

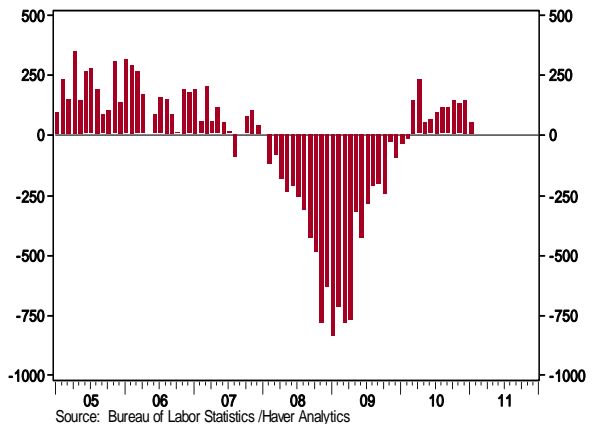
JANUARY EMPLOYMENT REPORT

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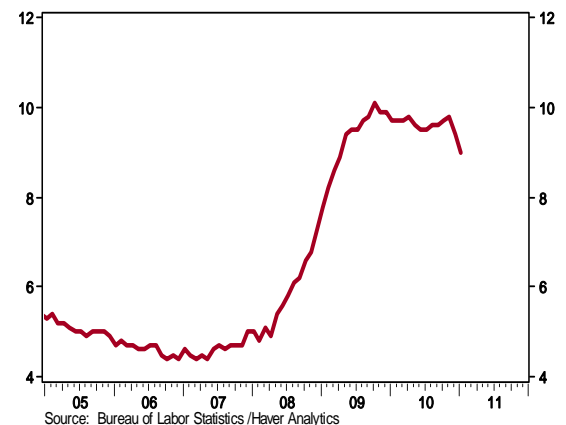
- Weather-related job losses totaled 886,000 in January, 469,000 greater than normal for the month. Despite this, non-farm payrolls increased 36,000 in January. Revisions to November/December added 40,000, bringing the net gain to 76,000. The consensus expected a gain of 146,000.
- Private sector payrolls increased 50,000 in December, the 11th consecutive monthly gain. November/December were revised up 75,000, for a net gain of 125,000. January private-sector gains were led by manufacturing (+49,000), retail trade (+28,000), and administrative/support services (+24,000). The largest declines were for couriers (-45,000) and non-residential construction (-36,000).
- The unemployment rate fell to 9.0% in January from 9.4% in December.
- Average weekly earnings – cash earnings, excluding benefits – were up 0.1% in January and are up 2.5% versus a year ago.

Implications: It is impossible to understand today’s jobs report without factoring in the weather. Typically in January, the BLS says bad weather reduces jobs by 417,000. However, this January bad weather prevented 886,000 people from working, a difference of 469,000. In other words, if the weather had been “normal” this January, payrolls would have exploded to the upside and hours worked would have continued to move up rather than slipped back. Despite the weather, civilian employment, an alternative measure of jobs that is better at picking up the self-employed and small start-up businesses, increased 589,000 in January. Assuming a return to more normal weather in either February or March, payroll gains should be huge in the months ahead, 250,000+. The increase in civilian employment was part of the reason the jobless rate dropped steeply again in January, to 9.0% from 9.4% in December. What was particularly good about the drop was that it was all due to full-time workers, showing that employers are getting more confident. But the confidence is not confined to employers only; it’s being felt by workers, too. The share of voluntary job leavers among the unemployed (people who left their job on their own and are looking for a new position) has perked back up to 6.4% after bottoming at 5.5% only four months ago. Even more notably, *new entrants* to the labor market – people looking for a job who haven’t had one before – now make up 9.6% of the unemployed, the highest share since 2006. Given better economic news on both manufacturing and service output, the underlying trend in job growth will accelerate in the months ahead.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



| Employment Report <i>All Data Seasonally Adjusted</i> | Jan-11 | Dec-10 | Nov-10 | 3-month moving avg | 6-month moving avg | 12-month moving avg |
|--|--------------|--------|--------|-----------------------|-----------------------|------------------------|
| Unemployment Rate | 9.0 | 9.4 | 9.8 | 9.4 | 9.5 | 9.6 |
| Civilian Employment (monthly change in thousands) | 589 | 293 | -178 | 235 | 131 | 104 |
| Nonfarm Payrolls (monthly change in thousands) | 36 | 121 | 93 | 83 | 56 | 82 |
| Construction | -32 | -17 | -8 | -19 | -8 | -11 |
| Manufacturing | 49 | 14 | 15 | 26 | 6 | 13 |
| Retail Trade | 28 | 3 | -16 | 5 | 9 | 7 |
| Finance, Insurance and Real Estate | -10 | 0 | -1 | -4 | -2 | -5 |
| Professional and Business Services | 31 | 54 | 85 | 57 | 41 | 35 |
| Education and Health Services | 13 | 23 | 37 | 24 | 33 | 33 |
| Leisure and Hospitality | -3 | 8 | -15 | -3 | 8 | 11 |
| Government | -14 | -18 | -35 | -22 | -58 | -21 |
| Avg. Hourly Earnings: Total Private* | 0.4% | 0.1% | 0.0% | 1.6% | 2.2% | 1.9% |
| Avg. Weekly Hours: Total Private | 34.2 | 34.3 | 34.2 | 34.2 | 34.2 | 34.2 |
| Index of Aggregate Weekly Hours: Total Private* | -0.2% | 0.4% | -0.2% | 0.0% | 1.3% | 1.8% |

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

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