

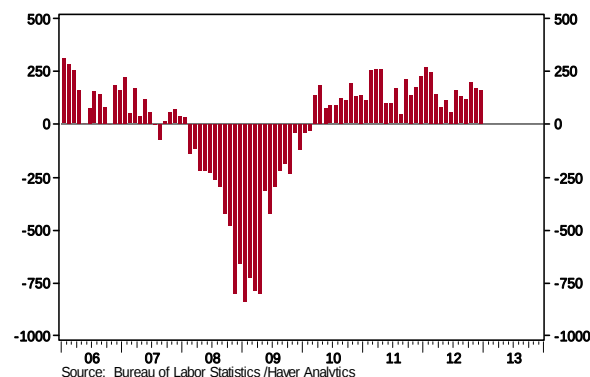
December Employment Report

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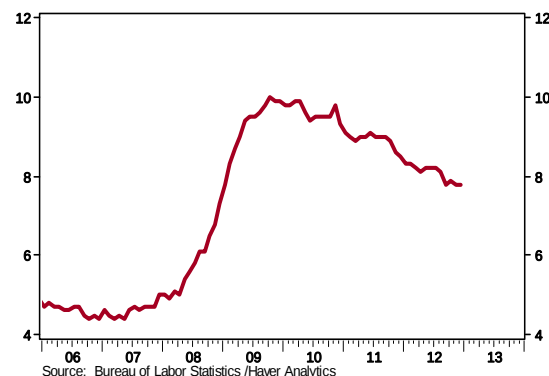
- Non-farm payrolls increased 155,000 in December, almost exactly matching the consensus expected 152,000. Revisions to October/November added 14,000, bringing the net gain to 169,000.
- Private sector payrolls increased 168,000 in December (206,000 with revisions to October/November). December gains were led by education & health care (+65,000), restaurants & bars (+38,000), construction (+30,000), and manufacturing (+25,000). Government payrolls declined 13,000.
- The unemployment rate was unrevised at 7.8% (7.849%).
- Average weekly earnings – cash earnings, excluding benefits – were up 0.3% in December and up 2.1% from a year ago.

Implications: The headlines for today's employment report were almost exactly what the consensus expected, showing continued modest improvement in the labor market. The details in the report were better news. Nonfarm payrolls rose 155,000 in December, versus an average of 153,000 in both 2011 and 2012. Meanwhile, private payrolls gained 168,000 while being revised higher for October and November. Including those revisions, private-sector payrolls were up 206,000. Given today's technological advances, we should be doing much better, more like 300,000 jobs per month as in the 1990s. What's holding us back from much faster gains is the huge increase in the size of government, particularly transfer payments, over the past several years. Civilian employment, an alternative measure of jobs that includes small-business startups, gained only 28,000 in December but was up 192,000 per month in 2012, faster than payroll growth and indicative of an acceleration in payroll growth in 2013. The unemployment rate was unrevised at 7.8% while the labor force grew by 192,000. In the past year, the labor force is up 1.4 million while the jobless rate is down 0.7 percentage points. The best news in today's report was on hours and wages. Total hours worked were up 0.4% in December and 2% from a year ago. Average hourly earnings were up 0.3% in December and 2.1% from a year ago. As a result, total cash earnings (based on earnings and hours) are up 4.1% from a year ago (and about 2.3% when adjusted for inflation), so consumers have room to increase spending. In other recent news on the labor market, initial unemployment claims increased 10,000 last week to 372,000. The four-week average is 360,000. Continuing claims for regular state benefits were up 44,000 to 3.25 million. In other news, sales of autos and light trucks came in at a 15.4 million annual rate in December. Although 1% below the pace in November, vehicle sales beat consensus expectations and are up 13% from a year ago. The plow horse recovery continues.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-12	Nov-12	Oct-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.8	7.8	7.9	7.8	7.9	8.1
Civilian Employment (monthly change in thousands)	28	-51	354	110	143	192
Nonfarm Payrolls (monthly change in thousands)	155	161	137	151	160	153
Construction	30	-10	25	15	8	2
Manufacturing	25	5	7	12	4	15
Retail Trade	-11	63	44	32	26	14
Finance, Insurance and Real Estate	9	0	8	6	7	7
Professional and Business Services	19	32	58	36	30	39
Education and Health Services	65	24	32	40	40	38
Leisure and Hospitality	31	29	26	29	31	27
Government	-13	-10	-66	-30	-1	-6
Avg. Hourly Earnings: Total Private*	0.3%	0.3%	0.0%	2.2%	2.0%	2.1%
Avg. Weekly Hours: Total Private	34.5	34.4	34.3	34.4	34.4	34.5
Index of Aggregate Weekly Hours: Total Private*	0.4%	0.4%	-0.3%	2.1%	1.7%	2.0%

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