SAMPLE

Average Hourly Earnings

The Wage Line That Moves the Fed — Composition Traps, the Spiral Watch, and Trading

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Chapter 1: Introduction

On the first Friday of most months, at 8:30 AM Eastern, the Bureau of Labor Statistics publishes the Employment Situation — and the market reads it twice: once for the jobs (the nonfarm payroll count, Book 4's headline), and once for the pay. Average Hourly Earnings — the establishment survey's wage line, the average check per hour across the sampled workforce — is the release's second headline, and on many mornings the one that moves the policy complex more.

The AHE occupies the labor calendar's most deceptive slot: it is the wage read the whole inflation debate keys on (the cost-side pressure the price wing's chain prices into every gauge), and simultaneously the single most composition-distorted number on the major calendar — an average whose monthly moves can be driven by who is working rather than what they earn, the arithmetic the pandemic era taught spectacularly. The trader who holds the construction knowledge reads the AHE as the spiral watch's standing input (the wage-price evidence the policy complex grades); the trader who reads the headline as "the wage growth" gets taught by the composition repeatedly.

This book is the twelfth panel of the Impact News series and the labor wing's wage volume — the companion to Book 4 (the payroll count, the jobs side) and Book 13 (the unemployment rate, the household survey's own headline). The framework applies with three new disciplines the AHE demands: the composition read (the average's arithmetic — who is in the workforce sample this month, and how the mix moves the mean), the wage diffusion (the distribution behind the average — where the wage growth actually lives, and what the median-versus-mean gap says), and the spiral watch (the wage-price loop the AHE feeds — the cost-side evidence the inflation complex prices, and the policy read the whole debate runs).

The chapters, in the series' standing order: what the AHE is (Chapter 2), the release and the calendar (Chapter 3), the composition traps (Chapter 4), the wage diffusion (Chapter 5), the spiral watch (Chapter 6), the Fed's wage tracking (Chapter 7), the expectation gap (Chapter 8), the case file of the era (Chapter 9), the release-day playbook (Chapter 10), the risk sheet chapter (Chapter 11), and the plan chapter (Chapter 12).

What this book is not

The series' differentiation rule applies here as well: no re-teaching of the payroll count's mechanics (Book 4's volume — the establishment survey's sampling, the birth-death model, the jobs headline's grading) or the household survey's unemployment rate (Book 13's volume) — the AHE is referenced as the same release's second headline throughout, and the trader holding the whole binder reads this as the pay-side layer the jobs books left for this volume. New to the series: this book stands alone, with the release's structure outlined where the companion volumes

carry the detail.

The reading order

For the short on time: Chapters 2, 4, and 6 — the construction, the composition arithmetic, and the spiral watch — are the working core; Chapter 10 makes them a working procedure; the complete book is the lasting reference. Both beat the standard read (the headline graded as "the wage growth"), which is the read this book retires.

The wage read's one-line identity

The identity the chapters build, stated in one line: the average check, decomposed before it is graded, weighted by the regime, and read as the spiral's evidence — the labor complex's cost-side signal, and the inflation debate's standing input. The labor wing's second volume earns the cost-side read on the mean's honest arithmetic.

The puzzles, stated

The puzzles the chapters answer, stated plainly: why a falling AHE can print in a red-hot wage market (the composition's return — the pandemic case); why a "strong" jobs morning can rally the bond market (the divergence's goldilocks row); why the Fed quotes a wage number the AHE release never published (the consistency level's productivity arithmetic); and why the same 0.3% print trades as noise in one regime and moves the curve in another (the weighting row). Four puzzles, four chapters' answers, and the wage read's whole honest structure assembled from them.

The wage read, opened — mean-honest, decomposed-first, regime-weighted, evidence-graded. The chapters carry the work; the binder prices the rest of it.

The reading order's honest note

A final note on ordering, for the trader holding the whole binder: this volume reads best second in the labor wing (Book 4's jobs first, the pay second, Book 13's household third) — the release's structure the context the chapters assume, and the new reader well-served either way. The wing's order is the compounding order, and the labor complex the series' most complete event: one release, three volumes, and the wage read the cost-side pillar the inflation debate prices every first Friday.

