

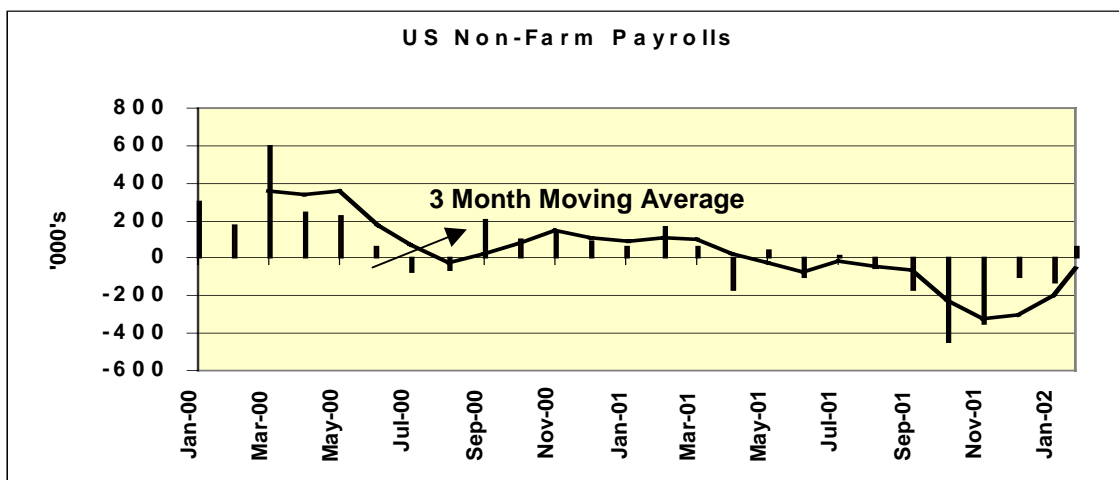
US Payroll Shows Evidence of Recovery

In February the U.S payroll increased for the first time since last July. While the gains in employment are still modest (compared to the numbers of jobs that have been lost over the last year) and are expected to remain moderate in coming months, the data are the best evidence to date that the US economy is emerging from its slump.

Payroll gains were concentrated in service producing industries with manufacturers continuing to reduce numbers, but the loss of 50,000 jobs was the lowest one-month decline since December 2000. The strongest job gains were in services and retail trade, which together created 98,000 jobs. However, most of the retail trade boost of 58,000 is due to seasonal adjustment due to fewer than normal layoffs following the holidays.

The most surprising part of the report was the fact that the unemployment rate decline to 5.5%. While the January decline was due to a contracting labor force (by about one million), in February the labor force increased again but household employment increased even more, resulting in a fall in the unemployment rate. The data are likely to increase speculation that the Fed will move to a neutral bias at its meeting on 19 March.

'000s	Feb	Jan	Dec	Nov	Oct	Sept	Aug	July
Change in Non-Farm Payrolls	66	-126	-106	-355	-448	-165	-54	18
Total Private	46	-128	-161	-363	-465	-141	-127	-86
Goods-Producing	-31	-175	-124	-169	-142	-75	-159	-64
Construction	25	-63	-1	-1	-19	10	-6	3
Manufacturing	-50	-110	-120	-166	-123	-85	-155	-69
Service Producing	97	49	18	-186	-306	-80	105	82
Transport/ Utilities	4	-18	-37	-64	-54	-12	-26	-10
Wholesale Trade	-15	-4	-3	-30	-17	-22	-7	-5
Retail	58	41	-59	2	-114	-47	-23	45
Finance, Insurance & Real Estate	-10	4	-6	4	1	10	5	-13
Services	40	24	68	106	-139	5	83	-39
Government	20	2	55	8	17	-24	73	104
Hourly Earnings (Dollars)	14.63	14.61	14.59	14.54	14.47	14.45	14.4	14.34
Unemployment Rate (%)	5.5	5.6	5.8	5.6	5.4	4.9	4.9	4.5



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