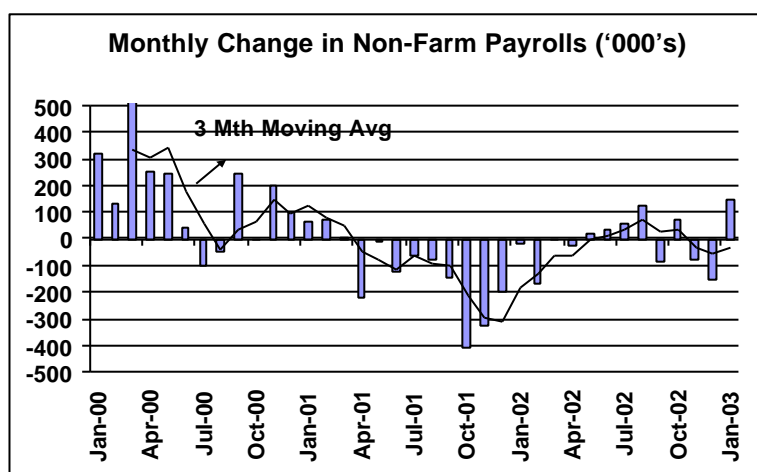




Rise in Payrolls Fails to Inspire Dollar

'000s	Jan	Dec	Nov	Oct	Sept	Aug	July
Change in Non-Farm Payrolls	143	-154	-81	69	-4	123	54
Total Private	139	-74	-96	13	-8	62	37
Manufacturing	-16	-82	-55	-48	-35	-52	-15
Service Producing	143	-35	-24	129	23	134	103
Government	4	-2	15	56	4	61	17
Hourly Earnings (Dollars)	14.98	14.98	14.94	14.89	14.89	14.83	14.78
Unemployment Rate (%)	5.7	6	6	5.7	5.6	5.7	5.9

US employment numbers increased by 143,000 in January, well above the consensus forecast and going some way towards offsetting the loss of 156,000 in December. However, despite the optimistic headline number the labour market remains very weak. Two-thirds of the increase was attributable to seasonal trends in the retail sector. As the industry created far fewer jobs than normal in November and December, layoffs in January were subsequently much lower. Thus seasonal adjustment, resulted in a gain of 101,000. Manufacturing industries continued to lose jobs. It shed 16,000 jobs in January after a 80,000 decline in December. The unemployment rate fell by 0.30% to 5.7%.



The dollar attempted a modest rally on the release, only to lose its gains as quickly as they came. Unable to breach \$1.0735, it returned to trade around \$1.08. The dollar-euro rate spent much of last week trading in a \$1.07-1.09 range. With a significant war premium already priced in, the euro may find it difficult to extend its rally in the near-term. However, despite the scope for short-term corrections, dollar risks remain to the downside. The uncertainty surrounding the US economy and equity markets, as well as the threat of war with Iraq and other negative geopolitical factors, look set to continue plaguing the dollar and provide an opportunity for the euro to extend its gains to \$1.10 territory. The difficulties for the US currency will continue to be compounded by a large and rising balance of payments deficit.

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