The double role, previewed

The book's organizing practical fact, previewed once: the AHE print feeds two complexes at once — the policy complex (the consistency arithmetic the rate path prices, Chapter 7's frame) and the inflation complex (the spiral watch's wage leg, the services-price chain the price wing grades) — and every skill this book teaches is a version of holding the double role honestly. The trader who prices only the policy leg misses the wage-price chain; the trader who prices only the spiral misses the path's

repricing; and the trader who holds both — the book's reader — reads the wage print the way the whole binder does, in the compounding form.

Chapter 2: What AHE Is

Average Hourly Earnings is the establishment survey's earnings measure: the average wage per hour computed from the same monthly sample that produces the payroll count — the payrolls the businesses report, the hours the same establishments report, and the arithmetic that divides one by the other. The construction's details drive everything this book teaches.

The survey and the arithmetic

The BLS's establishment sample collects, each month, not just the job counts (Book 4's headline) but the hours and earnings: the total weekly pay and the total hours for the production-and-nonsupervisory workforce (the series the market's headline AHE grades — the narrower aggregate the construction defines) and, in the modern tables, the all-employees variants. The AHE is the ratio — the average hourly check — aggregated across the sampled establishments, weighted by the survey's structure, and published as the index level whose month-over-month and year-over-year moves the market quotes.

The construction's edges

The sample's workforce. The headline series covers the production-and-nonsupervisory workers — the majority of the payroll workforce, excluding the supervisory-and-managerial layer — and the coverage matters: the headline tracks the median-ish worker's check rather than the whole workforce's compensation, and the broader measures (the all-employees series, the comprehensive compensation measures the separate ECI publishes) tell their own stories. The denominator's behavior. The AHE divides pay by hours — and the hours line (the average workweek) is itself a monthly variable whose swings move the earnings ratio without any wage changing: the short-workweek month prints a mechanically higher AHE, the long-workweek month the reverse. The average's arithmetic. The mean across the sampled workforce — the composition's whole subject, Chapter 4 — moves with the workforce's mix (the industries, the job types, the tenure) as much as with anyone's pay. The revision culture. The earnings line shares the payroll report's revision schedule (the first print, the revisions, the annual benchmark) — the desk's grading notes hold the revision's own band, wider than the AHE's monthly signal on the noisy months.

The document, then

A ratio-measure of the average hourly check, production-worker-weighted, hours-denominated, composition-exposed — read best by traders who hold the arithmetic's honest structure. The wage read the next chapters build.

The production-and-nonsupervisory cut, and why it moves most

The wage series the tape quotes is an average over every worker the establishment survey counts, but the Bureau also publishes the cut the older era traded: average hourly earnings of production and nonsupervisory employees — roughly the bottom four-fifths of the payroll universe, the production workers, the nonsupervisory staff, the hourly ranks. The cut moves differently from the all-employee average for a structural reason: it excludes the supervisory tier whose raises are larger, lumpier, and bonus-adjacent, so the nonsupervisory series is the wage read closest to the hourly worker's actual paycheck, and its monthly noise is narrower than the all-worker mean's. The inflation-fight file leaned on it deliberately: the "wages consistent with 2 percent" debates of 2023-24 quoted the nonsupervisory cut when the hawks wanted the cleaner series and the all-employee mean when they wanted the hotter one, and the difference between the two was itself a read — the supervisory tier's raises were cooling first, exactly as a white-collar-slack regime would print them.

The sheet's discipline: carry both cuts, and grade the spread. When the all-employee mean runs hot against a cooling nonsupervisory series, the heat is in the top of the payroll structure — a mix story, not a wage-pressure story — and the Fed's wage question should be answered with the narrower cut. When the nonsupervisory series leads the mean's acceleration, the pressure is in the hourly ranks, and the spiral watch's attention should follow it there. The Bureau publishes the cut in the same tables, one column over, free. The market that quotes only the headline is quoting the average of a structure it has never decomposed — and the decomposition, as this book's fourth chapter keeps showing, is where the wage print's information actually lives.

