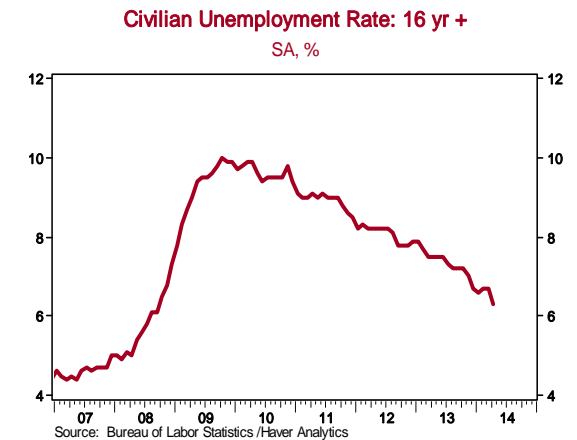
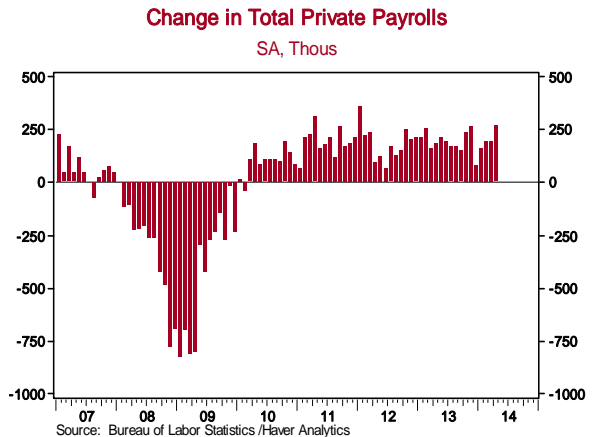


# April Employment Report

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- Nonfarm payrolls increased 288,000 in April, beating the consensus expected 218,000. Including revisions to prior months, nonfarm payrolls increased 324,000.
- Private sector payrolls increased 273,000 in April. Including revisions to prior months, private payrolls increased 296,000. The largest gains were for professional & business services (+75,000, including temps), education & health care (+40,000), and construction (+32,000). Manufacturing increased 12,000. Government payrolls rose 15,000.
- The unemployment rate dropped to 6.3% (6.275% unrounded) from 6.7% (6.712% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – were unchanged in April but up 1.9% from a year ago.

**Implications:** Great headlines about the direction of the labor market, but the details of today’s employment report were not as strong. Nonfarm payrolls increased 288,000 in April, the largest gain in more than two years. However, we think some of the gain is payback for harsh winter weather and unusually slow job gains back in December/January. Nonfarm payrolls are up 197,000 per month in the past year and we think the underlying trend is a little faster than that pace. The other piece of good news was that the unemployment rate dropped to 6.3%, well below where even the most optimistic forecasters were predicting. The jobless rate among college grads is only 3.3%. But the drop in the jobless rate was mostly due to an 806,000 drop in the labor force, which pushed the participation rate down to 62.8%, tying the lowest level since 1978. Civilian employment, an alternative measure of jobs that includes small business start-ups, declined 73,000 in April. That employment survey, which is volatile from month to month, showed a solid gain in full-time jobs, but a large decline in part-time work. We also think the end of extended unemployment benefits at the start of the year explains some of the drop in the jobless rate. Extended benefits kept some people from working and also kept others, who really didn’t intend to look for work, in the labor force (they had to claim they were looking to keep getting benefits). So the end of extended benefits should push down the jobless rate by both encouraging work among those who want to work and discouraging participation among those who really don’t want to work. The worst news in today’s report was a second straight month of zero gains in average hourly earnings, which are now up only 1.9% versus a year ago. However, total hours of work increased 0.3% in April and are up 2.4% in the past year. So, total cash earnings are up 4.4% versus a year ago, providing plenty of fuel for consumer spending. As we always remind our readers, the labor market could and would be doing better with a better set of public policies. But it’s still improving. In the past year nonfarm payrolls have grown at an average monthly rate of 197,000 while civilian employment is up 166,000 per month. We expect continued Plow Horse gains in the months ahead. In other recent news, sales of autos and light trucks declined 2.2% in April to a 16.0 million annual rate. That’s still 5.6% above a year ago and we expect gains to continue over the next couple of years.



Employment Report <i>All Data Seasonally Adjusted</i>	Apr-14	Mar-14	Feb-14	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>6.3</b>	6.7	6.7	6.6	6.7	7.0
<b>Civilian Employment (monthly change in thousands)</b>	<b>-73</b>	476	42	148	364	166
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>288</b>	203	222	238	203	197
<b>Construction</b>	<b>32</b>	17	24	24	23	16
<b>Manufacturing</b>	<b>12</b>	7	20	13	15	8
<b>Retail Trade</b>	<b>35</b>	25	-6	18	18	27
<b>Finance, Insurance and Real Estate</b>	<b>6</b>	0	10	5	2	4
<b>Professional and Business Services</b>	<b>75</b>	52	82	70	58	56
<b>Education and Health Services</b>	<b>40</b>	37	32	36	26	27
<b>Leisure and Hospitality</b>	<b>28</b>	34	35	32	30	34
<b>Government</b>	<b>15</b>	1	21	12	3	-1
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.0%</b>	0.1%	0.3%	1.5%	1.8%	1.9%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.5	34.3	34.4	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.3%</b>	0.7%	-0.1%	3.7%	2.6%	2.4%

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