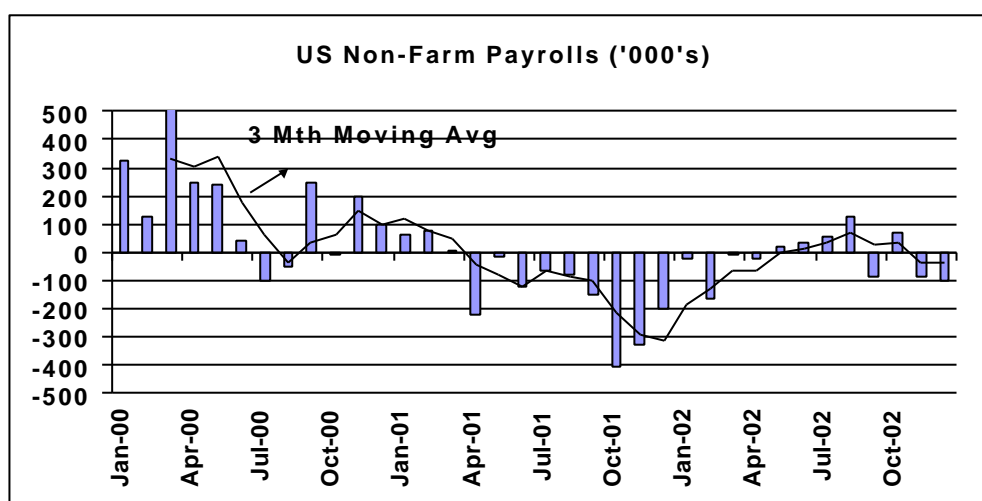




Payrolls Report Not Good News for Dollar

The US payroll employment declined by 101,000 in December; consensus estimates called for an increase of 22,000. The November data were revised down to a loss of 88,000, from 40,000. Most of the decline was due to a reduction in retail trade payrolls compared with normal seasonal pattern, but manufacturing payrolls also continued to fall. Manufacturers eliminated another 65,000 jobs in December, bringing the total losses for the year to 592,000. Most of the December losses were in durable goods manufacturing. The jobless rate, however, was unchanged at 6.0% as more people abandoned the job search and left the labour force. Given the weak pace of job creation, the duration of unemployment continues to climb. The average duration of unemployment rose to 18.5 weeks in December, from 17.7 weeks in November.

Payrolls bottomed out in March 2002 but ended the year up only 8,000 jobs than this low point. With the weak recovery in the US still a jobless one this will have negative implications for consumer confidence and spending, despite the fact that President Bush's economic stimulus package will provide some support. The dollar hit a new three year low after the data was released, with the euro rising to \$1.0571, its best level since November 1999. Combined with geopolitical, concerns the numbers should provide the euro with the momentum to break through \$1.06 and beyond.



'000s	Dec	Nov	Oct	Sept	Aug	July	June	May
Change in Non-Farm Payrolls	-101	-88	69	-4	123	54	34	24
Total Private	-115	-104	13	-8	62	37	29	7
Manufacturing	-65	-57	-48	-35	-52	-15	-14	-27
Service Producing	-42	-25	129	23	134	103	43	60
Government	14	16	56	4	61	17	5	17
Hourly Earnings (Dollars)	14.98	14.93	14.89	14.89	14.83	14.78	14.75	14.7
Unemployment Rate (%)	6	6	5.7	5.6	5.7	5.9	5.9	5.8

Geraldine Concagh, 10 January 2003