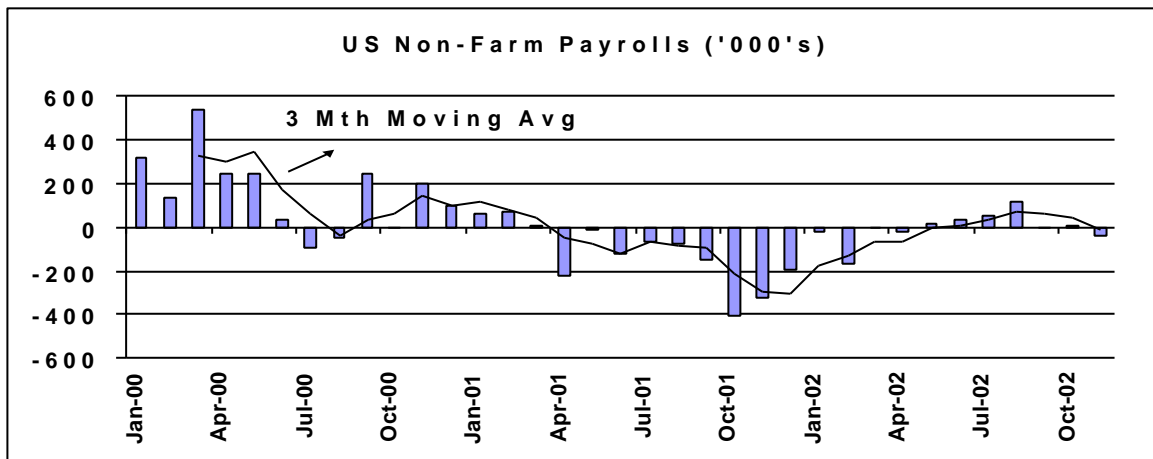


Weak Labour Market to Weigh on Dollar

The US labour market performed much more poorly than expected in November. Net employment declined by 40,000, instead of rising by an expected 38,000. The jobless rate rose to 6.0%, matching the cyclical high reached earlier this year in April. The increase occurred despite a large decline in the labour force. With activity levels low, manufacturers continue to cut back on workforce numbers. Government job creation was weak with only 8,000 new jobs created. The retail trade payroll fell by 39,000, somewhat of a surprise. There appears to have been less seasonal hiring than usual in November, which doesn't bode well for retailers expectations for the Christmas shopping period. Construction also pared down for the second month running. Although other recent US economic data have tended to come in on the better side of expectations the report shows that employers are still in no position to start rehiring. The report will be badly received by Wall Street and the dollar.

The data would seem to be strange when looked at in the context of a string of better than expected weekly jobless claims reports. However, there has been a notable divergence in jobless claims and the jobs hard to get component of the consumer confidence report, which has deteriorated on a steady basis for the last six months and is now at an eight year high. Against this background, there are certainly reasons to worry about the strength of consumer spending going forward. While the data do not point to a decrease in rates at next week's FOMC meeting, the central bank will not be in any hurry to start raising rates.

Geraldine Concagh
06 December 2002



'000s	Nov	Oct	Sept	Aug	July	June
Change in Non-Farm Payrolls	-40	6	-4	123	54	34
Total Private	-48	-47	-8	62	37	29
Manufacturing	-45	-59	-35	-52	-15	-14
Service Producing	11	86	23	134	103	43
Government	8	53	4	61	17	5
Hourly Earnings (Dollars)	14.93	14.89	14.89	14.83	14.78	14.75
Unemployment Rate (%)	6	5.7	5.6	5.7	5.9	5.9