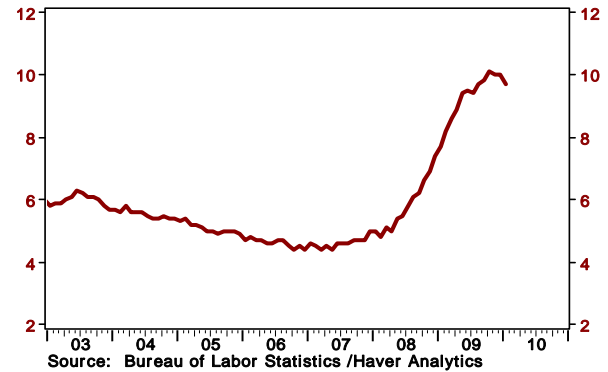


# JANUARY EMPLOYMENT REPORT

Chief Economist – Brian S. Wesbury  
Senior Economist – Robert Stein, CFA

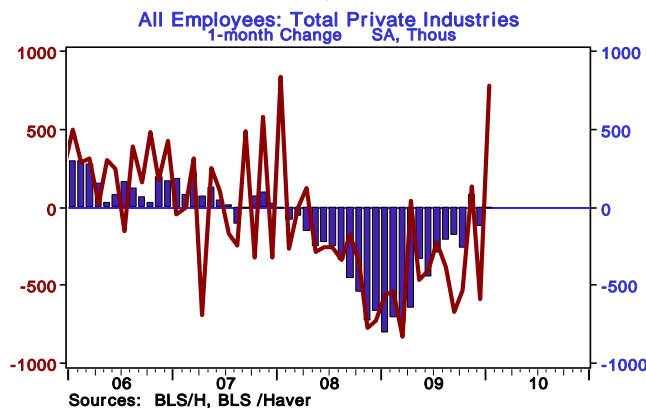
- Non-farm payrolls declined 20,000 in January versus a consensus expected gain of 15,000. Many analysts expected Census-related hiring to boost government jobs, but public-sector payrolls fell 8,000. Private-sector payrolls declined only 12,000.
- The strongest payroll gains were for temps (+52,000), retail (+42,000), and education/health (+16,000). An “honorable mention” goes to manufacturing (+11,000), which added jobs for the first time in three years. The weakest sectors were construction (-75,000), couriers/messengers (-23,000), and leisure/hospitality (-14,000).
- The unemployment rate plunged to 9.7% in January versus 10.0% in December. The consensus had expected no change.
- Average hourly earnings were up 0.2% in January and are up 2.0% versus last year.

Civilian Unemployment Rate: 16 yr +  
SA, %



**Implications:** The labor market has clearly turned the corner and we believe it will improve substantially in the year ahead. Although payrolls fell slightly in January, civilian employment – an alternative measure of jobs that includes self-employment – soared 785,000 and is up twice in the past three months. One reason payrolls seem to be lagging a little is that companies are aggressively expanding hours. Total hours have increased at 1.8% annual rate in the past three months, the equivalent of about 200,000 jobs per month. In other words, the demand for labor is there, it’s just that firms are meeting it by increasing hours. But they can’t do this forever, so we are likely on the cusp of large payroll gains. Meanwhile, the unemployment rate has dropped to 9.7% from a peak of 10.1% in October and even the more comprehensive measure of unemployment (that includes “discouraged workers” and those working part-time but who say they want full-time hours) has dropped to 16.5% from 17.4%. Payroll gains have gone from being isolated in education/health and then temps to now encompassing manufacturing and retail. The share of industries increasing payrolls is 47% versus 17% at the low in March 2009. Given the rapid economic growth we’ve had since the Fall, job gains will get much more widespread in the months ahead.

Civilian Employment: Population-Adjusted  
1-month Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-10	Dec-09	Nov-09	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>9.7</b>	10.0	10.0	9.9	9.9	9.4
<b>Civilian Employment (monthly change in thousands)</b>	<b>785</b>	-590	136	110	-208	-305
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>-20</b>	-150	64	-35	-128	-335
<b>Construction</b>	<b>-75</b>	-32	-15	-41	-54	-77
<b>Manufacturing</b>	<b>11</b>	-23	-25	-12	-33	-84
<b>Retail Trade</b>	<b>42</b>	-18	9	11	-16	-33
<b>Finance, Insurance and Real Estate</b>	<b>-16</b>	-7	2	-7	-13	-25
<b>Professional and Business Services</b>	<b>44</b>	20	106	57	21	-47
<b>Education and Health Services</b>	<b>16</b>	26	31	24	28	24
<b>Leisure and Hospitality</b>	<b>-14</b>	-41	-21	-25	-22	-20
<b>Government</b>	<b>-8</b>	-27	-11	-15	-7	-10
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.2%</b>	0.1%	0.2%	1.8%	2.3%	2.0%
<b>Avg. Weekly Hours: Total Private</b>	<b>33.9</b>	33.8	33.9	33.9	33.8	33.9
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2</b>	-0.4	0.7	1.8	-0.9	-4.4

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

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