The series' family, honestly mapped

The AHE's own variants and cousins, mapped once for the file: the production-and-nonsupervisory headline (the market's series — the narrower coverage the construction defines), the all-employees variants (the broader averages the modern tables publish — the supervisory layer included, the level higher and the moves smoother), and the private-sector scope (the government's own pay the establishment survey excludes — the public-sector wages the ECI and the accounts carry instead). The honest consequences: the headline's coverage is the median-ish workforce's check (the production worker's pay), the variants' comparisons are the file's own context (the coverage gaps never mixed), and the year-over-year grades' honesty depends on the series' stability (the same series, the same coverage, the same construction — the desk's standing flag when the tables' coverage shifts).

The construction's honest limits, stated

The construction's limits, stated once for the discipline's foundation: the AHE

measures the check, not the compensation (the benefits, the bonuses' monthly noise, the total-package story the ECI carries); it measures the average, not the raises (the composition's whole subject); and it measures the sample's workforce, not the whole economy's (the coverage's own scope, the self-employed and the informals the establishment survey never samples). The limits' honest use: the AHE is the fastest wage signal, not the truest — the monthly print's speed traded against its noise, and the complementary measures (Chapter 7's hierarchy) the file's honest reconciliation. The desk that holds the limits reads the print at its honest weight; the desk that forgets them reads the compensation story into the check's arithmetic — and pays the difference.

The construction, closed: the ratio's arithmetic, the coverage's scope, the variants' family, the limits' honesty — the AHE's architecture, held at instinct and priced at every pull. The calendar next.

The hours-and-earnings tables, specified

The release's hours-and-earnings block, the file's own map: the average workweek (the weekly hours per worker — the denominator line, the capacity signal the manufacturing overtime carries), the average hourly earnings (the ratio's headline — this book's subject), the average weekly earnings (the product — the check-times-hours line the demand-side story carries: the total pay check the consumption funds), and the overtime hours (the manufacturing complex's capacity proxy — the cycle's own early signal the production wing grades). The block's honest use: the three earnings-related lines trade as a system (the ratio, the denominator, the product — each one's move grading the others), and the desk's pull block reads all three in sequence: the workweek's print first (the denominator's grade), the AHE second (the ratio — decomposed), the weekly earnings third (the product — the demand read the consumption complex prices). The system's lesson, held at instinct: no one line stands alone, and the workweek's quiet print is the most under-read number the release publishes.

Chapter 3: The Release and the Calendar

The AHE's calendar position is the payrolls morning's own structure: the first-Friday slot, the jobs-and-pay double headline, and the policy complex's standing weighting. This chapter maps the release.

The schedule

The AHE publishes with the Employment Situation — the first Friday of most months, 8:30 AM Eastern, the BLS's standing slot. The morning's double headline: the payroll count (the jobs story, Book 4's volume) and the AHE (the pay story, this book's) land in the same document, the same instant — and the market's first-minute reflex grades them together, the two headlines' surprises trading as one composite. The desk's calendar box holds the month's companion releases (the claims data the labor wing

tracks, the inflation prints the same month carries) and the policy calendar's context (the FOMC meetings the wage print feeds, the blackout windows the release sometimes lands inside).

The document's anatomy

The release morning's pull structure, the earnings line's own block: the AHE headline (the MoM and YoY prints — the machines' numbers), the average workweek (the denominator — the hours line the composition read grades first), the overtime hours (the manufacturing complex's capacity proxy, the cycle's own signal), the industry detail (the sector tables — the wage moves' industry distribution, the composition's own evidence), and the companion tables (the payroll count's own detail, Book 4's pulls, graded in their own volume). The sub-index pulls run in the series' standing form — the headline first, the denominator next, the structure last — and the AHE's honest read is built from the whole block, never the headline alone.

The double headline's structure

The morning's standing structure, for the sheet's design: the jobs-and-pay composite prints as one event, and the market's reflex weights the two headlines by the regime — the jobs-led regimes (the recovery eras, the payroll count the dominant headline) trade the AHE as the second read, and the inflation-fight regimes (the wage-spiral debates, the pay story the policy complex grades) trade the AHE as the first read, the payroll count the second. The desk's honest note: the regime decides the morning's weighting, the sheet's header carries the regime row, and the two headlines' divergent prints (the cool jobs with the hot pay, or the reverse) are the composite's most information-dense outcome — the two-signal read the playbook's rows price.

