

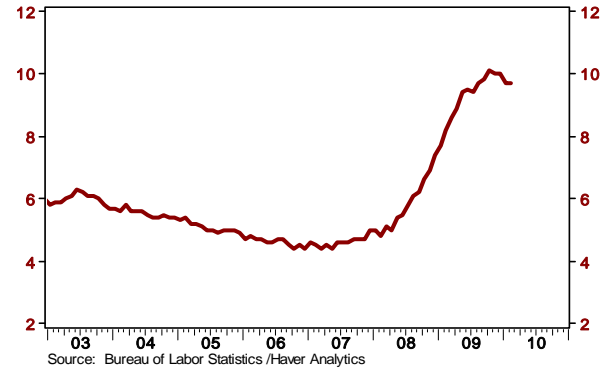
FEBRUARY EMPLOYMENT REPORT

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

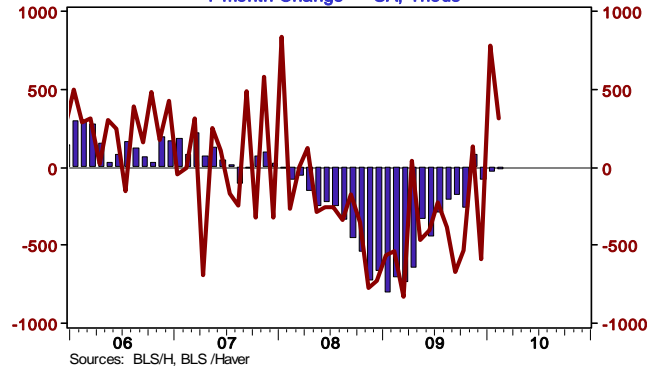
- Non-farm payrolls declined 36,000 in February versus a consensus expected -68,000. Revisions to December/January added 35,000 to payrolls, bringing the net payroll loss in February to only 1,000.
- The strongest payroll gains were for temps (+48,000) and education/health (+32,000). Another “honorable mention” goes to manufacturing (+1,000), which added jobs for the second straight month despite harsh weather. The weakest sectors were construction (-64,000) and local government (-31,000).
- The unemployment rate remained at 9.7% in February. The consensus expected an increase to 9.8%.
- Average hourly earnings were up 0.1% in February and are up 1.9% versus last year.

Implications: If this is the kind of jobs report we get with a record blizzard on the East Coast and unusually harsh weather in the Midwest, get ready for a blow-out positive payroll number next month. In late 1995 payrolls were expanding about 150,000 per month. Then, a huge snowstorm in January 1996 pushed payrolls down 19,000. The following month payrolls increased 434,000. Two more reasons to expect a big improvement next month. First, civilian employment, a measure of jobs that includes the self-employed and new start-up businesses, has increased 168,000 per month in the past three months, indicating a major improvement in the labor market. Second, Census-related hiring was weaker than the historical pattern for February, suggesting some catch-up in March. Meanwhile, despite the bad weather, the unemployment rate remained at 9.7%, even as the labor force increased by 342,000. In addition, the manufacturing sector continued to add jobs (+15,000 including upward revisions to December/January). In fact, 55% of manufacturing industries added jobs in February, a huge turnaround versus 10% a year ago. Economy-wide, the share of industries increasing payrolls is now 48% versus 17% a year ago. Look for that measure to go above 50 very soon.

Civilian Unemployment Rate: 16 yr +
SA, %



Civilian Employment: Population-Adjusted
1-month Change SA, Thous
All Employees: Total Private Industries
1-month Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Feb-10	Jan-10	Dec-09	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.7	9.7	10.0	9.8	9.9	9.6
Civilian Employment (monthly change in thousands)	308	785	-590	168	-92	-235
Nonfarm Payrolls (monthly change in thousands)	-36	-26	-109	-57	-93	-275
Construction	-64	-77	-36	-59	-55	-73
Manufacturing	1	20	-18	1	-21	-69
Retail Trade	0	42	-15	9	-13	-27
Finance, Insurance and Real Estate	-10	-13	-9	-11	-10	-22
Professional and Business Services	51	30	22	34	33	-29
Education and Health Services	32	23	37	31	31	27
Leisure and Hospitality	7	0	-33	-9	-14	-15
Government	-18	7	-26	-12	-8	-8
Avg. Hourly Earnings: Total Private*	0.1%	0.2%	0.0%	1.3%	1.6%	1.9%
Avg. Weekly Hours: Total Private	33.8	33.9	33.8	33.8	33.8	33.8
Index of Aggregate Weekly Hours: Total Private*	-0.3	0.3	-0.4	-1.7	-0.9	-3.7

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