

Nonfarm payroll employment decreased 36,000 jobs in February, but showed additional signs of stabilizing. For example, temporary help services employment has increased by 284,00 jobs since September and the length of the workweek and overtime hours in manufacturing have been rising gradually for the past year.

The decrease in employment during February was the third in a row. Employment fell by 26,000 jobs in January and 109,000 jobs in December and is down by 8.4 million jobs since the beginning of the recession. But the average change in employment during the past four months is only -27,000 jobs, compared with -727,000 jobs per month during the same 4-month period a year earlier. The winter storms are believed to have temporarily reduced employment – especially in construction – but by an unknown amount.

In another sign of continuing, if slow, improvement in labor markets, temporary help services jobs increased by 48,000 – the fifth straight monthly gain. Changes in labor market conditions are believed to show up first in temporary help services employment, because employers can increase or decrease the number of temporary jobs easily.

The unemployment rate stayed at 9.7% in February, after falling from 10.1% in October and 10.0% in November and December to 9.7% in January. The number of people counted as unemployed was little changed in February, as a decline in the number of people unemployed for fewer than five weeks was offset by an increase in the number of people unemployed for more than five weeks.

The recent pattern in the unemployment rate is a sign that the recession ended last summer. Each of the ten previous recessions had already ended by the time the unemployment rate decreased by at least 0.4 percentage points from the peak during the previous twelve months. The lag from the end of recession to the decline of at least 0.4 percentage points ranged from one month following the 1949 recession to 24 months following the 2001 recession. The median lag was six months.

Average hourly earnings increased 0.2%. Compared with a year earlier average hourly earnings were up 2.5% –

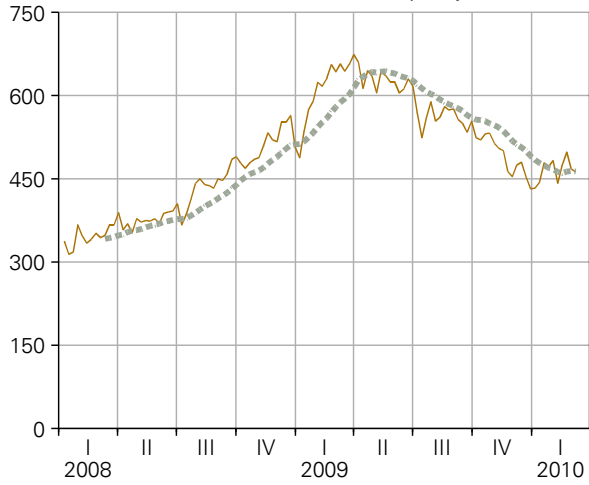
**Nonfarm payroll employment decreased 36,000 jobs in February, but showed additional signs of stabilizing. The unemployment stayed at 9.7%, suggesting that the surprise decrease in January was not a fluke.**

down from the cyclical peak of 3.6% in February 2009 and the lowest since 1.8% in March 2004. The modest pick-up in demand has prompted businesses to increase labor input by extending the workweek (until what is likely a temporary dip in February), but the large number of unemployed and underemployed workers continues to weigh on compensation.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



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



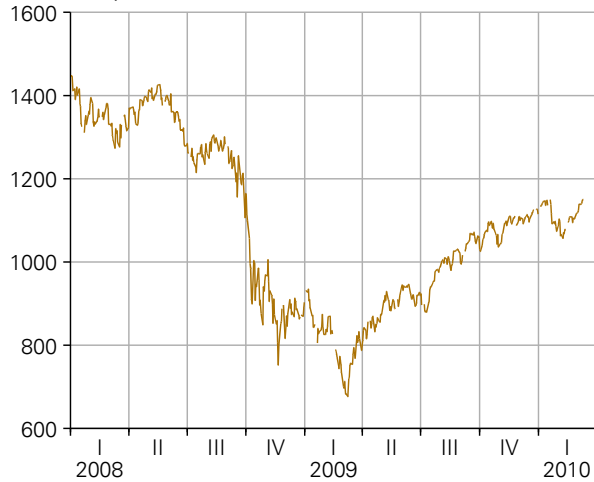
Price of Oil  
West Texas Int, \$/bbl



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