The release's standing companions

The first-Friday morning's companion structure, the sheet's context block: the jobless claims (the Thursday releases the labor wing's between-release rhythm runs), the ADP-and-employment-tracker previews (the private prints the coverage grades as the payroll count's own whispers — the correlation's honest limits held), and the month's other labor data (the JOLTS complex the openings story keys on, the quits-and-openings the wage-bargaining context supplies). The companions' honest use: the claims' trend the labor market's high-frequency base (the wing's standing file), the trackers' prints the whisper's inputs (never the substitutes — the construction's coverage differs, and the desk grades the differences), and the first-Friday morning's own structure the labor complex's monthly settlement — the jobs, the pay, the household's headline (Book 13's volume), and the whole wing's record graded together at the month's turn.

The morning's tape mechanics

The 8:30 slot's mechanics, the double headline's own: the machines' first-minute

reflex grades the composite (the two headlines' surprises the algorithms' simplest layers price together — the both-beat reflex the bid, the both-miss the offer), and the desks' first-hour work runs the decomposition (the composition's evidence, the denominator's check, the four-way's honest outcome) — the wage read's own repricing the reflex's liquidity serves. The slot's honest note: the AHE's genuine surprises move the policy complex first (the curve's repricing, the rate-path odds — the cost-side signal the inflation-fight regime grades), and the equity complex's read follows (the growth-and-costs mix the wage print sets) — the double repricing the disciplined desk runs in the first hour, in the series' standing form.

The calendar, closed: the first-Friday slot, the double headline, the companions, the tape's mechanics — the wage read's structure, held on one sheet and graded as a composite.

The earnings week's other wages, and the pre-prints

The AHE morning arrives inside a week that has already quoted wages, and the pre-prints deserve their own slot on the calendar. The employment-cost index — the Fed's own preferred wage gauge, built from firm-reported compensation including benefits — publishes quarterly, weeks before or after the monthly print, and its quarterly cadence makes it the wage read the leadership actually cites in framework speeches. The Atlanta Fed's tracker publishes monthly with a lag of its own. The Conference Board's survey series and the job-openings quit data arrive between payroll weeks. None of these numbers is the AHE print, and the AHE print is none of them — but the market's wage narrative on AHE morning is built from all of them, and the print's surprise is graded against a consensus the pre-prints have already shaped.

The calendar discipline is the same expectation-gap method this book applies everywhere, pointed at the family: before the release, note which of the family's numbers have printed since the last AHE, and in which direction they leaned. A hot ECI weeks before a soft AHE consensus is a setup — the monthly print has a pre-built revision narrative the tape will reach for if the number cooperates, and the surprise that confirms the pre-prints moves differently from the surprise that contradicts them. The wage print's information is never purely its own; it arrives as the monthly installment of a family conversation, and the trader who has the family's last few sentences on the sheet meets the print with the context the consensus average cannot hold.

The labor wing's whole month

The labor calendar's whole shape, the wing's own map: the weekly claims (the Thursday rhythm the high-frequency file runs), the monthly tracker previews (the ADP-class prints the between-release whispers supply), the first-Friday settlement (the jobs, the pay, the household's rate — the complex's triple headline), the JOLTS complex (the openings-and-quits the bargaining context carries, the month's follow-through), and the quarterly confirmations (the ECI, the productivity-and-costs — the wing's slow-grade partners). The shape's honest use: the wing's month is a system

(the claims the pulse, the first Friday the settlement, the JOLTS the follow-through, the ECI the confirmation), and the AHE's read is one instrument in the system — graded between the pulse and the confirmation, and priced at the wing's whole structure, in the binder's standing architecture.

The calendar's last line: the first-Friday slot, the double headline, the wing's whole month — the wage read's structure, and the labor calendar's system held at the desk's own tempo.

Chapter 4: The Composition Traps

The AHE's deepest discipline: the average's arithmetic — the mix effects that move the mean without moving anyone's pay, and the distortions the headline culture trades as wage news. This chapter builds the composition read.

