

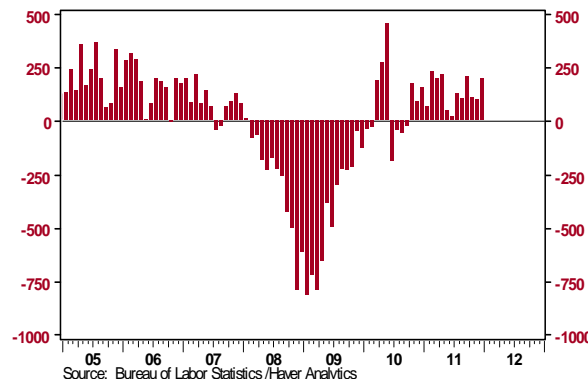
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# December Employment Report

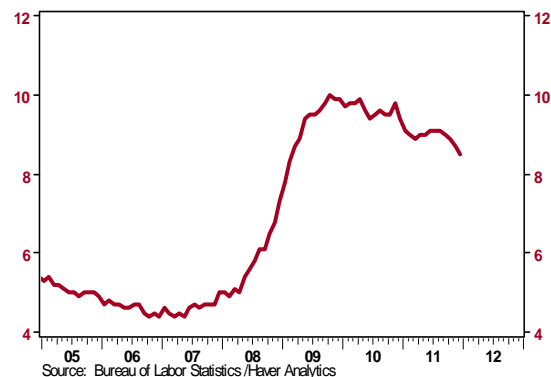
- Non-farm payrolls increased 200,000 in December and were up 192,000 including revisions to October/November. The consensus expected a gain of 155,000.
- Private sector payrolls increased 212,000 in December. Revisions to October/November subtracted 3,000, bringing the net gain to 209,000. December gains were led by couriers/messengers (+42,000), retail (+28,000), health care & social work (+29,000), restaurants/bars (+24,000), and manufacturing (+23,000). The largest decline was for temps (-8,000).
- The unemployment rate dropped to 8.5% from 8.7% in November.
- Average weekly earnings – cash earnings, excluding benefits – rose 0.2% in December and are up 2.1% versus a year ago.

**Implications:** This is the best employment report since the start of the recovery. The labor market still has a long way to go before it gets back to normal, but the pace of improvement has clearly accelerated. Private payrolls increased 212,000 in December (209,000 including revisions to prior months). Every major category of private payrolls increased in December. Perhaps even more important was an increase in the average workweek to 34.4 hours from 34.3. That might not seem like a lot, but it translates into 320,000 jobs. In other words, had employers kept the workweek unchanged, they would have needed to hire more than 500,000 workers for the month instead of just 212,000. This is an important signal of more job gains to come. In 2011, nonfarm payrolls were up an average of 137,000 per month. We anticipate an increase around 180,000 for 2012. Some pessimists say a “birth/death” model is artificially inflating payroll gains, but December’s birth/death adjustment was -11,000, the first negative adjustment for any December in the last nine years. The other big headline for today is that the unemployment rate ticked down to 8.5% in December, the lowest since March 2009 and almost a full percentage point lower than a year ago. The December drop was due to a solid 176,000 increase in civilian employment. Although the November jobless rate was revised to 8.7% from 8.6%, that change is deceiving. Unrounded, November’s jobless rate was revised to 8.65% from 8.64%, so there was no significant change. The bottom line is that hours worked in the private sector are up 2.4% in the past year, while average hourly earnings are up 2.1%. This translates into a 4.5% gain in cash earnings (excluding fringe benefits, like health insurance). We all wish it were faster, but incomes are outpacing inflation. The pessimists banking on a weak economy in 2012 ought to re-check their assumptions.

**Change in Total Nonfarm Employment**  
SA, Thous



**Civilian Unemployment Rate: 16 yr +**  
SA, %



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Dec-11</b>	<b>Nov-11</b>	<b>Oct-11</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>8.5</b>	8.7	8.9	8.7	8.9	9.0
<b>Civilian Employment (monthly change in thousands)</b>	<b>176</b>	317	190	228	234	170
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>200</b>	100	112	137	142	137
<b>Construction</b>	<b>17</b>	-12	-10	-2	4	4
<b>Manufacturing</b>	<b>23</b>	1	10	11	11	19
<b>Retail Trade</b>	<b>28</b>	39	16	27	23	20
<b>Finance, Insurance and Real Estate</b>	<b>2</b>	5	7	5	3	1
<b>Professional and Business Services</b>	<b>12</b>	19	30	20	33	38
<b>Education and Health Services</b>	<b>29</b>	33	37	33	41	36
<b>Leisure and Hospitality</b>	<b>21</b>	30	27	26	23	22
<b>Government</b>	<b>-12</b>	-20	-22	-18	-13	-23
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.2%</b>	0.0%	0.3%	1.9%	2.0%	2.1%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.4</b>	34.3	34.4	34.4	34.3	34.3
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.5%</b>	-0.2%	0.4%	3.0%	2.4%	2.4%

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