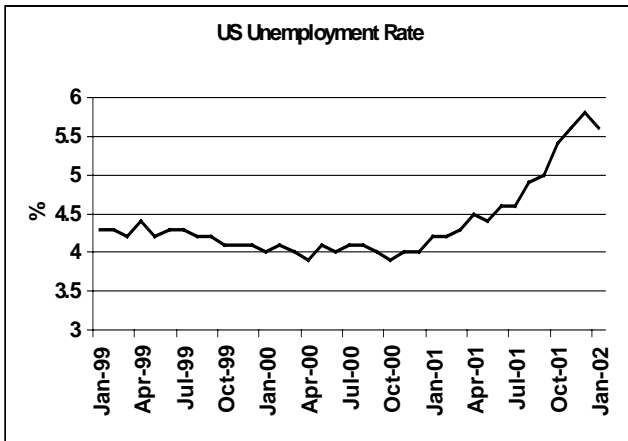


US Payroll Due to Turn Upwards

After six months of heavy job losses the US payroll is expected to show a modest improvement in February. Activity data are showing a slight improvement in factory conditions and first time jobless claims continue to decline. According to February's ISM index (formerly NAPM) there has been a sharp increase in new orders, with this component jumping by over seven points.

Our forecasts show a modest 10,000 rise in payrolls, which would be the first positive figure in seven months. During that period over 1.2 million jobs were shed. While the data should be a lot brighter than what we have seen in previous months, the labour market remains weak. Initial jobless claims are declining but there is little evidence of any real pick-up in hiring. The employment component of the ISM showed a slight improvement in February but at 43.8 remains well below the 50 level.

The unemployment rate is expected to go back up to 5.7%. January's 0.1% dip to 5.6% was due to the fact that almost one million people left the labour force and was therefore a statistical anomaly.



Geraldine Concagh
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