

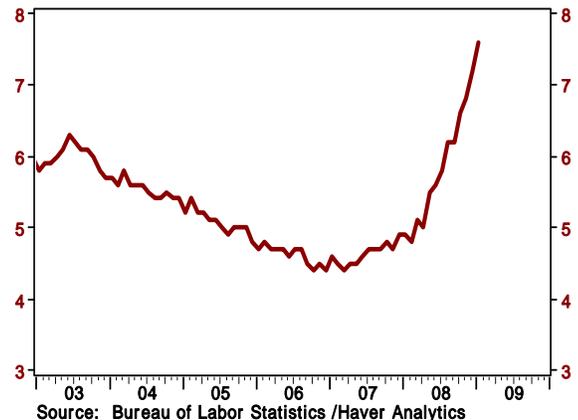
# JANUARY EMPLOYMENT REPORT

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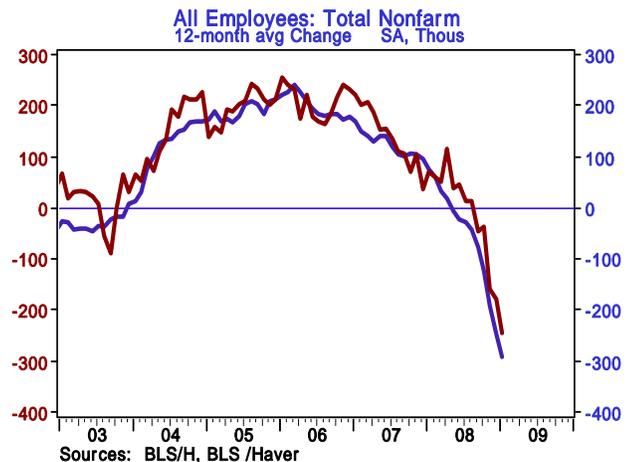
- Non-farm payrolls declined 598,000 in January versus consensus expectations of -540,000, while revisions to November and December subtracted an extra 66,000 jobs.
- Private (non-gov't) payrolls dropped 604,000, with declines in almost all major sectors. The weakest job categories were manufacturing (down 207,000), construction (down 111,000) and employment services – such as temps – (down 89,000). The strongest sector was health and education (up 54,000).
- The jobless rate increased to 7.6% (7.557% unrounded) from 7.2% in November. The consensus had expected 7.5%.
- Average hourly earnings rose 0.3% in January and are up 3.9% versus a year ago, both higher than expected.

**Implications:** The labor market continues to weaken, reflecting the intense economic slowdown of late 2008. Private employers in almost all sectors shed jobs at an intense pace in January and will likely continue to do so for the next few months. The one bright spot in the report was that average hourly earnings (the cash earnings of production workers) increased 0.3% and are up 3.9% versus last year. Given our estimate that January consumer prices will be down 0.4% versus a year ago, this means the real (inflation-adjusted) purchasing power generated by each hour of work is up 4.3% in the past year, almost fully offsetting declining hours worked. Another way to say this is that declining energy prices are generating as much purchasing power as the weaker labor market is destroying. One implication of the loss in jobs is that businesses are likely to move quickly to reduce inventories, setting the stage for an economic recovery starting in the spring or early summer.

Civilian Unemployment Rate: 16 yr +  
SA, %



Civ. Employment (Pop. Smoothed and Payroll Compatible)  
12-month avg Change SA, Thous



| Employment Report<br><i>All Data Seasonally Adjusted</i> | Jan-09      | Dec-08 | Nov-08 | 3-month<br>moving avg | 6-month<br>moving avg | 12-month<br>moving avg |
|--|-------------|--------|--------|-----------------------|-----------------------|------------------------|
| <b>Unemployment Rate</b>                                 | <b>7.6</b>  | 7.2    | 6.8    | 7.2                   | 6.8                   | 6.0                    |
| <b>Civilian Employment (monthly change in thousands)</b> | <b>-437</b> | -789   | -797   | -674                  | -400                  | -244                   |
| <b>Nonfarm Payrolls (monthly change in thousands)</b>    | <b>-598</b> | -577   | -597   | -591                  | -441                  | -292                   |
| <b>Construction</b>                                      | <b>-111</b> | -86    | -127   | -108                  | -77                   | -62                    |
| <b>Manufacturing</b>                                     | <b>-207</b> | -162   | -121   | -163                  | -124                  | -86                    |
| <b>Retail Trade</b>                                      | <b>-45</b>  | -83    | -91    | -73                   | -64                   | -48                    |
| <b>Finance, Insurance and Real Estate</b>                | <b>-42</b>  | -27    | -45    | -38                   | -30                   | -21                    |
| <b>Professional and Business Services</b>                | <b>-121</b> | -106   | -124   | -117                  | -88                   | -67                    |
| <b>Education and Health Services</b>                     | <b>54</b>   | 45     | 63     | 54                    | 43                    | 44                     |
| <b>Leisure and Hospitality</b>                           | <b>-28</b>  | -31    | -51    | -37                   | -31                   | -21                    |
| <b>Government</b>  | <b>6</b>    | -10    | 4      | 0                     | 0                     | 12                     |
| <b>Avg. Hourly Earnings: Total Private*</b>              | <b>0.3%</b> | 0.4%   | 0.3%   | 4.0%                  | 4.0%                  | 3.9%                   |
| <b>Avg. Weekly Hours: Total Private</b>                  | <b>33.3</b> | 33.3   | 33.4   | 33.3                  | 33.5                  | 33.6                   |
| <b>Index of Aggregate Weekly Hours: Total Private*</b>   | <b>-0.7</b> | -0.8   | -0.9   | -8.8                  | -6.7                  | -4.6                   |

\*3, 6 and 12 month figures are % change annualized