

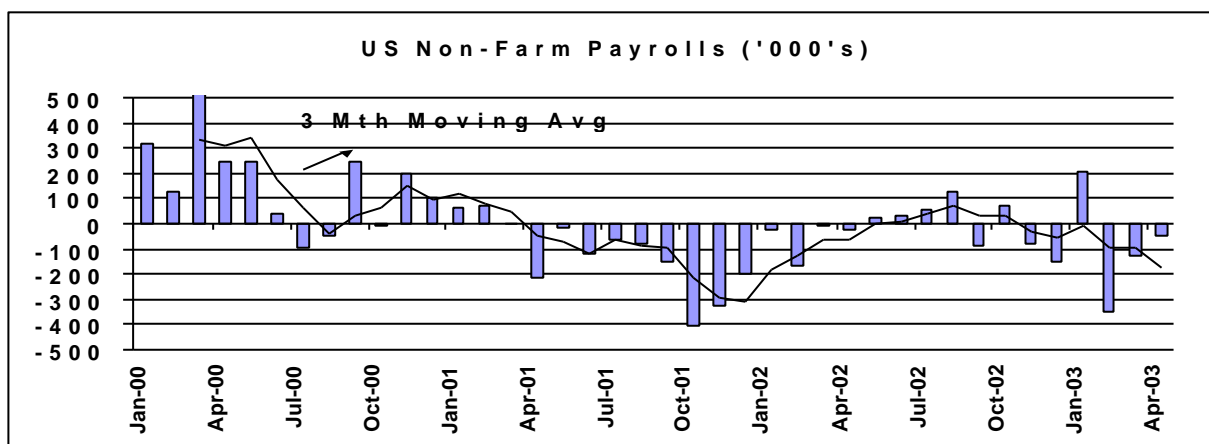


## Payrolls Report No Support for Dollar

US employment losses continued in April with payrolls falling by 48,000. Job losses in March were revised up to 124,000 from 108,000. Manufacturing continues to shed jobs, experiencing its largest job loss in 15 months. This, along with a decline in the average number of hours worked at manufacturers, confirms the trend seen in April's ISM index, which suggested that the rate of decline in manufacturing activity actually accelerated over the month.

| '000s                              | Apr-03 | Mar-03 | Feb-03 | Jan-03 | Dec-02 | Nov-02 |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>Change in Non-Farm Payrolls</b> | -48    | -124   | -353   | 203    | 142    | -81    |
| <b>Total Private</b>               | -80    | -88    | -370   | 195    | -80    | -96    |
| <b>Manufacturing</b>               | -95    | -43    | -58    | -7     | -67    | -55    |
| <b>Service Producing</b>           | 25     | -100   | -253   | 191    | -35    | -24    |
| <b>Government</b>                  | 32     | -36    | 17     | 8      | -5     | 15     |
| <b>Hourly Earnings (Dollars)</b>   | 5.11   | 15.09  | 15.08  | 14.97  | 14.98  | 14.94  |
| <b>Unemployment Rate (%)</b>       | 6      | 5.8    | 5.8    | 5.7    | 6      | 6      |

The unemployment rate rose to 6% in April, taking it back to the peak reached in December. The rise was triggered by a large increase in the number of people in the labor force. Wage gains were slight, with average hourly earnings increasing by 0.13% to \$15.11. Year-over-year growth in average hourly earnings remains at 3.1%. The data confirm that US labour market conditions remain weak and with growth below par and business confidence still shaky employment gains are expected to remain subdued over the year.



The dollar rose modestly on the back of the data, with the fall in the payroll marginally better than expected. However, gains were short lived. The euro fell as low as \$1.1193 but, hitting support at that level recovered, to \$1.125. Next week's data releases, in particular Monday's non-manufacturing ISM for April and weekly jobless claims pose downside risks to the dollar. The size of the US budget and current account deficits will also continue to encourage dollar selling. Thus, although the market is already long euros and we are likely to see some position squaring ahead of the long-weekend in the UK, the risk of a near term move toward \$1.15 is growing ever stronger. Resistance at \$1.13, the euro's high on 10 February 1999, is seen as only minor.

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