

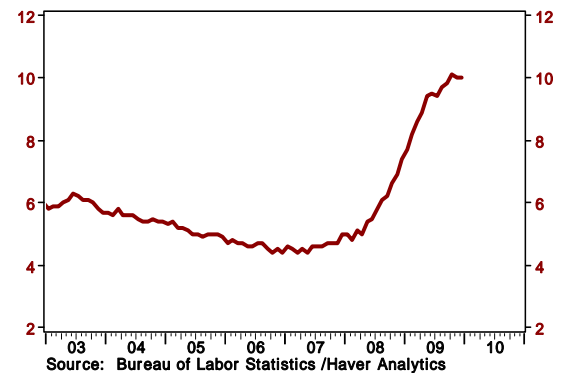
# DECEMBER EMPLOYMENT REPORT

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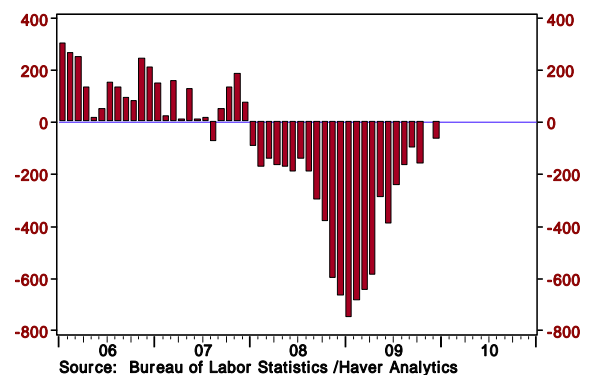
- Non-farm payrolls declined 85,000 in December, which was worse than the unchanged level the consensus expected. Revisions to October and November subtracted 1,000 from payrolls, but all the downward revision was due to government. Private sector revisions added 12,000 jobs.
- The strongest payroll gains were for temps (+47,000), education/health (+35,000), and finance/insurance (+10,000). The weakest sectors for payrolls were construction (-53,000), manufacturing (-27,000), and leisure/hospitality (-25,000).
- The unemployment rate remained at 10.0% in December, as the consensus expected.
- Average hourly earnings were up 0.2% in December, as the consensus expected. Earnings are up 2.2% versus last year.

**Implications:** The headline payroll data were not as good as expected in December, with nonfarm jobs declining 85,000. However, the other data in the report suggest payroll growth will start again very soon. We say “again” because revisions to last months’ data show payrolls increased 4,000 in November, the first gain in two years. Two other positive numbers jumped out of the report. First, finance/insurance jobs increased 10,000, the most in three years. Second, temp employment – traditionally a leading sign of labor demand – increased for the fifth straight month. Meanwhile, the total number of hours worked in the private sector were unchanged in December, remaining 0.6% above the bottom in October. Given the economic growth we’ve had since the Summer, we think the jobless rate probably peaked at 10.1% in October. Unemployment ticked down to 10.0% in November and held there in December. The jobless rate will not decline every month but is likely to be significantly lower by the end of the year. In other recent news, the Labor Department reported yesterday that new claims for unemployment insurance ticked up 1,000 to 434,000 last week. The four-week moving average of claims fell to 450,000, the lowest since the collapse of Lehman Brothers in September 2008. Continuing claims for regular state benefits declined 179,000 to 4.80 million.

Civilian Unemployment Rate: 16 yr +  
SA, %



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



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-09	Nov-09	Oct-09	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	10.0	10.0	10.1	10.0	9.8	9.3
<b>Civilian Employment (monthly change in thousands)</b>	-589	139	-526	-325	-374	-428
<b>Nonfarm Payrolls (monthly change in thousands)</b>	-85	4	-127	-69	-134	-347
Construction	-53	-27	-56	-45	-54	-78
Manufacturing	-27	-35	-48	-37	-41	-106
Retail Trade	-10	-14	-40	-21	-28	-35
Finance, Insurance and Real Estate	4	-6	-6	-3	-9	-26
Professional and Business Services	50	89	33	57	27	-45
Education and Health Services	35	37	36	36	35	31
Leisure and Hospitality	-25	-13	-42	-27	-13	-17
Government	-21	4	36	6	-11	-5
<b>Avg. Hourly Earnings: Total Private*</b>	0.2%	0.2%	0.3%	2.6%	2.8%	2.2%
<b>Avg. Weekly Hours: Total Private</b>	33.2	33.2	33.0	33.1	33.1	33.1
<b>Index of Aggregate Weekly Hours: Total Private*</b>	0.0	0.6	-0.4	0.8	0.0	-4.0

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