

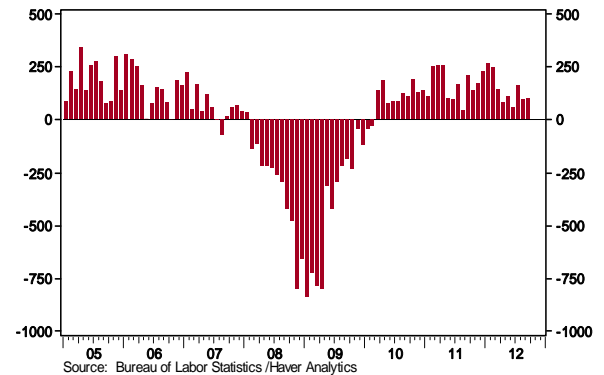
September Employment Report

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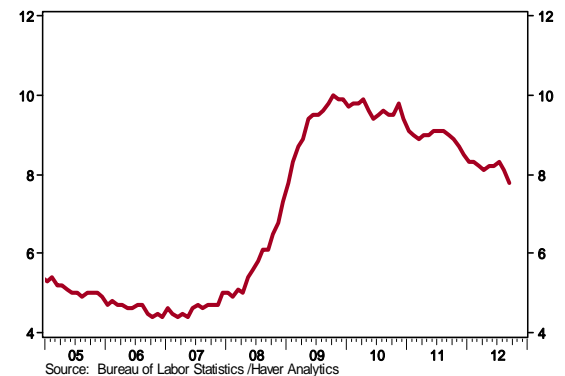
- Non-farm payrolls increased 114,000 in September, almost exactly the 115,000 the consensus expected. Revisions to July/August added 86,000, bringing the net gain to 200,000.
- Private sector payrolls increased 104,000 in September (99,000 with slight downward revisions to July/August). September gains were led by health care (+44,000), transportation & warehousing (+17,000), and restaurants & bars (+16,000). The weakest sector was manufacturing (-16,000).
- The unemployment rate fell to 7.8% from 8.1%.
- Average weekly earnings – cash earnings, excluding benefits – were up 0.3% in September and 1.8% from a year ago.

Implications: After last month’s soft jobs numbers, today’s report on the labor market showed more improvement. Payrolls rose 114,000 in September and 200,000 including upward revisions for prior months. Civilian employment, an alternative measure of jobs that includes small-business startups, increased 873,000, the most in almost ten years. As a result, the unemployment rate fell to 7.8% despite a 418,000 increase in the labor force. (The unemployment rate is down from 9% a year ago even as the labor force is up a total of 805,000.) In addition, total hours worked increased 0.4% in September and average hourly earnings rose 0.3%. Total cash earnings went up 0.7% and are up 3.9% from a year ago. This proxy for consumer purchasing power means spending will continue to grow. So no wonder we will see good headlines on today’s report. However, the details were not quite as good as some of these headlines will suggest. Private sector payrolls were up 104,000 in September versus a consensus expected 130,000. In other words, the sector that beat the consensus in September was the government. Also, on net, all of the upward revisions to prior months were for government; private sector revisions were -5,000. Manufacturing, in particular, looks softer, with payrolls in that sector down 16,000 in September after a 22,000 drop in August. (Only some of this is related to changes in the timing of auto retooling.) So it appears industrial activity, which led the early part of the private-sector recovery, is now losing steam. Also, the huge rise in civilian employment was goosed by part-timers, with a 322,000 overall gain and a 582,000 increase for those working part-time for economic reasons. Although the labor force participation rate ticked up to 63.6%, it is still down from 64.1% a year ago. After last month’s disappointing report, we wrote that “some of the fluctuations in job creation appear to be seasonal....(i)f these patterns continue to hold, expect a stronger jobs report next month.” What’s important, now that we’ve seen the better report, is to not get tricked into thinking the economy is anything more than a plow horse, with modest economic growth and gradual improvement in the labor market. In other recent news on the labor front, new claims for unemployment insurance were up 4,000 last week to 367,000. Continuing claims for regular state benefits were unchanged at 3.28 million.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Sep-12	Aug-12	Jul-12	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.8	8.1	8.3	8.1	8.1	8.3
Civilian Employment (monthly change in thousands)	873	-119	-195	186	157	221
Nonfarm Payrolls (monthly change in thousands)	114	142	181	146	106	151
Construction	5	1	3	3	-4	0
Manufacturing	-16	-22	18	-7	2	15
Retail Trade	9	8	3	7	7	7
Finance, Insurance and Real Estate	13	7	1	7	7	7
Professional and Business Services	13	19	41	24	30	43
Education and Health Services	49	25	40	38	29	35
Leisure and Hospitality	11	38	24	24	13	26
Government	10	45	18	24	2	-4
Avg. Hourly Earnings: Total Private*	0.3%	0.0%	0.1%	1.4%	1.8%	1.8%
Avg. Weekly Hours: Total Private	34.5	34.4	34.4	34.4	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.4%	0.1%	-0.2%	1.3%	1.0%	2.0%

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