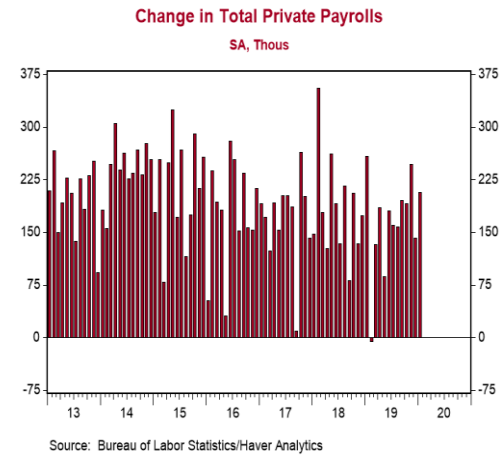


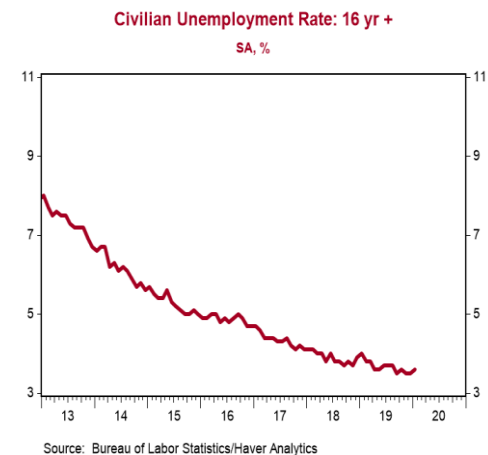
January Employment Report

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- Nonfarm payrolls rose 225,000 in January, beating the consensus expected 165,000. Including revisions to November/December, nonfarm payrolls were up 232,000.
- Private sector payrolls rose 206,000 in January, while revisions to the two prior months added 7,000. The largest increases in January were for education & health services (+72,000), construction (+44,000), leisure & hospitality (+36,000), and transportation & warehousing (+28,000). Government increased 19,000 while manufacturing declined 12,000.
- The unemployment rate ticked up to 3.6% in January from 3.5% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in January and are up 3.1% versus a year ago.



Implications: A solid report on the labor market for January; not quite as strong as the big headline, but strong nonetheless. Nonfarm payrolls rose 225,000 in January, beating the consensus expected 165,000 and were higher than the forecast from any economics group. Some are saying the gain was due to unusually mild weather in January throughout much of the country. But the government keeps track of the number of people who miss work due to weather each month and fewer people missed work due to weather back in January 2015, when overall payrolls rose only 191,000 (smaller than the gain this January), so weather is likely only a small part of the explanation for strong payrolls. However, civilian employment, an alternative measure of jobs that includes small-business start-ups, declined 89,000. As a result of the decline in civilian employment the jobless rate ticked up to 3.6%. Don't get us wrong: today's report is good news overall, but the top-line increase in nonfarm payrolls isn't going to happen every month. Looking at the past year, nonfarm payrolls have averaged an increase of 171,000 per month while civilian employment has averaged a gain of 174,000, both solid figures but closer to the underlying trend than the 225,000 gain in payrolls. Perhaps the best news in today's report was that the labor force participation rate (the share of adults who are either working or looking for work) increased to 63.4%, the highest since early 2013. Participation among "prime-age" adults (25 to 54), hit 83.1%, the highest since the Lehman Brothers bankruptcy in 2008. The share of adults who are employed hit 61.2%, also the highest since 2008. Meanwhile, workers' purchasing power continues to grow. Average hourly earnings grew 0.2% in January and are up 3.1% from a year ago. Total hours worked grew 0.2% in January and are up 0.9% from a year ago. As a result, total earnings by all private-sector workers combined are up 4.1% in the past year. Today's report pushes back against market expectations that the Federal Reserve will cut short-term rates later this year. Monetary policy isn't tight and we don't need lower rates.



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-20	Dec-19	Nov-19	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	3.6	3.5	3.5	3.5	3.6	3.6
Civilian Employment (monthly change in thousands)	-89	267	-8	57	228	174
Nonfarm Payrolls (monthly change in thousands)	225	147	261	211	206	171
Construction	44	11	-2	18	15	12
Manufacturing	-12	-5	58	14	1	2
Retail Trade	-8	45	-14	8	9	-2
Finance, Insurance and Real Estate	-1	5	12	5	9	11
Professional and Business Services	21	14	37	24	30	33
Education and Health Services	72	22	73	56	54	53
Leisure and Hospitality	36	36	43	38	48	27
Government	19	5	14	13	16	15
Avg. Hourly Earnings: Total Private*	0.2%	0.1%	0.4%	2.9%	2.8%	3.1%
Avg. Weekly Hours: Total Private	34.3	34.3	34.3	34.3	34.4	34.4
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.1%	-0.1%	0.7%	1.8%	0.9%

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

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