

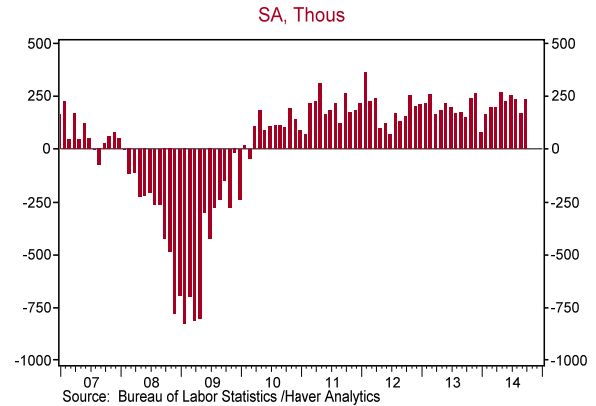
# September Employment Report

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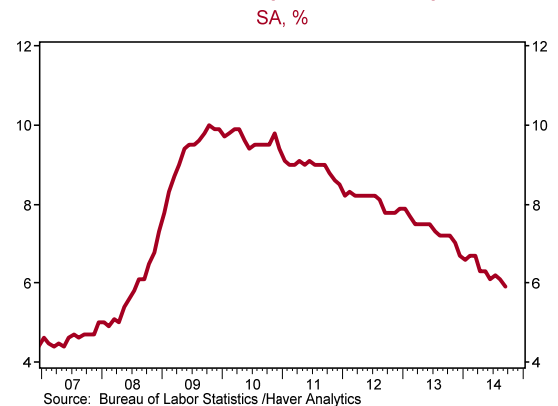
- Nonfarm payrolls increased 248,000 in September (317,000 including upward revisions to prior months), beating the consensus expected 215,000.
- Private sector payrolls increased 236,000 in September. Including revisions to prior months, private payrolls increased 303,000. The largest gains were for administrative & support services (+59,000, including temps), retail (+35,000), education & health care (+32,000), and restaurants & bars (+20,000). Manufacturing increased 4,000 while government rose 12,000.
- The unemployment rate dropped to 5.9% in September from 6.1% in August.
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – were unchanged in September but up 2.0% versus a year ago.

**Implications:** The labor market keeps getting better: more jobs, more hours and more total pay. Payroll growth rebounded sharply in September, growing 248,000. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 232,000. In addition, as we predicted last month, payroll growth was revised up for August, following the pattern of the past several years. Just as important, the number of weekly hours per worker ticked up to 34.6 in September, a new high so far for the recovery. That slight gain in hours per worker might not seem like much, but each 0.1 hour is the equivalent of about 340,000 jobs. As a result of both payroll gains and more hours per worker, the total number of hours worked increased 0.5% in September and are up 2.6% in the past year. So even though wages per hour were unchanged in September and up a tepid 2% from a year ago, total cash earnings are up 4.6% from last ago, which means growing purchasing power for consumers. Other than solid payroll growth, the other major headline from today's report will be the drop in the unemployment rate to 5.9%. Much of the drop was due to the increase in jobs, but it was also due to a 97,000 decline in the labor force. The drop in the labor force pushed the participation rate down to 62.7%, a brand new low since the late 1970s. The survey on the labor force is volatile from month to month, so it's important to look at longer term trends. In the past year, the labor force is up 389,000 while civilian employment is up 2.3 million, driving the jobless rate down to 5.9% from 7.2% a year ago. We had been thinking the participation rate would level off this year, but a recent Fed study suggests the aging of the Baby Boomers will keep putting downward pressure on participation and, at least this month, that study looks prescient. The big question is what the Federal Reserve will make of all of this. Some analysts are looking for the Fed to remove the "considerable time" commitment for a low federal funds rate at the next meeting. That's possible, but tough to envision without a press conference after the October meeting. The better bet is altering the language on "significant underutilization of labor market resources." Either way, we still expect rate hikes to start in the first half of next year. In the past year, nonfarm payrolls are up 220,000 per month while civilian employment is up 194,000 per month. Expect job growth to continue at a similar pace or faster in the year ahead. Along with falling unemployment and a low participation rate, wage growth should start to pick up as well.

**Change in Total Private Payrolls**



**Civilian Unemployment Rate: 16 yr +**



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	Sep-14	Aug-14	Jul-14	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>5.9</b>	6.1	6.2	6.1	6.2	6.5
<b>Civilian Employment (monthly change in thousands)</b>	<b>232</b>	16	131	126	143	194
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>248</b>	180	243	224	245	220
<b>Construction</b>	<b>16</b>	16	30	21	19	19
<b>Manufacturing</b>	<b>4</b>	-4	24	8	12	13
<b>Retail Trade</b>	<b>35</b>	-5	25	19	24	22
<b>Finance, Insurance and Real Estate</b>	<b>12</b>	12	15	13	13	7
<b>Professional and Business Services</b>	<b>81</b>	63	50	65	66	59
<b>Education and Health Services</b>	<b>32</b>	42	37	37	42	33
<b>Leisure and Hospitality</b>	<b>33</b>	20	10	21	27	31
<b>Government</b>	<b>12</b>	5	4	7	9	4
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.0%</b>	0.3%	0.0%	1.3%	1.7%	2.0%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.6</b>	34.5	34.5	34.5	34.5	34.5
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.5%</b>	0.2%	0.2%	3.6%	3.2%	2.6%

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