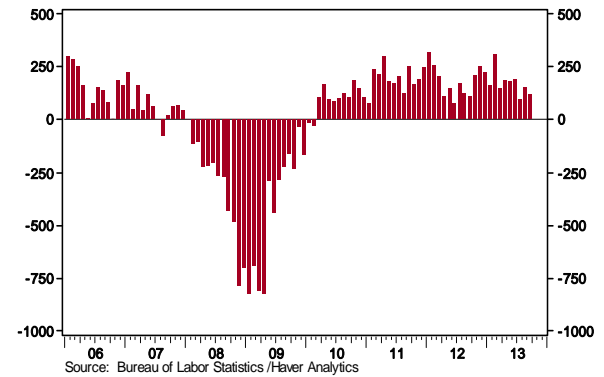


# September Employment Report

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- Non-farm payrolls increased 148,000 in September versus a consensus expected 180,000. Including upward revisions to prior months, nonfarm payrolls were up 157,000.
- Private sector payrolls increased 126,000 in September (+108,000 including revisions to prior months), lagging the consensus expected 180,000. The largest gains were for professional & business services (+32,000, including temps), retail (+21,000), construction (+20,000), and ground transportation (+18,000). Government payrolls rose 22,000.
- The unemployment rate declined to 7.2% (7.235% unrounded) from 7.3% (7.278% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – increased 0.1% in August and are up 2.1% from a year ago.

Change in Total Private Payrolls  
 SA, Thous



Civilian Unemployment Rate: 16 yr +  
 SA, %



**Implications:** Well, we never said the Plow Horse was going to win a beauty contest! Headline payrolls grew just 148,000 in September, while private sector payrolls increased 126,000. Minor revisions boosted the overall number, but lowered private sector job growth. Civilian employment, an alternative measure of jobs that includes small business start-ups, increased 133,000. The best headline in today’s report was that the unemployment rate ticked down to 7.2% even though the labor force rose by 73,000. In the past year, the jobless rate is down 0.6 percentage points and the labor force is up 378,000. But don’t get too excited about the decline in the unemployment rate in September. Unrounded, the jobless rate was 7.235% in September versus 7.278% in August, so there really was very little change. The details of the report show a 0.1% increase in total hours and a 0.1% increase in average earnings per hour. As a result, total cash earnings are up 4.2% in the past year. Meanwhile, consumer prices are up roughly 1.2%, suggesting “real” (inflation-adjusted) earnings are up 3% from a year ago, consistent with our view that consumer spending will likely accelerate in the year ahead. Also, we can’t help but notice that today’s report destroyed one of the recent negative stories about the job market. Data on part-time work is very volatile from month to month; part-timers fell dramatically late in 2012 and then rebounded sharply in early 2013. As a result, some pessimistic analysts (inappropriately) ignored the major drop in part-time work late in 2012 and fixated on the numbers starting in January to argue that most of the growth in jobs “so far this year” was due to part timers. But part-timers fell 357,000 in September and are now down 442,000 versus a year ago. We also note that the expansive (U-6) definition of unemployment which includes discouraged workers and part-timers who say they want to work full time, ticked down to 13.6% in September. Normally, whether in good times or bad, the U-6 jobless rate is about 80% higher than the regular unemployment rate. Right now that gap is 89%, which is within the historical range, although on the upper portion. One more notable detail was that the share of voluntary job leavers (quitters) among the unemployed rose to 8.8% in September, tying the highest so far in the recovery. Fed Vice-Chair (and soon to be Chair) Janet Yellen thinks a higher share of quitters among the unemployed is a sign of improvement in the labor market, just like a drop in the jobless rate itself, so this indicator deserves to be watched.

Employment Report <i>All Data Seasonally Adjusted</i>	Sep-13	Aug-13	Jul-13	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	7.2	7.3	7.4	7.3	7.4	7.6
<b>Civilian Employment (monthly change in thousands)</b>	133	-115	227	82	170	101
<b>Nonfarm Payrolls (monthly change in thousands)</b>	148	193	89	143	163	185
Construction	20	2	3	8	5	16
Manufacturing	2	13	-17	-1	-4	3
Retail Trade	21	32	41	31	32	31
Finance, Insurance and Real Estate	-2	-3	14	3	7	8
Professional and Business Services	32	30	35	32	50	53
Education and Health Services	14	61	16	30	28	29
Leisure and Hospitality	-13	21	-3	2	25	30
Government	22	32	-11	14	4	-5
<b>Avg. Hourly Earnings: Total Private*</b>	0.1%	0.3%	0.0%	1.5%	2.2%	2.1%
<b>Avg. Weekly Hours: Total Private</b>	34.5	34.5	34.4	34.5	34.5	34.5
<b>Index of Aggregate Weekly Hours: Total Private*</b>	0.1%	0.5%	-0.2%	1.6%	1.2%	2.1%

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