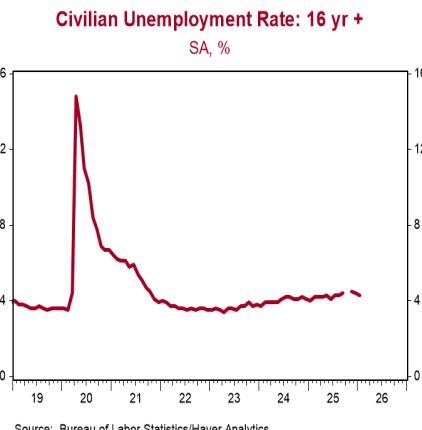
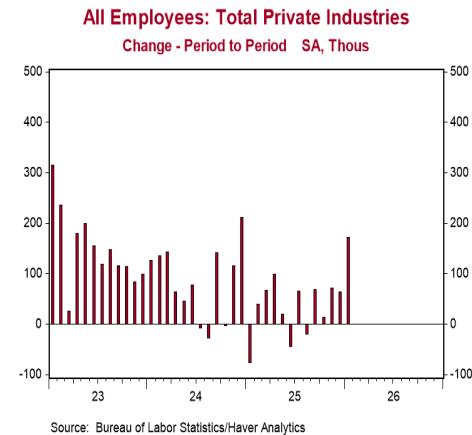


January Employment Report

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- Nonfarm payrolls increased 130,000 in January, beating the consensus expected 65,000.
- Private sector payrolls rose 172,000 in January. The largest gains in January were private education and health services (137,000), professional & business services (34,000), and construction (33,000). Manufacturing grew 5,000 while government declined 42,000.
- The unemployment rate ticked down to 4.3% in January versus 4.4% in December.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in January and are up 3.7% versus a year ago. Aggregate hours rose 0.4% in January and are up 1.0% from a year ago.

Implications: Good news for January, bad news for last year. Nonfarm payrolls rose 130,000 in January, beating the consensus expected 65,000. Even better, private payrolls increased 172,000 as overall government jobs declined 42,000 with a 34,000 loss at the federal level. Over time, we think the decline in government will lead to more private sector jobs than would otherwise be the case. Excluding government as well as health care & social assistance, payrolls rose 49,000 in January, better than any month in 2025. Backing the positive news on payrolls, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 528,000 in January. This large increase, paired with a 387,000 gain in the labor force, pushed the unemployment rate down to 4.3% in January from 4.4% in December. Meanwhile, average hourly earnings rose 0.4% in January as total hours worked in the private sector increased 0.4%. As a result, total earnings increased 0.8%, tying or beating the best months in 2024-25. So, what's not to like about today's report? First, keep in mind that seasonal adjustment factors for January are normally very large (more than 2.5 million), so it remains to be seen if these factors, which are based on the past (including COVID), are accurate going forward. Second, the Labor Department made substantial revisions to prior years, making 2024-2025 look not nearly as strong as previously estimated. As part of an annual "benchmark revision" based on data on unemployment claims, nonfarm payroll growth was revised down by 898,000 in the year ending March 2025. In addition, the Labor Department updated its "birth/death" model for businesses, which pushed down the estimate for job growth after March 2025. As a result, it now says nonfarm payrolls only gained 181,000 last year versus a prior estimate of 584,000. Keep in mind that federal payrolls, excluding the Post Office and Census, are down 312,000 from a year ago, the steepest drop in decades. But even factoring that in suggests private payroll growth is trending well below 100,000 per month, much less the 172,000 in January. Look for much slower headline numbers on payroll growth in the months ahead.



Employment Report All Data Seasonally Adjusted	Jan-26	Dec-25	Nov-25	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.3	4.4	4.5	4.4	NA	NA
Civilian Employment (monthly change in thousands)	528	232	NA	NA	NA	NA
Nonfarm Payrolls (monthly change in thousands)	130	48	41	73	14	30
Construction	33	-4	36	22	8	4
Manufacturing	5	-8	-10	-4	-6	-7
Retail Trade	1	-35	-1	-12	-5	-5
Finance, Insurance and Real Estate	-22	-1	1	-7	-7	-2
Professional and Business Services	34	15	56	35	6	-3
Education and Health Services	137	53	56	82	61	64
Leisure and Hospitality	1	45	-12	11	22	13
Government	-42	-16	-31	-30	-47	-21
Avg. Hourly Earnings: Total Private*	0.4%	0.1%	0.4%	3.5%	3.9%	3.7%
Avg. Weekly Hours: Total Private	34.3	34.2	34.3	34.3	34.2	34.2
Index of Aggregate Weekly Hours: Total Private*	0.4%	-0.3%	0.3%	2.1%	1.0%	1.0%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized