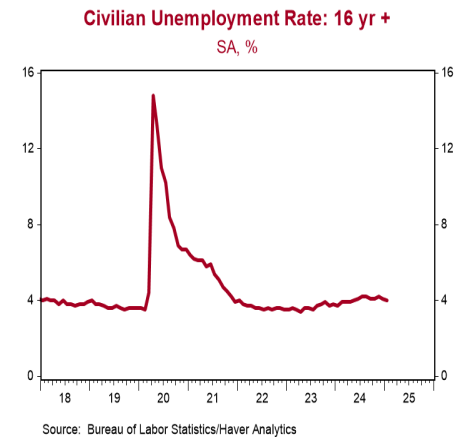
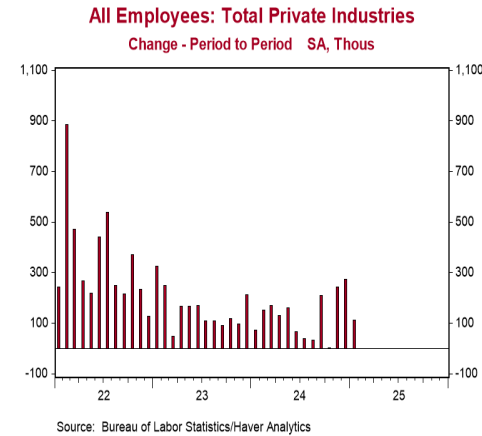


January Employment Report

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- Nonfarm payrolls increased 143,000 in January, lagging the consensus expected 175,000. Payroll gains for November and December were revised up by a total of 100,000, resulting in a net gain, including revisions, of 243,000.
- Private sector payrolls rose 111,000 in January and were revised up by 112,000 in prior months. The largest gains in January were in health care & social assistance (66,000) and retail (34,000). Manufacturing rose 3,000 while government increased 32,000.
- The unemployment rate ticked down to 4.0% in January from 4.1% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.5% in January and are up 4.1% versus a year ago. Aggregate hours declined 0.2% in January but are up 0.9% from a year ago.

Implications: The job market continued to expand at a moderate pace in January, but there were major revisions to prior reports that have a heavy influence on how to see the economy, both to the upside and the down. Nonfarm payrolls rose a moderate 143,000 in January, lagging consensus expectations. However, revisions for November/December added 100,000, bringing the net gain to a robust 243,000. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (that includes COVID lockdowns and re-openings for leisure & hospitality). This “core” measure of jobs rose 53,000 in January, besting the 30,000 monthly average in the past year. The problem is that every year in early February the Labor Department calculates new payroll numbers for the prior year through March and these figures show a 589,000 downward revision for payrolls in March 2024, which means payrolls grew only about 2.4 million in the year ending March 2024 versus a previous estimate of 2.9 million. The other big revision was in the household survey, where the government finally started revising up data based on the massive flow of immigration in the past several years. The civilian noninstitutional population was revised up by 2.9 million, 2.1 million of whom were in the labor force (working or looking for work) and 2.0 million of whom were employed. So, while the household survey shows a gain of 2.2 million in employment in January, 2.0 million of that is just due to a new larger estimate of the US population. The worst news in the report was that total hours worked declined 0.2% in January after declining in December, as well. The best news for workers was that average hourly earnings increased 0.5% in January and are up 4.1% from a year ago, outpacing inflation. The problem is that the Federal Reserve likely wants to see slower growth in wages to be confident about reaching its inflation goal of 2.0%. In turn, that means no rate cuts for at least the next couple of meetings. In other recent news on the job market, unemployment claims rose 11,000 last week to 219,000; continuing claims increased 36,000 to 1.886 million. These figures are consistent with continued job growth in February. In other news, productivity (output per hour) rose at a 1.2% annual rate in Q4, capping a year with moderate 1.6% productivity growth.



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-25	Dec-24	Nov-24	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.0	4.1	4.2	4.1	4.1	4.1
Civilian Employment (monthly change in thousands)	2,234	478	-273	813	446	225
Nonfarm Payrolls (monthly change in thousands)	143	307	261	237	178	168
Construction	4	13	6	8	13	15
Manufacturing	3	-12	20	4	-13	-9
Retail Trade	34	36	-14	19	8	4
Finance, Insurance and Real Estate	7	19	16	14	9	5
Professional and Business Services	-11	31	37	19	-4	-6
Education and Health Services	61	82	73	72	78	80
Leisure and Hospitality	-3	49	54	33	31	22
Government	32	34	17	28	33	36
Avg. Hourly Earnings: Total Private*	0.5%	0.3%	0.4%	4.5%	4.6%	4.1%
Avg. Weekly Hours: Total Private	34.1	34.2	34.3	34.2	34.2	34.3
Index of Aggregate Weekly Hours: Total Private*	-0.2%	-0.1%	0.2%	-0.3%	0.7%	0.9%

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