

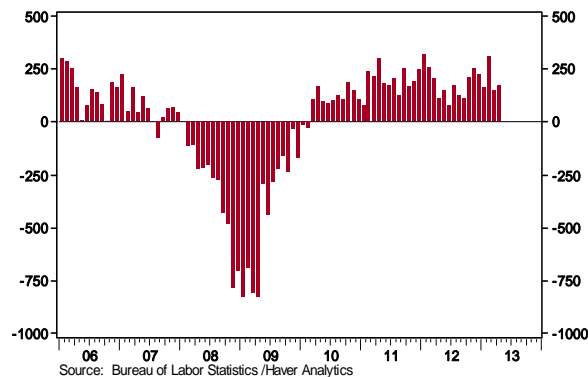
April Employment Report

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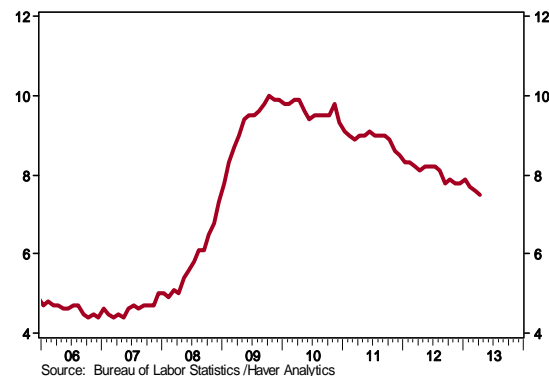
- Non-farm payrolls increased 165,000 in April, beating the consensus expected 140,000. Including revisions to prior months, nonfarm payrolls were up 279,000.
- Private sector payrolls increased 176,000 in April, beating the consensus expected 150,000. The largest gains were for professional & business services (+73,000, including temps), restaurants & bars (+43,000), and retail (+29,000). Government payrolls declined 11,000.
- The unemployment rate fell to 7.5% (7.510%) in April from 7.6% (7.574%) in March.
- Average weekly earnings – cash earnings, excluding benefits – were up 0.2% in April and 1.9% from a year ago.

Implications: Immediately after last month’s employment report we told investors to “get a grip. The report...is not strong, but it’s not the very weak one many are saying.” Payroll growth had slowed but total hours worked were up 0.4%. Today’s report was just the opposite: hiring accelerated in April, but firms cut hours. Nonfarm payrolls rose 165,000 in April and were up 276,000 including upward revisions for prior months. (The headline that scared some investors last month was a soft 88,000 gain in payrolls, which has now been revised to a respectable 138,000.) Private payrolls were up 176,000 in April (300,000 including revisions to prior months). Civilian employment, an alternative measure of jobs that includes small business start-ups, increased 293,000. As a result, the unemployment rate declined to 7.5% despite a 210,000 increase in the labor force. However, this month the devil was in the details, not the headlines. Hours per worker declined to 34.4 from 34.6. As a result, total hours worked declined 0.4%, fully reversing last month’s gain. On net, what we have this month is what we’ve been seeing over the past year: plow-horse improvement in the labor market to go along with a plow-horse economy; it’s not going to win the Derby, but it’s not going to keel over and die, either. In the past year, nonfarm payrolls are up an average of 173,000 per month, with private payrolls up an average of 181,000. The unemployment rate has dropped to 7.5% from 8.1% even as the labor force has grown an average of 57,000 per month. We expect more of the same in the year ahead. The most absurd commentary continues to be that the federal spending sequester is hurting jobs. Excluding the Post Office, which is not affected by the sequester, government jobs are down 6,000 per month in the past two months, versus an average monthly loss of 5,000 in the past year. The big question is how the Federal Reserve reacts. It says a jobless rate of 6.5% could get it to raise rates. Today’s report undercuts its projection we won’t reach 6.5% until mid-2015; instead, it supports our case for summer 2014. Obviously, the labor market is very far from perfect. The unemployment rate is way too high and payroll growth too slow. What’s holding us back is the huge increase in government, particularly transfers, over the past several years. Despite that, entrepreneurs and workers are gritting out a recovery and the plow horse economy keeps moving forward.

Change in Total Private Payrolls
 SA, Thous



Civilian Unemployment Rate: 16 yr +
 SA, %



Employment Report All Data Seasonally Adjusted	Apr-13	Mar-13	Feb-13	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.5	7.6	7.7	7.6	7.7	7.9
Civilian Employment (monthly change in thousands)	293	-206	170	86	22	129
Nonfarm Payrolls (monthly change in thousands)	165	138	332	212	208	173
Construction	-6	13	48	18	24	13
Manufacturing	0	2	23	8	10	6
Retail Trade	29	-4	26	17	25	21
Finance, Insurance and Real Estate	9	5	15	10	8	8
Professional and Business Services	73	64	93	77	61	49
Education and Health Services	28	46	31	35	28	31
Leisure and Hospitality	43	38	63	48	39	32
Government	-11	-16	13	-5	-7	-7
Avg. Hourly Earnings: Total Private*	0.2%	0.0%	0.2%	1.5%	2.5%	1.9%
Avg. Weekly Hours: Total Private	34.4	34.6	34.5	34.5	34.5	34.4
Index of Aggregate Weekly Hours: Total Private*	-0.4%	0.4%	0.5%	2.1%	2.9%	1.7%

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