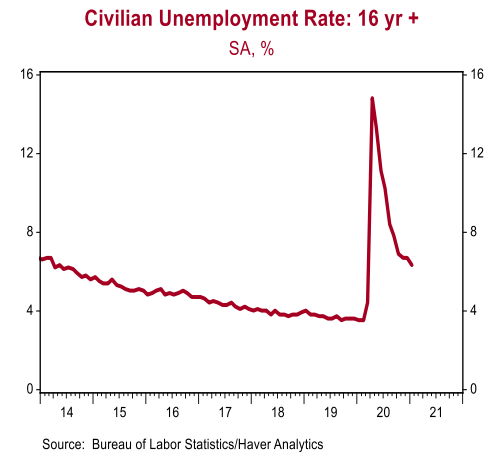
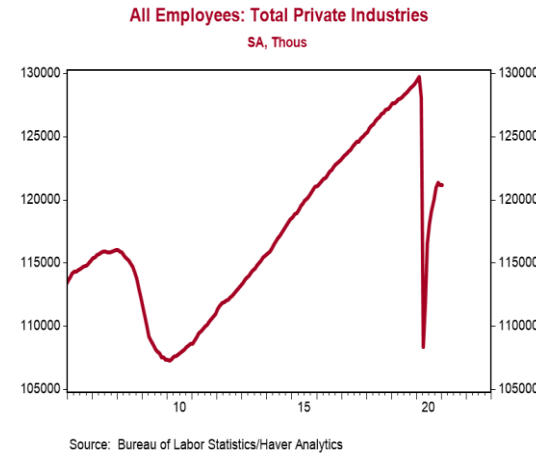


January Employment Report

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- Nonfarm payrolls increased 49,000 in January, lagging the consensus expected 105,000.
- Private sector payrolls rose 6,000 in January. The largest increases were for professional & business services (+97,000, including temps) and education (+34,000). The largest declines were for leisure & hospitality (-61,000), retail (-38,000), health care (-30,000), and transportation & warehousing (-28,000). Manufacturing declined 10,000 while government rose 43,000.
- The unemployment rate fell to 6.3% in January from 6.7% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in January and are up 5.4% versus a year ago. Aggregate hours worked increased 0.9% in January but are down 4.6% from a year ago.

Implications: The key headline from today’s employment report is that payrolls grew less than expected in January: 49,000 versus a consensus expected 105,000. However, most of the details of the report suggest the job market was stronger than the headline suggests. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 201,000 in January. Even more important: average weekly hours rose to 35.0 in January versus 34.7 in December. This is the highest level since recording began back in 2006, and the increase in hours is the equivalent of about one million jobs. In other words, had employers not increased hours per worker in January, it would have taken an additional one million workers to generate the same increase in total hours worked. This means the demand for labor is strong and should translate into large increases in jobs in the next several months as the number of hours worked per worker reverts to more normal levels. Another strong detail is that average hourly earnings rose 0.2% in January and are now up 5.4% from a year ago. Combined with an increase in total hours worked, total earnings rose 1.1% in January and are up 0.6% from a year ago. Yes, you read that right: total labor-market earnings for all private-sector workers are up versus January 2020, and that’s without including all the extra unemployment benefits and other government checks thrown at the problem. However, not all the details of today’s report were positive. The labor force (people who are either working or looking for work) fell by 406,000, which is one of the reasons the unemployment rate declined to 6.3%. On net, nothing in this report alters our outlook for the labor market in 2021. We project payrolls growing six million this year, while the unemployment falls to around 5.0% by year end. The increase in payrolls would be the largest for any calendar year on record, but still leave us about four million jobs short of where it was immediately prior to COVID-19. The drop in the unemployment rate would leave us about 1.5 percentage points above the low of 3.5% in early 2020. The bottom line is that the labor market is still improving but has much further to go to get back to normal.



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-21	Dec-20	Nov-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.3	6.7	6.7	6.6	7.1	8.3
Civilian Employment (monthly change in thousands)	201	21	140	121	1,042	-719
Nonfarm Payrolls (monthly change in thousands)	49	-227	264	29	511	-800
Construction	-3	42	24	21	33	-19
Manufacturing	-10	31	41	21	30	-48
Retail Trade	-38	135	-2	32	81	-32
Finance, Insurance and Real Estate	8	18	10	12	23	-6
Professional and Business Services	97	156	95	116	155	-66
Education and Health Services	-7	-31	43	2	59	-106
Leisure and Hospitality	-61	-536	10	-196	35	-319
Government	43	-23	-95	-25	-8	-107
Avg. Hourly Earnings: Total Private*	0.2%	1.0%	0.3%	6.1%	4.1%	5.4%
Avg. Weekly Hours: Total Private	35.0	34.7	34.8	34.8	34.8	34.6
Index of Aggregate Weekly Hours: Total Private*	0.9%	-0.5%	0.3%	2.7%	7.8%	-4.6%

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