

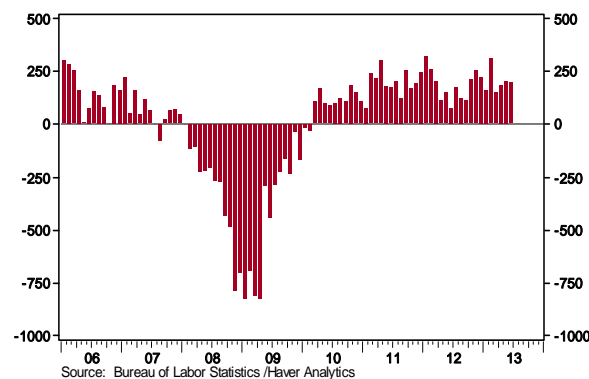
# June Employment Report

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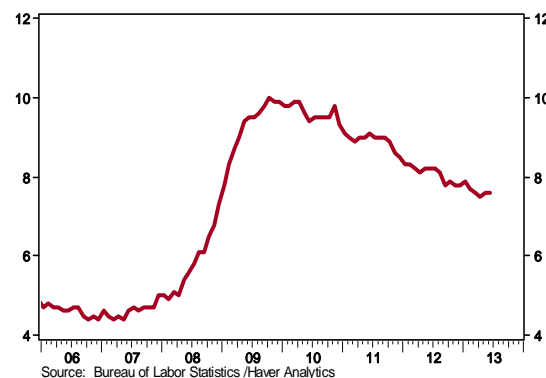
- Non-farm payrolls increased 195,000 in June, beating the consensus expected 165,000. Including revisions to prior months, nonfarm payrolls were up 265,000.
- Private sector payrolls increased 202,000 in June (+262,000 including revisions to prior months), beating the consensus expected 175,000. The largest gains were for restaurants & bars (+52,000), retail (+37,000), and administrative (+36,000, including temps). Government payrolls declined 7,000.
- The unemployment rate remained at 7.6% (7.557% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – were up 0.4% in June and are up 2.2% from a year ago.

**Implications:** Very good report on improvement in the labor market, with job growth and wage growth both beating consensus expectations. Nonfarm payrolls increased 195,000 in June and were up 265,000 including revisions to prior months. Government payrolls are still shrinking, so all of the gains were in the private sector. The labor market once again forcefully rejected the theory that the sequester is hurting the economy. Since the sequester went into effect, nonfarm payrolls are up an average of 183,000 per month versus 132,000 for the same four months (March – June) a year ago. Although the unemployment rate stayed at 7.6%, the “unrounded” figure was 7.557% (so, very close to a 7.5% headline). Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 160,000, while the labor force was up 177,000. Total hours worked were up 0.2% in June, revised up for May, and up 2.5% in the past year. In combination with a 2.2% gain in average hourly earnings in the past year, total cash earnings are up 4.7%. After adjusting for inflation, these earnings are still up 3%+ from a year ago. In other words, workers are generating more purchasing power, consistent with our view that consumer spending will accelerate over the next couple of years. Another positive detail in the report was that the share of voluntary job leavers among the unemployed hit 8.8%, the highest since 2008. A higher share of job leavers shows workers are getting more confident about future of the labor market. The negative details were that the household survey, which generates the civilian employment numbers, says all of June’s job gains were among those age 20-24 (particularly women) and for part-timers. It also showed that the job gains were concentrated among multiple job holders. Given the volatility in these data series, we would not put too much emphasis on one month’s worth of data. However, it’s consistent with the large payroll gains for retail as well as restaurants & bars and probably shows some firms who would be hiring full-timers are hiring part-timers to avoid Obamacare. The big financial market question is how the Federal Reserve reacts to today’s report. We think the numbers support the case that it will announce a tapering of its asset purchases in September. Obviously, the labor market is far from perfect. What’s holding us back is the huge increase in government, particularly transfer payments, 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, %



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Jun-13</b>	<b>May-13</b>	<b>Apr-13</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>7.6</b>	7.6	7.5	7.6	7.7	7.8
<b>Civilian Employment (monthly change in thousands)</b>	<b>160</b>	319	293	257	104	125
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>195</b>	195	199	196	202	191
<b>Construction</b>	<b>13</b>	7	-7	4	17	16
<b>Manufacturing</b>	<b>-6</b>	-7	-7	-7	2	2
<b>Retail Trade</b>	<b>37</b>	27	22	29	22	25
<b>Finance, Insurance and Real Estate</b>	<b>17</b>	6	14	12	11	9
<b>Professional and Business Services</b>	<b>53</b>	65	69	62	64	52
<b>Education and Health Services</b>	<b>13</b>	23	36	24	28	31
<b>Leisure and Hospitality</b>	<b>75</b>	69	60	68	55	43
<b>Government</b>	<b>-7</b>	-12	11	-3	-4	-5
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	0.1%	0.3%	3.1%	2.2%	2.2%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.5	34.5	34.5	34.5	34.5
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	0.2%	-0.1%	1.2%	2.3%	2.5%

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