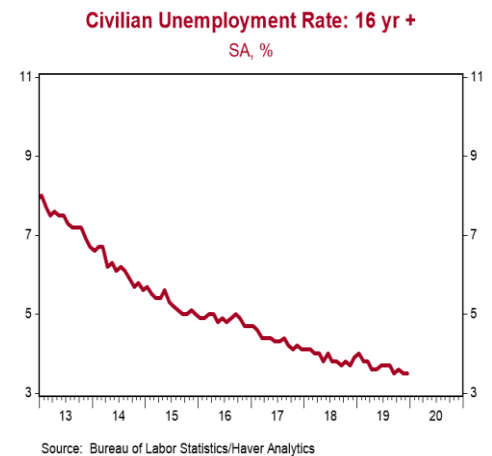
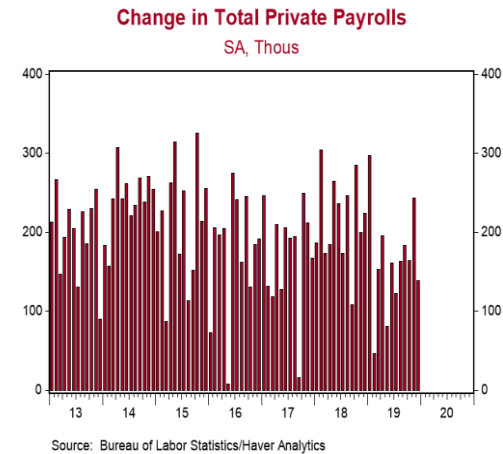


December Employment Report

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- Nonfarm payrolls rose 145,000 in December, narrowly lagging the consensus expected 160,000. Including revisions to October/November, nonfarm payrolls were up 131,000.
- Private sector payrolls rose 139,000 in December, while revisions to the two prior months subtracted 10,000. The largest increases in December were for retail (+41,000), leisure & hospitality (+40,000), health care & social assistance (+36,000), and construction (+20,000). Government increased 6,000 while manufacturing declined 12,000.
- The unemployment rate remained at 3.5% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in December and are up 2.9% versus a year ago.

Implications: The job market keeps chugging along. Nonfarm payrolls increased 145,000 in December, slightly slower than the consensus expected 160,000. However, civilian employment, an alternative measure of jobs that includes small-business start-ups, grew 267,000. In the past year, these two measures of jobs have been very close, on average, with payrolls up 176,000 per month while civilian employment has grown 165,000 per month. Look for faster job growth in the next few months as the government ramps up temporary hiring for the once-in-a-decade Census. The unemployment rate remained at 3.5% in December, but the U-6 measure of unemployment, which includes discouraged workers and part-timers seeking full-time jobs, fell to 6.7%, a record low (data go back to 1994), even lower than at the peak of the first internet boom in 2000. The weakest part of today’s report is that average hourly earnings grew only 0.1% in December and are up 2.9% from a year ago, which is slower than the 3.3% gain the twelve months ending in December 2018. However, wage gains are still beating inflation and we expect the tight labor market to generate a re-acceleration of wage growth in 2020. Even with the recent slowdown in the growth of average hourly earnings, total earnings by all private-sector workers combined are up 3.8% in the past year, which is enough to keep pushing consumer spending higher. Notably, labor force participation among “prime-age” workers (25-54) hit 82.9% in December, the highest level since 2009. Overall, the report bolsters the case that the Federal Reserve will not cut short-term interest rates in 2020. Look for another healthy year for the labor market, with the jobless rate dropping to 3.2% by year end, the lowest since the Korean War.



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-19	Nov-19	Oct-19	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	3.5	3.5	3.6	3.5	3.6	3.7
Civilian Employment (monthly change in thousands)	267	-8	246	168	276	165
Nonfarm Payrolls (monthly change in thousands)	145	256	152	184	189	176
Construction	20	2	14	12	8	13
Manufacturing	-12	58	-45	0	2	4
Retail Trade	41	-14	31	19	11	1
Finance, Insurance and Real Estate	6	14	16	12	13	10
Professional and Business Services	10	53	35	33	33	33
Education and Health Services	36	72	31	46	56	54
Leisure and Hospitality	40	38	70	49	40	32
Government	6	13	-12	2	20	13
Avg. Hourly Earnings: Total Private*	0.1%	0.3%	0.3%	2.9%	3.0%	2.9%
Avg. Weekly Hours: Total Private	34.3	34.3	34.3	34.3	34.3	34.4
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.2%	-0.1%	0.7%	1.1%	0.9%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized