

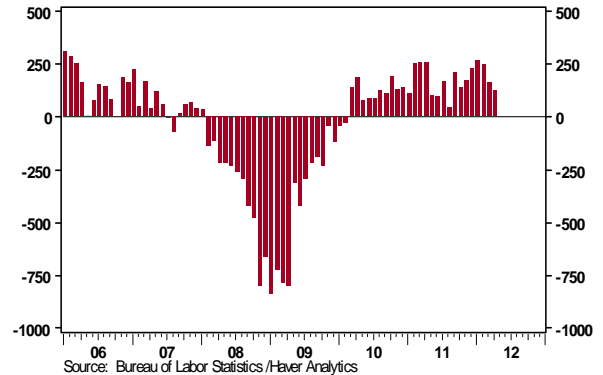
# April Employment Report

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

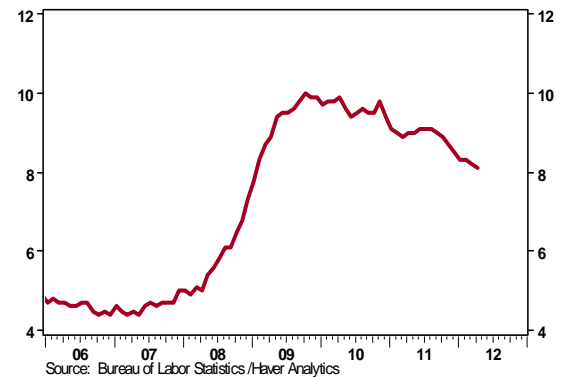
- Non-farm payrolls increased 115,000 in April and were up 168,000 including revisions to February/March. The consensus expected a gain of 160,000.
- Private sector payrolls increased 130,000 in April. Revisions to February/March added 66,000, bringing the net gain to 196,000. April gains were led by retail (+29,000), professional/technical services (+28,000), employment services, including temps (+28,000), bars/restaurants (+27,000). The weakest sector was transit & ground transportation (-17,000).
- The unemployment rate ticked down to 8.1% from 8.2% in March.
- Average weekly earnings – cash earnings, excluding benefits – were unchanged in April but are up 1.8% versus a year ago.

**Implications:** The headline payroll numbers fell short of consensus expectations in April, rising 115,000 overall and 130,000 for the private sector. However, the Labor Department once again made large upward revisions to prior months. Including these revisions, nonfarm payrolls were up 168,000 and private payrolls were up 196,000, both *beating* consensus expectations. Some analysts ignore these revisions, but we think that’s a big mistake. Monthly revisions to the original payroll report have now been up for ten straight months and have averaged about 40,000 per month during this period. As a result, without revisions analysts have a systematically and downwardly biased impression about the job market. Meanwhile, some analysts may discount the drop in the unemployment rate to 8.1%, given that the drop was due to a decline in the labor force. However, in the past year, the unemployment rate has dropped 0.9 percentage points (from 9% in April 2011) while the labor force has grown 700,000. In other words, the trend decline in the jobless rate in the past year is not due to fewer people looking for work. Another piece of good news in today’s report is that the median duration of unemployment dropped to 19.4 weeks, the lowest level since 2009. Total hours worked increased 0.1% in April and are up 2.1% from a year ago. Although cash wages were unchanged in April, they are up 1.8% in the past year. Combining hours and wages, total cash wages are up 4% from a year ago, which is still outpacing inflation. The labor market is still far from where it was before the recession started. In the 20 years before the recession started, the unemployment rate averaged 5.5%. With the right set of public policies, we see no reason why we can’t get there again. But the fact that we’re not there yet should not prevent us from recognizing the progress that we’re making.

**Change in Total Private Payrolls**  
SA, Thous



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



| Employment Report<br><i>All Data Seasonally Adjusted</i> | Apr-12      | Mar-12 | Feb-12 | 3-month<br>moving avg | 6-month<br>moving avg | 12-month<br>moving avg |
|--|-------------|--------|--------|-----------------------|-----------------------|------------------------|
| <b>Unemployment Rate</b>                                 | <b>8.1</b>  | 8.2    | 8.3    | 8.2                   | 8.4                   | 8.7                    |
| <b>Civilian Employment (monthly change in thousands)</b> | <b>-169</b> | -31    | 428    | 76                    | 226                   | 170                    |
| <b>Nonfarm Payrolls (monthly change in thousands)</b>    | <b>115</b>  | 154    | 259    | 176                   | 197                   | 151                    |
| <b>Construction</b>                                      | <b>-2</b>   | -3     | -1     | -2                    | 7                     | 5                      |
| <b>Manufacturing</b>                                     | <b>16</b>   | 41     | 30     | 29                    | 28                    | 19                     |
| <b>Retail Trade</b>                                      | <b>29</b>   | -21    | -15    | -2                    | 10                    | 10                     |
| <b>Finance, Insurance and Real Estate</b>                | <b>1</b>    | 14     | 7      | 7                     | 7                     | 3                      |
| <b>Professional and Business Services</b>                | <b>62</b>   | 37     | 89     | 63                    | 63                    | 52                     |
| <b>Education and Health Services</b>                     | <b>23</b>   | 45     | 71     | 46                    | 37                    | 37                     |
| <b>Leisure and Hospitality</b>                           | <b>12</b>   | 52     | 45     | 36                    | 36                    | 26                     |
| <b>Government</b>  | <b>-15</b>  | -12    | 5      | -7                    | -9                    | -18                    |
| <b>Avg. Hourly Earnings: Total Private*</b>              | <b>0.0%</b> | 0.2%   | 0.2%   | 1.7%                  | 1.5%                  | 1.8%                   |
| <b>Avg. Weekly Hours: Total Private</b>                  | <b>34.5</b> | 34.5   | 34.6   | 34.5                  | 34.5                  | 34.4                   |
| <b>Index of Aggregate Weekly Hours: Total Private*</b>   | <b>0.1%</b> | -0.1%  | 0.5%   | 2.1%                  | 3.0%                  | 2.1%                   |

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