

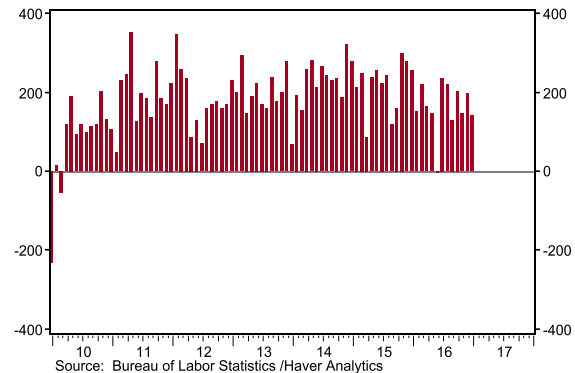
# December Employment Report

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

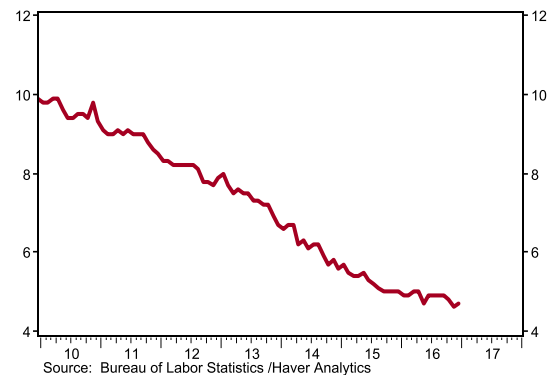
- Nonfarm payrolls increased 156,000 in December versus a consensus expected 175,000. Including upward revisions to October/November, payrolls rose 175,000.
- Private sector payrolls increased 144,000 in December and revisions to prior months added 53,000. The largest gains in December were for health care & social assistance (+63,000), restaurants & bars (+30,000), and manufacturing (+17,000). Government rose 12,000.
- The unemployment rate ticked up to 4.7% in December from 4.6% in November.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in December and are up 2.9% versus a year ago.

**Implications:** While job growth continues to look like a plow horse, wage growth is starting to look like a thoroughbred. Payrolls grew a moderate 156,000 in December. But, like we mentioned last month, payrolls were revised up for November, north of 200,000 versus an original report of 178,000. Look for another upward revision, this time to December, one month from now. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose a modest 63,000 in December. In the past year, payrolls are up 180,000/month while civilian employment is up 182,000/month. Look for similar gains in 2017. The best news in today’s report, though, was on wages, which increased 0.4% in December and are up 2.9% from a year ago, the fastest growth so far in the economic expansion. Combined with data on the number of hours worked, total wages, which exclude fringe benefits and irregular bonuses/commissions, were up 0.6% in December and are up 4% versus a year ago, more than enough to outpace inflation. This will help keep the Federal Reserve on track for raising rates three times this year, like its “dot plot” suggested in December. Although the unemployment rate ticked up to 4.7% in December, that follows a large decline to 4.6% in November. Overall, the jobless rate dropped 0.3 points in 2016 and we expect a similar gradual drop in 2017, as the labor force continues to grow. The labor force grew 1.8 million in 2016, the largest gain for any calendar year in the past decade. Some analysts may claim that most of the job gains in December were part time. But the data on full-time/part-time work are very volatile from month to month. In the past seven years (since December 2009), part-time jobs are up 416,000 while full-times jobs are up 13.7 million. Other analysts will point out that the number of people not in the labor force (neither working nor looking for work) hit a new record high in December. But this was true in the 1990s and 2000s expansions as well, due to population growth. Now we have retiring Baby Boomers as well, who are also driving this trend. The labor market is still a far cry from where it would be with a better set of policies, but it looks like some of these policies are on the way.

**Change in Total Private Payrolls**  
SA, Thous



**Civilian Unemployment Rate: 16 yr +**  
SA, %



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Dec-16</b>	<b>Nov-16</b>	<b>Oct-16</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>4.7</b>	4.6	4.8	4.7	4.8	4.9
<b>Civilian Employment (monthly change in thousands)</b>	<b>63</b>	146	-24	62	169	182
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>156</b>	204	135	165	189	180
<b>Construction</b>	<b>-3</b>	17	14	9	11	9
<b>Manufacturing</b>	<b>17</b>	-7	-4	2	-2	-4
<b>Retail Trade</b>	<b>6</b>	20	-2	8	13	21
<b>Finance, Insurance and Real Estate</b>	<b>13</b>	8	8	10	11	13
<b>Professional and Business Services</b>	<b>15</b>	65	42	41	54	44
<b>Education and Health Services</b>	<b>70</b>	43	50	54	50	49
<b>Leisure and Hospitality</b>	<b>24</b>	37	20	27	23	25
<b>Government</b>	<b>12</b>	6	-11	2	14	15
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	-0.1%	0.4%	3.0%	3.0%	2.9%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.3</b>	34.3	34.4	34.3	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	-0.2%	0.2%	0.8%	1.1%	1.0%

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

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.