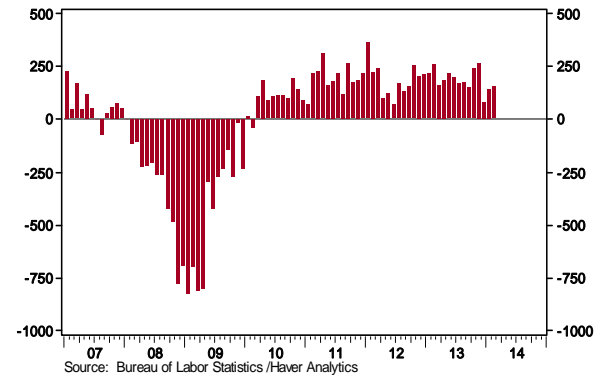


# February Employment Report

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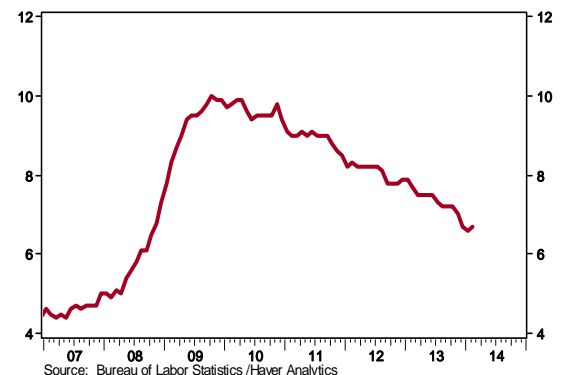
- Nonfarm payrolls increased 175,000 in February, beating the consensus expected 149,000. Including revisions to prior months, nonfarm payrolls increased 200,000.
- Private sector payrolls increased 162,000 in February, beating the consensus expected 145,000. The largest gains were for professional & business services (+79,000, including temps), education & health care (+33,000), and restaurants & bars (+21,000). The largest decline was for information, (-16,000). Government payrolls increased 13,000.
- The unemployment rate ticked up to 6.7% (6.716% unrounded) from 6.6% (6.584% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – increased 0.4% in February and are up 2.2% from a year ago.

Change in Total Private Payrolls  
 SA, Thous



**Implications:** Despite atrocious winter weather in February, nonfarm payrolls posted a solid and above-consensus gain of 175,000. Private-sector payrolls were up 162,000. Not all of the report was as good as the top-line payroll numbers, but we think the weather is the main reason and so expect better reports in the months ahead. The unemployment rate ticked up to 6.7% from 6.6% in January. The increase in the jobless rate was the result of a 264,000 increase in the labor force (good!) alongside only a 42,000 gain in civilian employment, an alternative measure of jobs that includes small-business start-ups. However, the same survey said 601,000 people missed work due to bad weather, compared to an average of 357,000 over the previous ten Februaries. In other words, if weather had been typical in February, civilian employment would have been up about 250,000 – 300,000 and the jobless rate would have stayed at 6.6%, very close to the Federal Reserve’s 6.5% threshold for starting to discuss rate hikes. As a result, look for the Fed to change that threshold at its meeting on March 19, but keep tapering firmly on track. The best detail from today’s report was the 0.4% increase in average hourly earnings, the largest in eight months. As a result, despite the weather helping push down hours worked by 0.2%, total cash earnings for all workers combined were up 0.2%, which means more increases in consumer spending. Part-time employment fell 209,000 in February, is down 703,000 in the past year, and is now the smallest share of employment since October 2008. Hopefully this will silence the pessimists who were contorting that data series in 2013 to spin a negative story. And while the headline unemployment rate ticked up slightly, the U-6 unemployment rate dropped to 12.6% from 12.7%. As we always remind our readers, the labor market could and would be doing better with a better set of public policies. But it is still improving. In the past year nonfarm payrolls have grown at an average monthly rate of 180,000 while civilian employment is up 150,000 per month. We expect an acceleration in the months ahead. The plowhorse economy is still moving forward.

Civilian Unemployment Rate: 16 yr +  
 SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Feb-14	Jan-14	Dec-13	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	6.7	6.6	6.7	6.7	6.9	7.2
<b>Civilian Employment (monthly change in thousands)</b>	42	638	143	274	181	150
<b>Nonfarm Payrolls (monthly change in thousands)</b>	175	129	84	129	177	180
<b>Construction</b>	15	50	-20	15	18	13
<b>Manufacturing</b>	6	6	7	6	13	5
<b>Retail Trade</b>	-4	-23	52	8	19	23
<b>Finance, Insurance and Real Estate</b>	9	-2	2	3	2	5
<b>Professional and Business Services</b>	79	42	16	46	50	56
<b>Education and Health Services</b>	33	10	5	16	19	28
<b>Leisure and Hospitality</b>	25	22	18	22	29	34
<b>Government</b>	13	-16	-2	-2	0	-3
<b>Avg. Hourly Earnings: Total Private*</b>	0.4%	0.2%	0.1%	2.7%	2.3%	2.2%
<b>Avg. Weekly Hours: Total Private</b>	34.2	34.3	34.3	34.3	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	-0.2%	0.1%	-0.5%	-2.4%	0.0%	1.0%

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