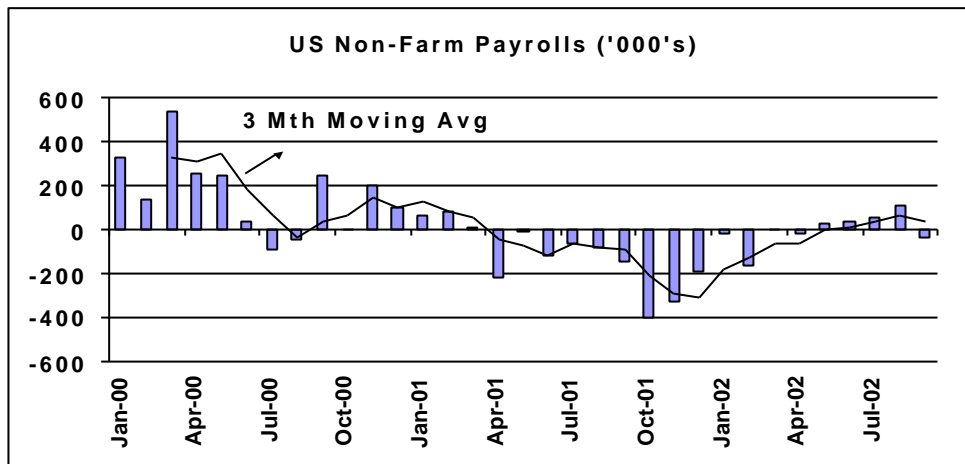


## Dollar Up on Payrolls Report

US employment declined by 43,000 in September, well below consensus estimates for a 5,000 rise. This marked the first decline in the payroll since April. Only services and public payrolls expanded with most of the gains in health, social and engineering and management services. Manufacturing payrolls declined by 35,000 bringing to 700,000 the total number of jobs shed in the sector.



Although the headline number came in weaker than expected the dollar actually rallied against other majors on the release. August's figures were revised sharply higher to show a gain of 107,000 jobs as opposed to an initial estimate of 39,000. Furthermore, the jobless rate fell unexpectedly to 5.6% from 5.7%. An increase to 5.9% had been expected. The Bureau of Labour Statistics reported that nearly half of this decrease was among teens, who experience large seasonal swings in employment between August and September.

While the numbers were mildly encouraging, they do not change the pattern that has been evident throughout the year. Labour market demand remains lacklustre, as profit pressures and an uncertain business outlook leave firms in a cautious hiring mode. Therefore, we remain bearish on employment prospects. The dollar's gains were eroded when the equity market demonstrated that it was not overly impressed with the report. With neither the US or the eurozone economies in great shape right now, we expect the dollar/ euro rate to stick to familiar territory. September's US retail sales report carries negative risks for the dollar but the euro is also carrying a negative risk premium ahead of Ireland's Nice Treaty Referendum.

| '000s                       | Sept  | Aug   | July  | June  | May  | April | Mar   | Feb   | Jan   | Dec   |
|-----------------------------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|
| Change in Non-Farm Payrolls | -43   | 107   | 54    | 34    | 24   | -21   | -5    | -4    | -109  | -106  |
| Total Private               | -47   | 54    | 37    | 29    | 7    | -10   | -39   | -19   | -118  | -161  |
| Manufacturing               | -35   | -63   | -15   | -14   | -27  | -22   | -58   | -54   | -116  | -120  |
| Service Producing           | -5    | 132   | 103   | 43    | 60   | 49    | 61    | 27    | 71    | 18    |
| Government                  | 4     | 53    | 17    | 5     | 17   | -11   | 34    | 15    | 9     | 55    |
| Hourly Earnings (Dollars)   | 14.87 | 14.82 | 14.78 | 14.75 | 14.7 | 14.67 | 14.65 | 14.63 | 14.59 | 14.58 |
| Unemployment Rate (%)       | 5.6   | 5.7   | 5.9   | 5.9   | 5.8  | 6     | 5.7   | 5.5   | 5.6   | 5.8   |

**Geraldine Concagh,**  
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