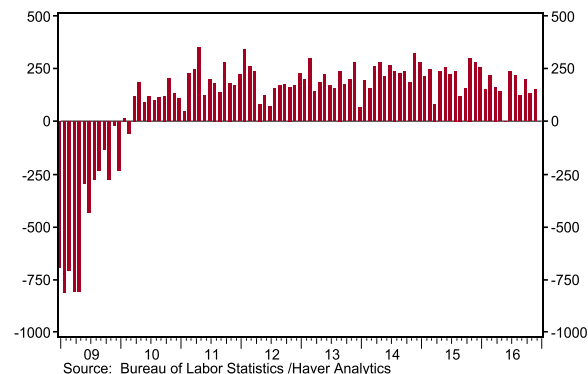


November Employment Report

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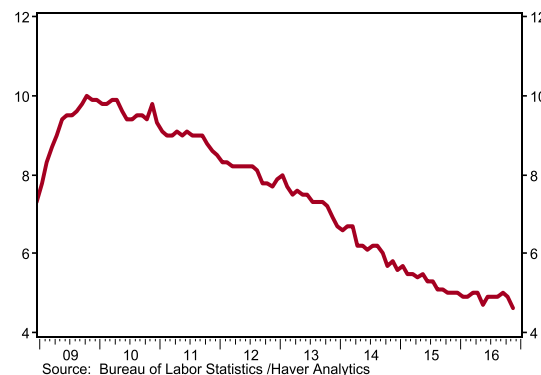
- Nonfarm payrolls increased 178,000 in November almost exactly the 180,000 the consensus expected. Including revisions to September/October, payrolls rose 176,000.
- Private sector payrolls increased 156,000 in November, although revisions to prior months added 10,000. The largest gains in November were for professional & business services (+63,000, including temps), education & health care (+44,000), and leisure & hospitality (+29,000). Manufacturing payrolls fell 4,000 while government rose 22,000.
- The unemployment rate fell to 4.6% (4.64% unrounded) from 4.9% (4.88% unrounded) in October.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – slipped 0.1% in November but are up 2.5% versus a year ago.

Change in Total Private Payrolls
SA, Thous



Implications: Today’s report should lock the Fed into its path for a rate hike later this month. Payrolls rose 178,000 in November, almost exactly what the consensus expected and close to the average of 188,000 in the past year. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 160,000 in November and is up 220,000 per month in the past year. However, today’s report is not the last word on payroll growth in November. In recent years, the initial report for November has been revised up in later months, sometimes substantially. So don’t be surprised if November eventually shows payrolls growing 200,000+. Due to both job growth and a drop in the labor force, the unemployment rate dropped to 4.6% in November, the lowest since 2007 and lower than the Fed’s long-term forecast of 4.8%, another reason the Fed will raise rates very soon. No, we are not saying a drop in the labor force is “good.” But regardless of the reason for the drop, it means the Keynesians at the Fed will view the labor market as tighter. It’s also important to note that labor force data are volatile from month to month; in the past year, the jobless rate has dropped from 5.0% as the labor force has grown by 2.1 million. An additional factor the Fed will keep in mind is the rise in the share of voluntary job leavers among the unemployed, which hit 12.5% in November, the most since 2001. In the past, Janet Yellen has said this figure is a measure of labor-market tightness, that a higher share shows workers have more confidence they can quit their jobs and quickly find new ones. Although some analysts will say part-timers accounted for all the net gains in employment in September – November, the data on full-timers and part-timers are extremely volatile from month to month. In the past year, part-time employment is up only 43,000 per month. Although average hourly earnings slipped 0.1% in November, they’re still up 2.5% in the past year, while total hours worked are up 1.4%. Combined, total cash earnings (which exclude fringe benefits and irregular bonuses/commissions) are up 3.9% in the past year, which is plenty of fuel to push consumer spending higher. The labor market is a still far cry from where it would be with a better set of policies, and we hope those policies are on the way.

Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Nov-16	Oct-16	Sep-16	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.6	4.9	5.0	4.8	4.9	4.9
Civilian Employment (monthly change in thousands)	160	-43	354	157	176	220
Nonfarm Payrolls (monthly change in thousands)	178	142	208	176	205	188
Construction	19	14	26	20	11	13
Manufacturing	-4	-5	-6	-5	-4	-5
Retail Trade	-8	-9	23	2	10	19
Finance, Insurance and Real Estate	6	9	2	6	12	13
Professional and Business Services	63	48	87	66	60	48
Education and Health Services	44	44	38	42	46	48
Leisure and Hospitality	29	15	8	17	25	24
Government	22	7	3	11	23	18
Avg. Hourly Earnings: Total Private*	-0.1%	0.4%	0.3%	2.4%	2.4%	2.5%
Avg. Weekly Hours: Total Private	34.4	34.4	34.4	34.4	34.4	34.4
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.2%	0.4%	2.7%	1.7%	1.4%

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