The mix arithmetic

The AHE is a mean — the average check across a workforce whose composition changes monthly. The mix's standing mechanics: the industry mix (the high-wage sectors hiring — the professional complex adding jobs at the top rates — mechanically lift the average; the low-wage leisure complex leading the hiring does the reverse), the job-type mix (the full-time-versus-part-time swings, the tenure distribution's shifts), and the employment churn itself (the workers entering-and-exiting the sample — the hires at their entry wages, the separations removing their checks). The honest statement: the AHE's monthly move is a blend of the within wage growth (the same workers earning more — the true signal) and the between composition drift (the different workers counted — the noise), and the two are not separable from the headline alone.

The pandemic distortion, the standing case

The composition trap's spectacular case, documented through the coverage: the pandemic era's AHE prints swung with the workforce's whiplash — the low-wage sectors' shutdowns mechanically raised the average (the low checks removed from the sample, the mean rising without raises), the reopening's rehiring mechanically lowered it (the low checks returning, the mean falling without cuts) — the AHE's swings reading as the wage story's boom-and-bust while the composition wrote most of the line. The coverage's lesson, held permanent: the composition's contribution can dominate the headline for whole stretches of the cycle, the within-versus-between decomposition is the honest read's first step, and the traders who graded the pandemic-era AHE as the wage signal traded the mix, not the pay.

The denominator's trap

The hours denominator's own mechanics, the second trap: the workweek's swings move the earnings ratio — the short-hours month printing the mechanically higher

AHE (the pay divided by the smaller hours), the long-hours month the reverse — and the honest read checks the workweek line before the earnings line is graded. The desk's standing rule: the AHE print with the workweek's opposite-direction move is a ratio artifact first and a wage story second — the denominator's contribution decomposed before the headline is traded, in the composition read's standing discipline.

The decomposition discipline

The desk's composition discipline, the chapter's product: the AHE's headline decomposed into the three known layers — the industry-mix contribution (the sector detail's hiring weights, graded from the industry tables), the denominator's artifact (the workweek line's own move), and the residual within-growth (the honest wage signal the composition analysis leaves) — and the print graded on the residual, never the headline. The decomposition's honest limits: the split is approximate, the monthly noise blurs the layers, and the era's distortions (the pandemic case) demand the longer-window grades (the year-over-year structures the composition smoothes) — all held, and the wage signal read between them.

The decomposition, worked once

The composition read worked once, schematic: the month's AHE prints a soft 0.1% MoM against the 0.3% whisper — the headline culture's "wage growth cracking" narrative runs, and the inflation trades fade. The decomposition's pulls: the workweek printed up (the hours rebound — the denominator's artifact: the pay spread over more hours, the ratio mechanically lower), and the industry detail shows the low-wage leisure complex's hiring leading (the between-drift: the low checks entering the sample, the mean diluted without anyone's pay falling). The decomposition's verdict: the "cracking wage growth" was a denominator-plus-mix month — the residual within-growth roughly on trend — and the trades run the honest split: the inflation-fade sized modestly (the signal's honest softness), the composition fade filed (the reflex's move the desks expect to unwind), and the narrative retired before it prices the week. The worked block, closed: the headline is the question, the decomposition the answer, and the two stories' different trades the whole reason the discipline exists.

The era's standing lesson, generalized

The pandemic case's generalized lesson, for the file's foundation: the composition's dominance is the cyclical variable — the workforce-churn eras (the shutdowns, the reopenings, the great churns) the mix effects' heavy seasons, and the steady-employment eras the within-growth's honest windows. The desk's standing grade: the current cycle's churn level (the hiring-and-separation rates the JOLTS complex supplies) weights the composition's expected contribution — the high-churn months the decomposition's heaviest work, the low-churn months the headline's honest trend — and the file's churn monitor the composition read's own calendar, in

the labor wing's standing architecture.

ABOUT THE AUTHOR

Aiman Sterling writes the Impact News series -- a trader's field guides to the market-moving events on the calendar, from the Jackson Hole symposium to the monthly data releases. The series' method is preparation over prediction: written expectations, regime maps, and honest ledgers, applied event by event.

The Impact News books follow a shared framework and stand alone in depth: each event gets its own mechanics, its own history, and its own action plan, with no repeated filler between volumes.

Aiman writes from the practitioner's side of the terminal: systems that survive the first minute, risk rules that survive the first loss, and the discipline of grading every event against the expectations written before it.