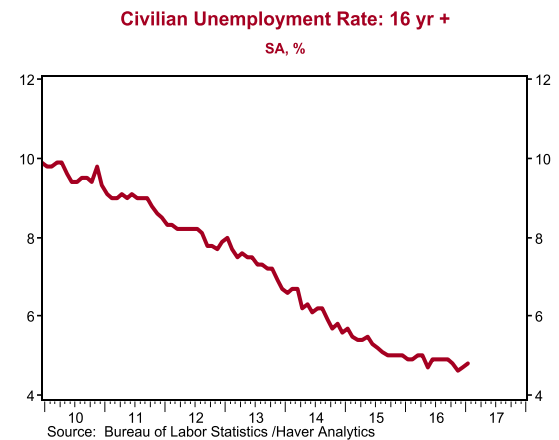
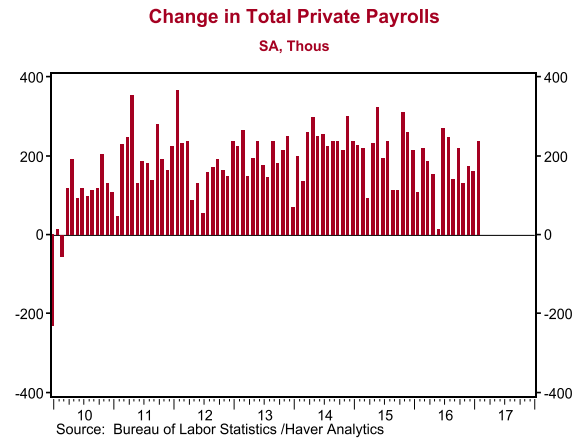


# January Employment Report

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- Nonfarm payrolls increased 227,000 in January versus a consensus expected 180,000.
- Private sector payrolls increased 237,000 in January. The largest gains were for retail (+46,000), professional & business services (+39,000, including temps), and construction (+36,000). Manufacturing rose 5,000 while government declined 10,000.
- The unemployment rate ticked up to 4.8% in January from 4.7% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in January and are up 2.5% versus a year ago.

**Implications:** The labor market started 2017 on the right foot, with nonfarm payrolls up 227,000, beating the consensus expected 180,000 and higher than the average of 195,000 during the past year. Meanwhile civilian employment, an alternative measure of jobs that includes small-business start-ups increased 458,000. February is the month each year when government statisticians go back and revise some payroll data for the past several years. On net, the changes were very small. However, what had been a slight decline for private-sector payrolls in May 2016 was revised to +17,000, which means private payrolls are now up 83 months in a row, the longest streak since at least the 1920s. Notice how you haven't been hearing lately that "all the new jobs are part-time jobs"? Since the end of 2009, part-time jobs are down 74,000 while full-time jobs are up more than 14 million. Although the unemployment rate ticked up for the second straight month and now stands at 4.8%, that's because the labor force (people who are either working or looking for work) increased by 584,000, which is welcome news. Meanwhile, the labor participation rate increased to 62.9%. That's still low by historical standards, but higher than a year ago. Wages are up 2.5% from a year ago while the number of hours worked are up 1.1%. As a result, total wages are up 3.7% from a year ago, and this excludes fringe benefits and irregular bonuses/commissions. Combined, we think these data will keep the Fed on track to raise rates at least three times this year, most likely in June, September, and December. The labor market is still a far cry from where it would be with a better set of policies over the past decade, but it looks like some of these policies are on the way, including corporate tax rate cuts, less business regulation, and a more streamlined and efficient government.



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-17	Dec-16	Nov-16	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>4.8</b>	4.7	4.6	4.7	4.8	4.8
<b>Civilian Employment (monthly change in thousands)</b>	<b>458</b>	57	140	218	166	164
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>227</b>	157	164	183	183	195
<b>Construction</b>	<b>36</b>	2	28	22	17	14
<b>Manufacturing</b>	<b>5</b>	11	0	5	-3	-4
<b>Retail Trade</b>	<b>46</b>	34	-13	22	17	19
<b>Finance, Insurance and Real Estate</b>	<b>32</b>	23	12	22	16	16
<b>Professional and Business Services</b>	<b>39</b>	32	46	39	48	48
<b>Education and Health Services</b>	<b>24</b>	45	31	33	41	46
<b>Leisure and Hospitality</b>	<b>34</b>	17	44	32	23	29
<b>Government</b>	<b>-10</b>	-8	-14	-11	3	14
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.1%</b>	0.2%	0.0%	1.6%	2.3%	2.5%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.4</b>	34.4	34.3	34.4	34.4	34.4
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	0.4%	-0.1%	1.9%	1.7%	1.1%

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