

Labor markets deteriorated notably in September and purchasing managers in manufacturing reported one of the sharpest drop-offs in activity on record, leaving no doubt about the seriousness of the ongoing economic downturn.

Total employment decreased for the ninth straight month in September by 159,000 jobs – the largest monthly drop of the decline that began in January. Re-revisions to previous months left the total little changed, but lowered the private sector job count by 43,000 and raised government employment by 47,000 jobs. Neither the strike at Boeing nor Hurricane Ike affected the job count, but an increase in the number of workers reported unable to work due to weather suggests that Hurricane Gustav was a factor.

The unemployment rate remained at 6.1%, following a 0.4 percentage point increase in August. The rate is up by 1.7 percentage points from the cycle low that was reached in March 2007. The number of unemployed workers was 2.2 million higher than a year earlier. The broadest measure of unemployment, which includes so-called discouraged workers, increased to 11.0% from 10.7% in August and 8.4% in September 2007.

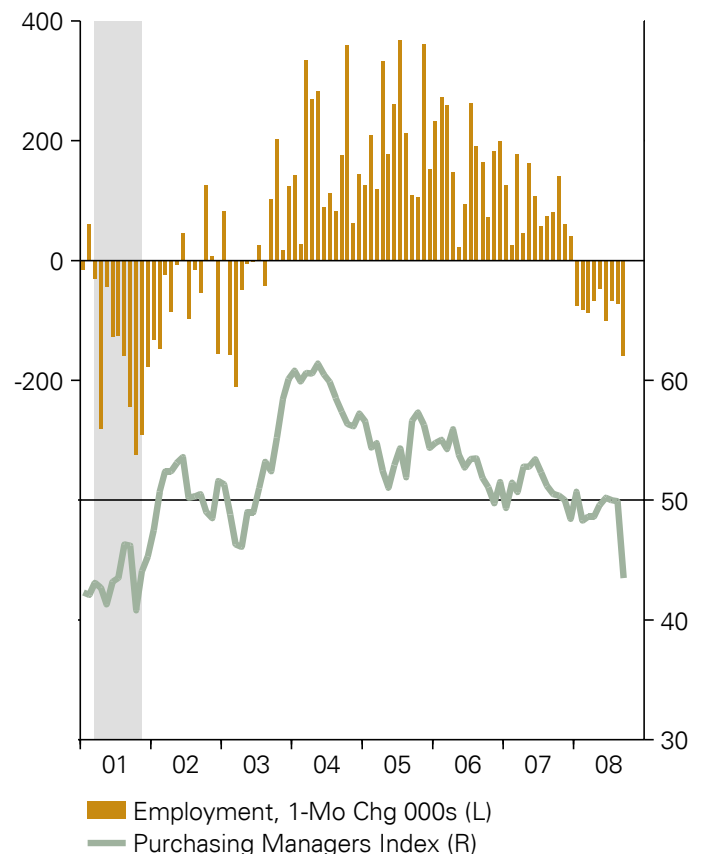
The decrease in employment was widespread. Manufacturing employment decreased by 51,000 jobs, led by the motor vehicles and parts industry. Construction employment decreased by 35,000 jobs, with both residential and non-residential trades contributing to the decline. Retail employment was down by 40,000 jobs, financial services lost 17,000 jobs, and leisure and hospitality lost 17,000 jobs. The only major private sector to add jobs was education and health services, but the gain was only one half of the average during the previous year. Employment in temporary help services decreased for the twenty-first consecutive month. Temporary help employment has led other measures of economic activity in the past, because of the ease with which temporary staff can be added or reduced.

The length of the workweek for all production and nonsupervisory workers fell to match its all-time low of 33.6 hours. The manufacturing workweek fell to 40.7 hours – the lowest in three years – and manufacturing overtime fell to a weekly average of 3.6 hours – the

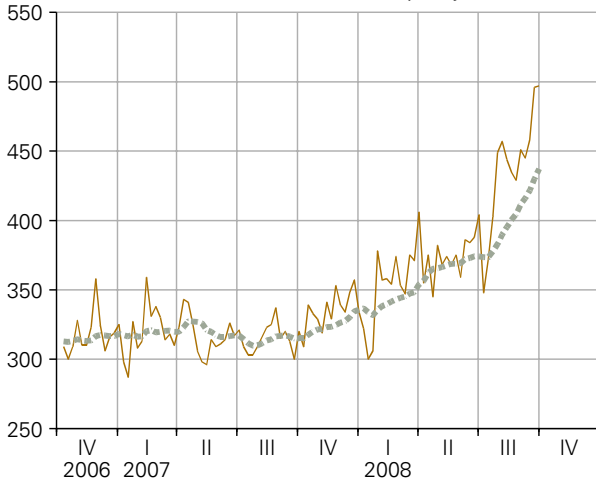
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lowest since May 1991. The index of aggregate weekly hours decreased for the sixth straight month. The July-September average is below the second quarter average by 1.9% at an annualized rate, indicating that real GDP almost certainly declined during the summer quarter.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100



Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA

