



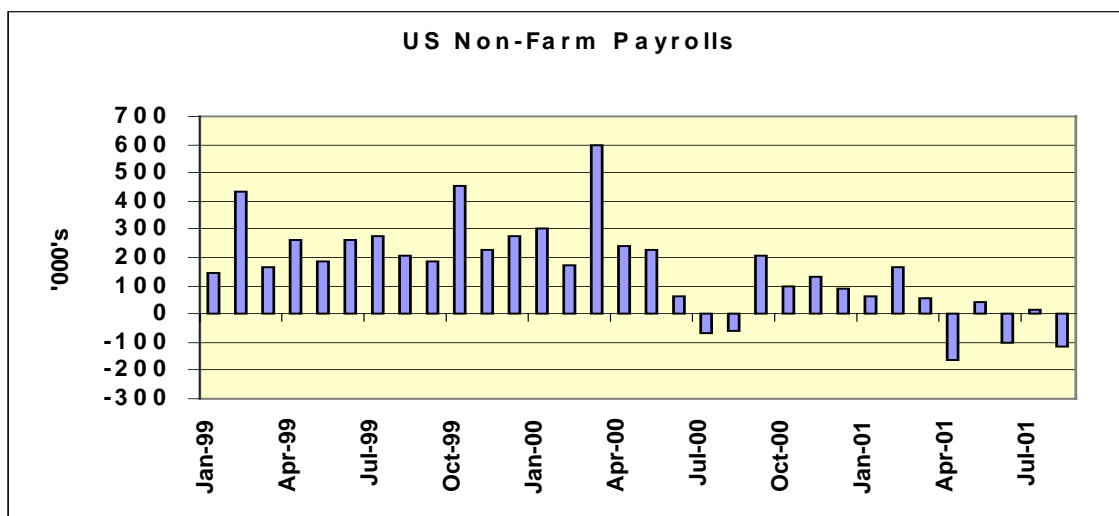
August Payroll Bad News for Dollar

The US labour market situation deteriorated significantly in August with the jobless rate rising to 4.9% and non-farm payrolls shedding another 113,000 jobs. This was more than twice what was expected. Losses were again concentrated in manufacturing with 141,000 jobs lost there. Reflecting seasonal factors, gains in government employment earlier in the summer, were followed by losses this month. Also, after an increase of 35,000 in July, retailers shed 26,000 jobs. Therefore, the large drop in employment was somewhat influenced by seasonal factors. However, even allowing for seasonal variations, unemployment has increased by an average 44,000 over the last six months.

After two month's at 4.5%, the unemployment rate rose to 4.9%. This was despite the fact that more people left the labour force. The average workweek remained unchanged, although the manufacturing workweek was eroded. Average weekly earnings increased by 0.3%, in line with consensus estimates. The only positive thing about this report was the fact that July's data was revised up to a gain of 13,000 from a drop of 42,000.

Given its importance for consumer spending, the deterioration in the labour market will leave the dollar vulnerable to further falls against sterling and the euro. Continuing weekly jobless claims data indicate that those who have lost their jobs are having increasing difficulty in being reabsorbed into the labor market. This report confirms that the economy is far from out of the woods and increases the chance of another rate cut in October.

'000s	Aug	July	June	May	April	Mar	Feb
Change in Non-Farm Payrolls	-113	13	-99	41	-165	59	136
Total Private	-110	-82	-157	18	-201	28	57
Goods-Producing	-136	-61	-138	-97	-181	-25	-78
Construction	5	9	-17	29	-77	49	14
Manufacturing	-141	-71	-122	-130	-107	-76	-96
Service Producing	23	74	39	138	16	84	214
Transport/ Utilities	-24	-55	-12	11	-8	4	19
Wholesale Trade	-2	-3	-16	-15	-13	2	-2
Retail	-26	35	15	16	73	-15	83
Finance, Insurance & Real Estate	6	-14	-13	18	8	9	14
Services	72	-34	7	85	-80	53	21
Government	-3	95	58	23	36	31	79
Hourly Earnings (Dollars)	14.38	14.34	14.31	14.24	14.21	14.17	14.11
Unemployment Rate (%)	4.9	4.5	4.5	4.4	4.5	4.3	4.2



Geraldine Concagh, 06 September 2001

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