

February 9, 2015

## Welcome to the Machine

*Welcome, my son, welcome to the machine  
Where have you been?  
It's alright we know where you've been*

*Pink Floyd*

Many of us remember the lyrics of the song above, a song included on Pink Floyd's 1975 album *Wish You Were Here*. In 1975, I was in the U.S. Navy, stationed in the Mediterranean, saving the world from the Russian red menace. Where were you?

It appears the U.S. economy slowly, but surely, is becoming the jobs-machine we have been seeking since the end of the recession. Will the improved employment trends continue?

### Jobs Report – Welcome to the Machine

The first Friday of each month is “Jobs Friday.” It's when the Bureau of Labor Statistics (BLS) releases the labor report for the previous month. During the month of January, the economy created 257,000 jobs, outstripping estimates. It is surprising, but **the U.S. economy is turning into a jobs machine**. Consider the following facts from the Bureau of Labor Statistics:

- After current revisions, the U.S. economy created 3,116,000 jobs during 2014. This is the highest raw new jobs creation level since 1999.
- As compared to the last few years, job creation rose dramatically in 2014. In 2011, 2.080 million jobs were created as compared to the 3.116 million new jobs created in 2014.
- In the 70 years since the end of WWII there have only been 10 years when more jobs were created in the U.S. economy than were created last year (1946, 50, 77, 78, 83, 84, 88, 94, 97 and 99). This view ranks 2014 in the top 15 percent of job creating years since 1945.
- The rapid pace of raw jobs creation during 2014 was carried forward into the beginning of 2015 as job creation on an annual level is 3.084 million new jobs.

Are happy days back for the U.S. labor force? Of course not, but a major overhang with which our economy has had to deal with (stubbornly high levels of unemployment) seems to be healing.

### Details of the Machine – the January Report

Following are some details of the January report.

- Unemployment rate rose by .1 percent to 5.7 percent as the civilian labor force rose by a whopping 703,000 for the month of January. After accounting for population controls, the civilian labor force rose by 703,000 in January. This is due to unemployed who are back looking for jobs, as the labor force participation rate rose.
- The level of long-term unemployment has been a major concern for policy makers and business owners. Over the last 12 months, the number of long-term unemployed (those who have been jobless for 27 or more weeks) declined by 828,000 workers.
- The jobs gains were widespread as far as industry participation is concerned. These areas added jobs in January: retail trade (46,000), construction (39,000), health care (38,000), financial services (26,000), manufacturing (22,000), professional and technical (33,000), food service (35,000).
- The average workweek was unchanged for the month.
- Average hourly earnings were up \$0.12. Year over year, hourly earnings were up 2.2 percent.
- Revisions of new jobs to the November and December 2014 reports totaled an additional 147,000 jobs than were previously reported.

All in all, this report is one of the best jobs reports we have seen since the end of the recession. The longer-term jobs picture (since the beginning of 2014) shows trends that the U.S. economy has been adding jobs at a pace we haven't seen in 15 years.

Decent job creation, falling gasoline prices, delivered balance sheets and low interest rates. These trends reinforce our overall economic view – that the U.S. economy is shifting gears – where consumption, not capital spending, will drive overall economic growth.

Next up? We suspect housing sales/starts will accelerate due to the overall macro-economic shift noted above.

## Just For Fun

As our piece today highlights the good jobs report, I thought it appropriate to conclude with some interesting quotes from those much more intelligent than I.

*The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.*

*Vince Lombardi*

*Choose a job you love, and you will never have to work a day in your life.*

*Confucius*

*If you're not willing to work hard, let someone else do it. I'd rather be with someone who does a horrible job, but gives 110% than with someone who does a good job and gives 60%.*

*Will Smith*

We will be back next week.



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