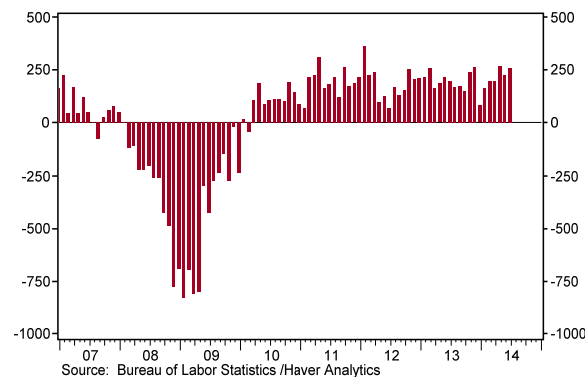


# June Employment Report

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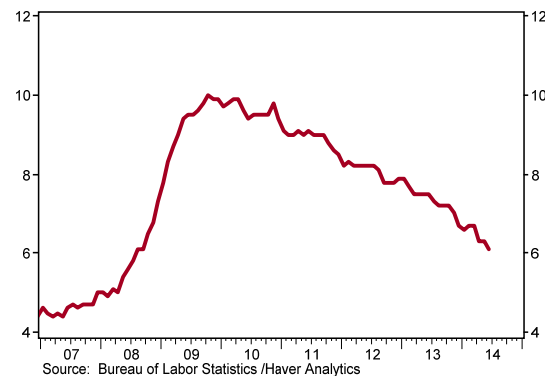
- Nonfarm payrolls increased 288,000 in June, easily beating the consensus expected 215,000. Including revisions to prior months, nonfarm payrolls increased 317,000.
- Private sector payrolls increased 262,000 in June. Including revisions to prior months, private payrolls increased 278,000. The largest gains were for professional & business services (+67,000, including temps), retail (+40,000), health care & social services (+34,000), and restaurants/bars (+33,000). Manufacturing increased 16,000. Government payrolls rose 26,000.
- The unemployment rate declined to 6.1% in June from 6.3% in May.
- Average weekly earnings – cash earnings, excluding benefits – increased 0.2% in June and are up 2.0% versus a year ago.

**Change in Total Private Payrolls**  
SA, Thous



**Implications:** Looks like the labor market started its fireworks a little early. Payrolls grew 288,000 in June, the 5<sup>th</sup> straight month above 200,000. So far this year, payrolls have grown 231,000 per month, the fastest first half since 1999. The other good news was the decline in the unemployment rate to 6.1%, the lowest since September 2008. To put this in perspective, the Federal Reserve’s most recent economic forecast had the jobless rate at 6.1% near the end of the year, not the middle. The primary reason for the decline in the unemployment rate was a 407,000 gain in civilian employment, an alternative measure of jobs that includes small business start-ups. One note of caution, however, is that the labor force only increased 81,000 in June and is down 128,000 from a year ago. As a result, the labor force participation rate remains mired at 62.8%, tied for the lowest since 1978. The long-term downward trend in participation since 2000 is tied to the aging of the Baby Boom generation. But the end of extended unemployment insurance at the start of the year is also having an impact. Extended benefits kept some people from working and also kept others, who really didn’t intend to work, in the labor force (so they could keep getting benefits). The end of extended benefits should push down the jobless rate by both encouraging work among those who really want work and discouraging participation among those who really don’t. And, since the start of the year, we’ve had both faster payroll growth and a decline in the participation rate. Further supporting the case that ending extended benefits has helped: so far this year the median duration of unemployment has dropped to 13.1 weeks from 17.1 weeks, the steepest drop for any six months on record. It’s hard to see the Fed not becoming more hawkish (or at least less dovish) after today’s report. The share of voluntary job leavers among the unemployed increased to 9%, the highest level since 2008. In the past, Fed Chair Yellen has said a higher share of leavers shows confidence in the labor market. Meanwhile, total hours worked and average hourly earnings were again up 0.2% each in June. Combined, this measure of total cash wages is up 4.1% in the past year, more than enough to fuel continued increases in consumer spending. In the past year nonfarm payrolls have grown at an average monthly rate of 208,000 while civilian employment is up 179,000 per month. Look for more solid jobs reports in the months ahead.

**Civilian Unemployment Rate: 16 yr +**  
SA, %



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Jun-14</b>	<b>May-14</b>	<b>Apr-14</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>6.1</b>	6.3	6.3	6.2	6.5	6.8
<b>Civilian Employment (monthly change in thousands)</b>	<b>407</b>	145	-73	160	273	179
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>288</b>	224	304	272	231	208
<b>Construction</b>	<b>6</b>	9	36	17	23	16
<b>Manufacturing</b>	<b>16</b>	11	9	12	11	11
<b>Retail Trade</b>	<b>40</b>	11	43	31	16	26
<b>Finance, Insurance and Real Estate</b>	<b>17</b>	8	9	11	7	5
<b>Professional and Business Services</b>	<b>67</b>	58	72	66	63	54
<b>Education and Health Services</b>	<b>38</b>	62	32	44	37	32
<b>Leisure and Hospitality</b>	<b>39</b>	45	32	39	35	33
<b>Government</b>	<b>26</b>	0	26	17	9	5
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.2%</b>	0.2%	0.0%	2.2%	2.3%	2.0%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.5</b>	34.5	34.5	34.5	34.5	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	0.2%	0.3%	2.8%	3.5%	2.1%

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