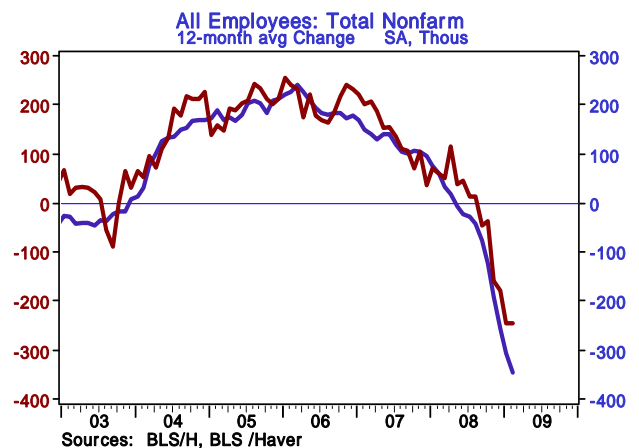
- Non-farm payrolls declined 651,000 in February, matching consensus expectations, while revisions to December and January subtracted an extra 161,000 jobs.
- Private (non-gov't) payrolls dropped 660,000, with declines in almost all major sectors. The weakest job categories were manufacturing (down 168,000), administrative and support services – temps, business support, and building services – (down 134,000), and construction (down 104,000). The strongest sector was health care (up 30,000).
- The jobless rate increased to 8.1% from 7.6% in January. The consensus had expected 7.9%.
- Average hourly earnings rose 0.2% in February and are up 3.6% over the last year, both higher than expected.

**Implications:** The labor market continues to weaken, reflecting the intense economic slowdown of late 2008. Consumption plummeted in late 2008 and now businesses are working furiously to cut inventories even as consumption seems to be leveling off. In order to cut inventories, firms have to slash production, and that means substantial layoffs. Look for more large payroll losses in the next few months. However, we expect inventories to be cut more than enough to hit targeted levels by mid-year, leading to both higher production and fewer job losses later this year as well as eventual job gains in 2010. One oddity in today's report is that the labor force (people working or looking for work) increased 498,000 in February. Without this unusual increase, the unemployment rate would have increased to 7.8% rather than 8.1%. One relatively bright spot in the report was that average hourly earnings (the cash earnings of production workers) increased 0.2% and are up 3.6% versus last year. In addition, the civilian employment measure of jobs (adjusted for the payroll concept) declined only 175,000 in February and is down much less over the past year than payrolls. This signals that the worst payroll job losses of the recession are almost over.

Civilian Unemployment Rate: 16 yr +



Civ. Employment (Pop. Smoothed and Payroll Compatible)  
12-month avg Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Feb-09	Jan-09	Dec-08	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	8.1	7.6	7.2	7.6	7.1	6.3
<b>Civilian Employment (monthly change in thousands)</b>	-175	-437	-789	-467	-423	-245
<b>Nonfarm Payrolls (monthly change in thousands)</b>	-651	-655	-681	-662	-548	-347
<b>Construction</b>	-104	-118	-98	-107	-93	-69
<b>Manufacturing</b>	-168	-257	-180	-202	-152	-101
<b>Retail Trade</b>	-40	-39	-88	-55	-62	-47
<b>Finance, Insurance and Real Estate</b>	-44	-52	-33	-43	-38	-25
<b>Professional and Business Services</b>	-180	-134	-132	-149	-114	-81
<b>Education and Health Services</b>	26	43	36	35	33	41
<b>Liesure and Hospitality</b>	-33	-29	-40	-34	-35	-24
<b>Government</b>	9	31	-11	10	3	13
<b>Avg. Hourly Earnings: Total Private*</b>	0.2%	0.2%	0.3%	2.9%	3.2%	3.6%
<b>Avg. Weekly Hours: Total Private</b>	33.3	33.3	33.3	33.3	33.4	33.6
<b>Index of Aggregate Weekly Hours: Total Private*</b>	-0.7	-0.6	-0.9	-8.2	-8.3	-5.3

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

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