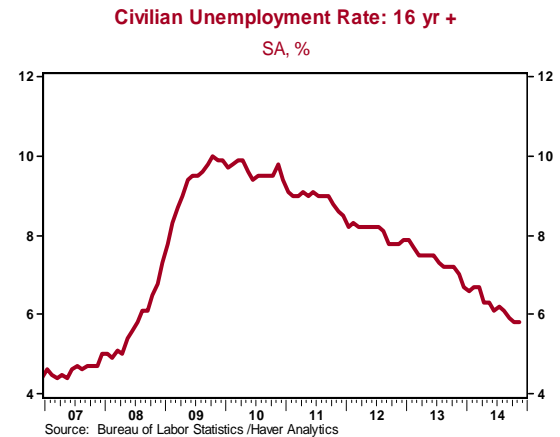
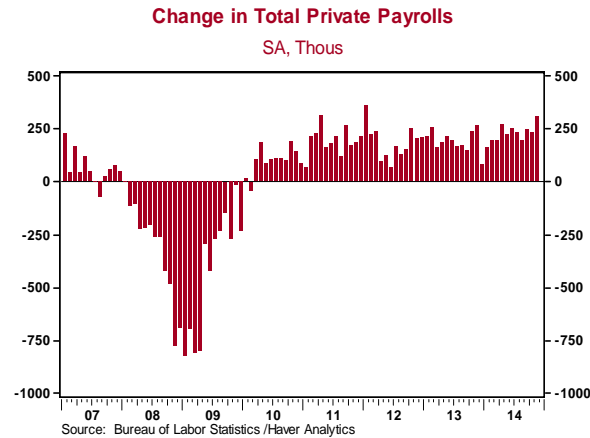


November Employment Report

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- Nonfarm payrolls increased 321,000 in November (365,000 including upward revisions to prior months), versus a consensus expected 230,000.
- Private sector payrolls increased 314,000 in November. Including revisions to prior months, private payrolls increased 346,000. The largest gains were for professional & business services (+86,000, including temps), retail (+50,000), health care (+29,000), manufacturing (+28,000), and restaurants & bars (+27,000). Government payrolls rose 7,000.
- The unemployment rate remained at 5.8%.
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – were up 0.4% in November and are up 2.1% versus a year ago.

Implications: Dynamite report on the direction of the labor market. Not only were the headlines very good, but the details were strong as well, including higher wages, shorter job searches for unemployed workers, and more workers quitting their jobs confident they'll be able to find a better one. Nonfarm payrolls grew 321,000 in November, easily beating the consensus expected 230,000 and higher than any forecast from any economics group. Payrolls grew in every major sector and exceeded 200,000 for the 10th straight month. Although civilian employment, an alternative measure of jobs that includes small-business start-ups, rose only 4,000, the number missing work due to bad weather was 153,000 compared to an average of 81,000 in the past twenty Novembers, so we expect a better number next month. Also, civilian employment is very volatile from month to month and was up 683,000 in October. The unemployment rate remained at 5.8% as the labor force expanded 119,000 and the labor force participation rate remained at 62.8%. The participation rate is the same as the average for the past eight months, suggesting it's (finally) leveling off. The details, however, are what make this report so strong. First, the median number of weeks of unemployment fell to 12.8, the lowest so far in the recovery. Second, the share of quitters among the unemployed increased to 9.1%. This indicator is important as Fed Chair Yellen has used it in the past as a sign of worker confidence. Third, and perhaps most important, was a 0.4% increase in average hourly wages, the largest gain in 17 months. Some analysts have been saying the Fed needs to see faster wage growth before it starts raising short-term rates. Well, there they go. Combined with a 0.6% increase in total hours, total cash earnings were up 1% in November, the most for any month since 2006, and are up 4.8% versus a year ago. These gains are much faster than the roughly 1.5% increase in consumer prices and show growing consumer purchasing power. Despite modest inflation, the growing strength in the labor market supports our forecast that the Fed will start raising short-term rates in the first half of next year. At the December meeting in two weeks, look for the Fed to remove the "considerable time" language in its statement (regarding how long it will keep short-term rates near zero). Although the labor market is far from fully healed, those pre-disposed to gripe about it are finding it harder and harder to find data to complain about. Better policies would certainly have resulted in faster job growth the past several years. But nonfarm payrolls are up 228,000 per month in the past year and we expect more job growth, less unemployment, and faster wage growth in the year ahead.



Employment Report <i>All Data Seasonally Adjusted</i>	Nov-14	Oct-14	Sep-14	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.8	5.8	5.9	5.8	6.0	6.3
Civilian Employment (monthly change in thousands)	4	683	232	306	246	237
Nonfarm Payrolls (monthly change in thousands)	321	243	271	278	258	228
Construction	20	7	18	15	17	18
Manufacturing	28	20	12	20	18	14
Retail Trade	50	34	40	41	30	24
Finance, Insurance and Real Estate	20	6	14	13	14	10
Professional and Business Services	86	52	66	68	62	58
Education and Health Services	38	37	35	37	41	36
Leisure and Hospitality	32	55	47	45	32	31
Government	7	7	22	12	8	6
Avg. Hourly Earnings: Total Private*	0.4%	0.1%	0.0%	2.0%	2.3%	2.1%
Avg. Weekly Hours: Total Private	34.6	34.5	34.5	34.5	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.6%	0.2%	0.2%	4.0%	3.2%	2.6%

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