

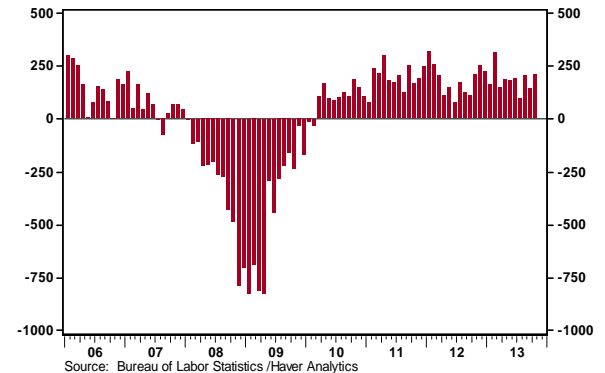
October Employment Report

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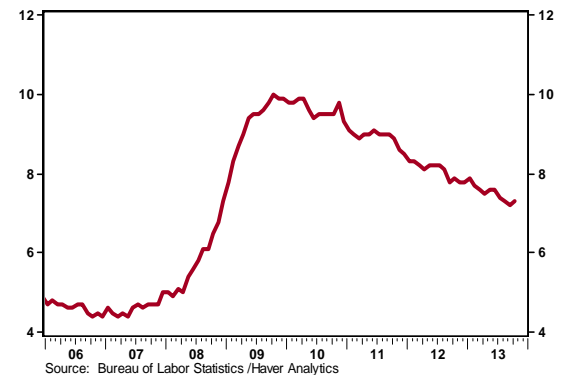
- Non-farm payrolls increased 204,000 in October, easily beating the consensus expected 120,000. Including upward revisions to prior months, nonfarm payrolls were up 264,000.
- Private sector payrolls increased 212,000 in October (+282,000 including revisions to prior months), crushing the consensus expected 125,000. The largest gains were for leisure & hospitality (+53,000), retail (+44,000), and professional & business services (+44,000, including 3,000 temps). Manufacturing rose 19,000. Government payrolls declined 8,000.
- The unemployment rate ticked up 7.3% (7.280% unrounded) from 7.2% (7.235% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – increased 0.1% in October and are up 2.2% from a year ago.

Implications: If this is what happens when the government is temporarily shut, we'd vote for making it permanent. Payroll growth easily beat consensus expectations in October, rising 204,000 for the month and 264,000 including upward revisions for August/September. Private-sector payrolls expanded 282,000 including revisions to prior months. However, there are differences in the timing and design of the payroll survey and civilian employment survey which negatively affected figures from the latter report. Civilian employment, an alternative measure of jobs that includes small-business start-ups, fell 735,000 in October while the labor force dropped 720,000. As a result, the unemployment rate ticked up slightly to 7.3%. We expect the big declines in the labor force and civilian employment to reverse next month, now that the shutdown is over. Not all the data in the payroll survey was as strong as the headline number on job growth. Average hourly earnings were up only 0.1% and weekly hours per worker were unchanged. But earnings per hour are still up 2.2% from a year ago while total hours worked are up 2.4%. As a result, total cash earnings are up 4.6% in the past twelve months, or up about 3.5% adjusted for inflation. This is more than enough for workers to keep pushing up spending. Also, once again a new 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 57,000 in October and are now down 346,000 versus a year ago. In sum, we and most everyone else were pleasantly surprised by the strength in payrolls. The civilian employment numbers were weak but should bounce back next month. The labor market is still lagging the improvement it would be showing if public policy was better, but it's still moving in the right direction. The next couple of reports should tell us if it's picking up its pace.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-13	Sep-13	Aug-13	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.3	7.2	7.3	7.3	7.4	7.6
Civilian Employment (monthly change in thousands)	-735	133	-115	-239	-2	10
Nonfarm Payrolls (monthly change in thousands)	204	163	238	202	174	194
Construction	11	18	1	10	7	15
Manufacturing	19	4	15	13	2	5
Retail Trade	44	22	38	35	37	31
Finance, Insurance and Real Estate	7	-1	-1	2	6	8
Professional and Business Services	44	32	42	39	48	54
Education and Health Services	23	6	57	29	24	27
Leisure and Hospitality	53	13	49	38	33	37
Government	-8	13	31	12	-1	-2
Avg. Hourly Earnings: Total Private*	0.1%	0.1%	0.3%	1.8%	1.8%	2.2%
Avg. Weekly Hours: Total Private	34.4	34.4	34.5	34.4	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.2%	-0.2%	0.5%	2.1%	1.2%	2.4%

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