

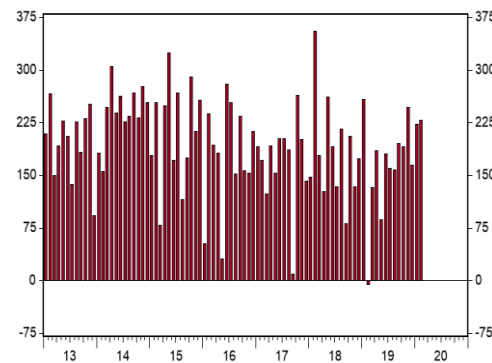
February Employment Report

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- Nonfarm payrolls rose 273,000 in February, easily beating the consensus expected 175,000. Including revisions to December/January, nonfarm payrolls were up 358,000.
- Private sector payrolls rose 228,000 in February, while revisions to the two prior months added 38,000. The largest increases in February were for health care & social assistance (+57,000), restaurants & bars (+53,000), and construction (+42,000). Government increased 45,000 while manufacturing rose 15,000.
- The unemployment rate ticked down to 3.5% in February from 3.6% in January.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in February and are up 3.0% versus a year ago.

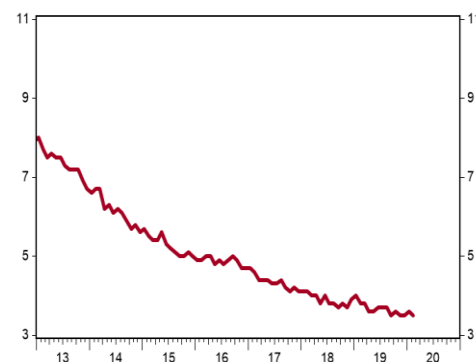
Implications: A couple of weeks ago, the stock market was hitting record highs and investors were optimistic about the fundamentals of the economy. Today’s news on the job market shows the confidence investors had before recent news about the Coronavirus was justified by the data. Obviously, the Coronavirus has had a large effect on the financial markets and is likely to have some effect on the economy as well; not a recession, but, temporarily, modestly slower growth. Once it passes– and it will – we expect a return to the recent pre-Coronavirus trend, and that trend is solid. Nonfarm payrolls increased 273,000 in February, easily beating consensus expectations, and higher than the forecast from any economics group. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 45,000. In the past year, payrolls are up 201,000 per month, while civilian employment is up 158,000 per month. The underlying trend, pre-virus, is somewhere in-between. The most negative news in today’s report was that the labor force declined 60,000 in February. Still, the labor force is up 1.5 million versus a year ago, and the participation rate is tied for the highest level since 2013. Between the jobs added and the labor force decline, the unemployment rate ticked down to 3.5% in February, tying the lowest level since 1969. Meanwhile, workers’ purchasing power continues to grow. Average hourly earnings grew 0.3% in February and are up 3.0% from a year ago. Total hours worked grew 0.5% in February and are up 1.7% from a year ago. As a result, total earnings by all private-sector workers are up 4.8% in the past year. We expect the Federal Reserve will continue to react to news about the Coronavirus by cutting rates an additional 50 basis points at the meeting on March 18. The problem is that, when the virus passes, the Fed is likely to remove that extra accommodation very slowly, and probably not at all in 2020. In other recent news on the labor market, new claims for unemployment insurance declined 3,000 last week to 216,000. Continuing claims rose 7,000 to 1.729 million. These are consistent with continued growth in jobs beyond when the February jobs data were collected.

Change in Total Private Payrolls
SA, Thous



Source: Bureau of Labor Statistics/Haver Analytics

Civilian Unemployment Rate: 16 yr +
SA, %



Source: Bureau of Labor Statistics/Haver Analytics

Employment Report <i>All Data Seasonally Adjusted</i>	Feb-20	Jan-20	Dec-19	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	3.5	3.6	3.5	3.5	3.5	3.6
Civilian Employment (monthly change in thousands)	45	-89	267	74	144	158
Nonfarm Payrolls (monthly change in thousands)	273	273	184	243	231	201
Construction	42	49	16	36	23	19
Manufacturing	15	-20	-2	-2	2	3
Retail Trade	-7	-6	41	10	8	-1
Finance, Insurance and Real Estate	26	10	10	15	14	13
Professional and Business Services	41	25	22	29	32	34
Education and Health Services	54	72	29	52	55	56
Leisure and Hospitality	51	38	40	43	51	33
Government	45	51	20	39	23	22
Avg. Hourly Earnings: Total Private*	0.3%	0.2%	0.1%	2.6%	2.6%	3.0%
Avg. Weekly Hours: Total Private	34.4	34.3	34.3	34.3	34.4	34.4
Index of Aggregate Weekly Hours: Total Private*	0.5%	0.1%	0.2%	3.3%	2.0%	1.7%

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