

The accelerated pace of deterioration in labor markets continued in January. Total employment decreased by 598,000 jobs – the largest single-month job loss since December 1974. The loss December was revised lower to 577,000 from the originally reported 524,000, bringing the total loss since August to 2.5 million jobs. Total hours worked fell 0.7% in January to 1.4% below the fourth quarter average. Average hourly earnings increased 0.3% to 3.9% above the year earlier level.

In a near repeat of December, job losses again were widespread. Manufacturing shed 207,000 jobs, and construction lost 111,000 jobs. Professional and business services employment fell 121,000. And retail services payrolls fell by 45,000. In total, employment in service-producing sectors fell by 279,000 jobs, as only education and health services added to employment (+54,000). Only approximately one-quarter of the 274 industries tracked by the Bureau of Labor Statistics reported higher payrolls over one, three and six month periods. Compared with December, fewer than one in ten of the 84 manufacturing industries reported higher payrolls.

The unemployment rate increased by 0.2 points again in January to 7.6%. Up by 3.2 points from the cycle low that was reached in March 2007, the rate was the highest since June 1992. The unemployment rate would have been higher had 731,000 people not withdrawn from the labor force, presumably because of dim prospects. The number of unemployed workers was about 4.1 million higher than a year earlier. The broadest measure of unemployment, which includes so-called discouraged workers, increased to 13.9% in January from 13.5% in December and 9.0% in January 2008.

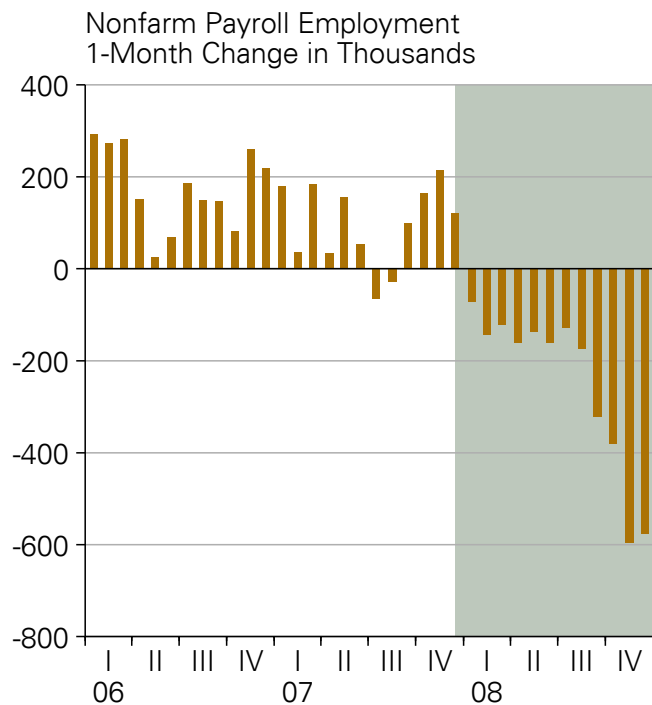
The length of the workweek for all production and nonsupervisory workers remained at the all-time low of 33.3 hours first reached in December. The manufacturing workweek fell to 39.8 hours. Manufacturing overtime fell to 2.9 hours – down sharply from 4.6 hours as recently as April 2006 and the lowest since May 1983. The continuing decreases in the length of the workweek indicate that labor market recovery remains further in the future.

In addition, household income continued to weaken as the year ended. Wage and salary disbursements fell 0.3%

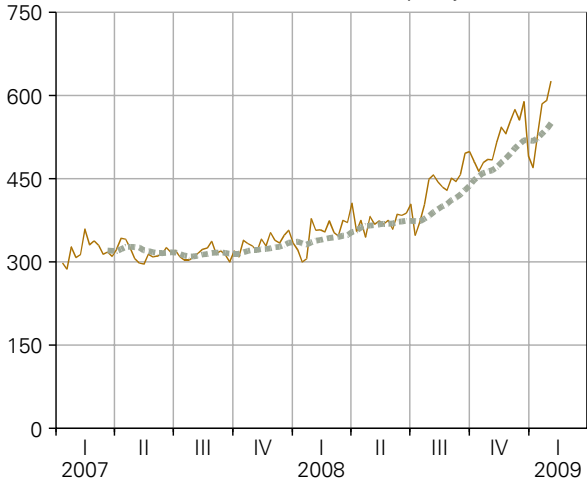
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in December – the third decline in four months. The year-over-year rate of change fell to 0.7%, leaving real wages and salaries essentially flat on the year. Disposable personal income also fell in November and December to only 1.9% above the year earlier level. Incomes are under pressure from falling employment and a shortening of the workweek.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



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



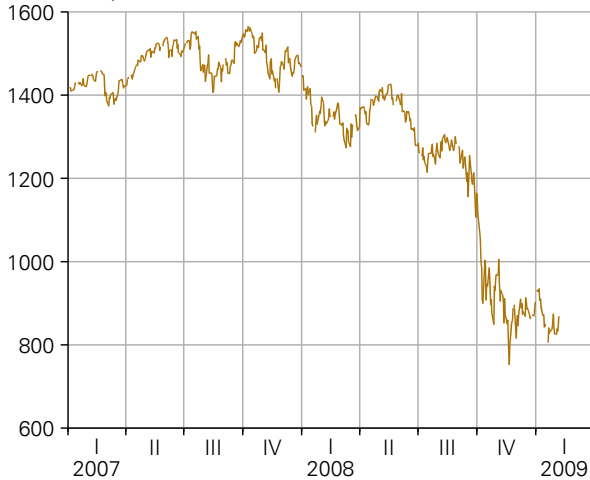
Price of Oil
West Texas Int, \$/bbl



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

