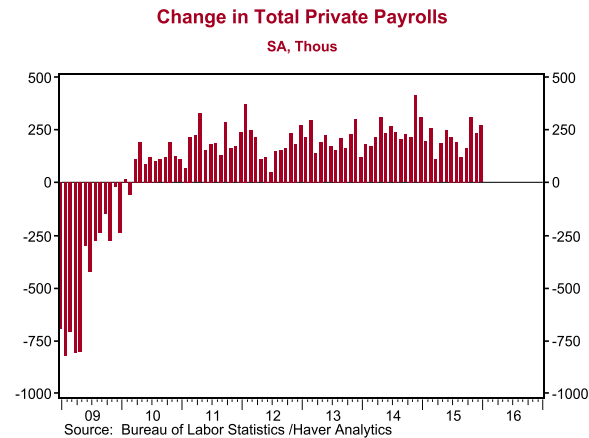


December Employment Report

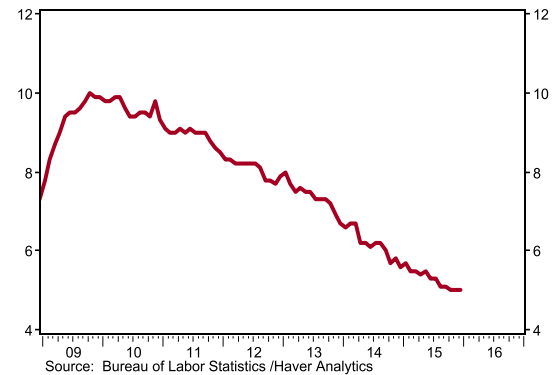
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- Nonfarm payrolls increased 292,000 in December, easily beating the consensus expected 200,000. Including revisions to prior months, nonfarm payrolls increased 342,000.
- Private sector payrolls increased 275,000 in December, while September and October were revised up a combined 51,000. The largest gains in December were for administrative & support services (+58,000, including temps), health care & social assistance (+53,000), construction (+45,000), and restaurants/bars (+37,000). Manufacturing payrolls rose 8,000 while government rose 17,000.
- The unemployment rate remained at 5.0% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – were unchanged in December but are up 2.5% versus a year ago.



Implications: You can't keep the Plow Horse economy down. Employers added 292,000 to payrolls in December, easily beating even the most optimistic forecast from any economics group, while payrolls were revised up for October and November as well. Meanwhile, civilian employment, an alternative measure of jobs that includes small business start-ups, grew 485,000. The weather was a positive factor in December, but not that much. In the past ten years, on average, 182,000 workers have said they couldn't work in December due to weather. This year the figure was 125,000. So the weather added about 57,000 to civilian employment last month. But even adjusting for this effect, jobs came in above expectations. Meanwhile, the labor force grew 466,000 in December and was up 113,000 per month in 2015. The increase in the labor force in December meant that the jobless rate remained at 5.0% despite the large gains in jobs. In 2016, we expect more gains in the labor force, which means that although job creation will remain robust, the unemployment rate will decline at a slower pace than it has the past several years. Although some will highlight that average hourly wages were unchanged in December, wages were up 2.5% in 2015, the fastest 12-month pace so far in the recovery. (Remember, this measure excludes irregular bonuses/commissions and fringe benefits, and given rising health care costs is probably understating the growth in employment costs.) This is why the Federal Reserve is still likely to raise rates about four times this year, a quarter percentage point each time. Total hours worked were up 1.9% in 2015 and total wages up 4.4%, more than enough to support further increases in consumer spending. Other strong details in today's report was that the median duration of unemployment fell to 10.5 weeks, the lowest since 2008, while the share of voluntary job leavers among the unemployed tied the highest since the recession ended. In the past, Fed Chair Yellen has said the share of leavers is a sign of strength in the labor market. The weakest detail was the U-6 unemployment rate, which some call "true" unemployment because it includes discouraged workers and part-timers who say they want full-time work, remained at 9.9%. However, the U-6 rate was 11.2% a year ago and peaked at 17.1% in 2009-10, so even the U-6 rate is down substantially. The bottom line is the trend in job growth remains north of 200,000 and should expand more than 2.5 million in 2016.

Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-15	Nov-15	Oct-15	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.0	5.0	5.0	5.0	5.1	5.3
Civilian Employment (monthly change in thousands)	485	247	255	329	201	180
Nonfarm Payrolls (monthly change in thousands)	292	252	307	284	229	221
Construction	45	48	35	43	27	22
Manufacturing	8	2	3	4	-1	3
Retail Trade	4	32	25	20	17	23
Finance, Insurance and Real Estate	11	15	11	12	12	12
Professional and Business Services	73	21	94	63	49	50
Education and Health Services	59	50	73	61	56	55
Leisure and Hospitality	29	47	48	41	41	35
Government	17	12	-5	8	10	8
Avg. Hourly Earnings: Total Private*	0.0%	0.2%	0.3%	1.9%	2.3%	2.5%
Avg. Weekly Hours: Total Private	34.5	34.5	34.6	34.5	34.6	34.5
Index of Aggregate Weekly Hours: Total Private*	0.3%	-0.1%	0.6%	3.1%	2.3%	1.9%

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