

DAILY GLOBAL
COMMENTARY

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April 2008 Employment Situation: Details More Pessimistic Than Headlines

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Civilian Unemployment Rate: 5.0% in April vs. 5.1% in March

Payroll Employment: -20,000 in April vs. -81,000 in March, net loss of 8,000 jobs after revisions of payroll estimates for February and March.

Hourly earnings: +1 cent to \$17.88, 3.4% yoy change vs. 3.65% yoy change in March; cycle high was 4.28% yoy change in Dec. 2006.

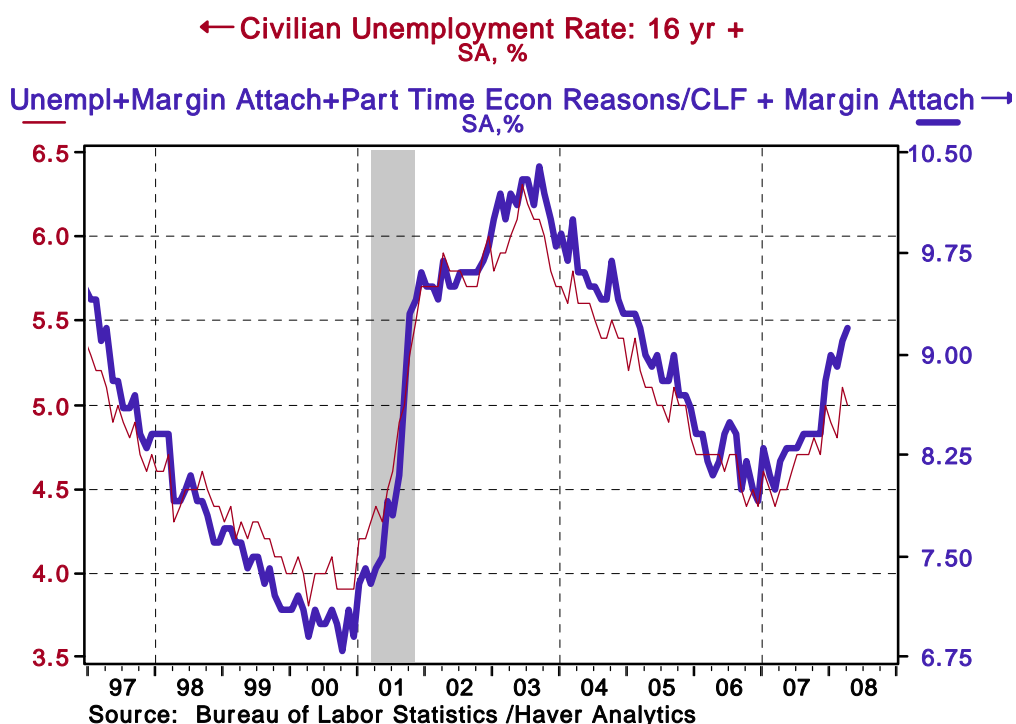
HIGHLIGHTS OF THE APRIL 2008 EMPLOYMENT REPORT

	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>
Household Survey						
Chg. in Civilian Labor Force (000)	522	38	-42	-450	410	173
Chg. in Civilian Employed (000)	631	-436	37	-255	-24	362
Civilian Unemployment Rate	4.7	5.0	4.9	4.8	5.1	5.0
Participation Rate	66.0	66.0	66.1	65.9	66.0	66.0
Employment-Population ratio	63.0	62.7	62.9	62.7	62.6	62.7
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	60	41	-76	-83	-81	-20
Chg. in Private Nonfarm Payrolls (000)	44	-14	-79	-109	-95	-29
Chg. in Manufacturing Payrolls (000)	-3	-22	-35	-47	-48	-46
Chg. in Services - Private Sector (000)	96	59	-10	-18	-7	81
Chg. in Government payrolls (000)	16	55	3	26	14	9
Total Workweek (Hours)						
Total Workweek (Hours)	33.8	33.8	33.7	33.7	33.8	33.7
Manufacturing Workweek (Hours)	41.3	41.1	41.1	41.1	41.2	40.9
Manufacturing Overtime (Hours)	4.1	4.0	4.0	4.0	4.0	3.9
Average Hourly Earnings						
Average Hourly Earnings	17.64	17.70	17.75	17.81	17.87	17.88
Chg. from prior month	0.3%	0.3%	0.3%	0.3%	0.3%	0.1%
Chg. from year ago	3.8%	3.7%	3.7%	3.7%	3.7%	3.4%
Average Weekly Earnings						
Average Weekly Earnings	596.23	598.26	598.18	600.20	604.01	602.56
Chg. from prior month	0.3%	0.3%	0.0%	0.3%	0.6%	-0.2%
Chg. from year ago	3.8%	3.4%	3.4%	3.7%	3.3%	3.1%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	0.0%	0.1%	-0.4%	-0.1%	0.3%	-0.4%
Chg. from prior month in Mfg. Index	0.4%	-0.6%	-0.1%	-0.4%	-0.1%	-1.2%

Household Survey – The civilian unemployment rate edged down to 5.0% during April from 5.1% in March. The jobless rate in April 2008 has increased one full percentage point from 4.5% a year ago. The small drop in the unemployment rate and smaller-than-expected loss in payroll jobs are misleading; the details present a labor market that is severely weak.

Moving on to the details, it is typical to find that part-time employment for economic reasons and marginally attached workers are increasing. The BLS identifies part-time employment as part-time employment for economic reasons if that is the only type of employment available or if weak business conditions lead to part-time employment. In April, part-time employment for economic reasons rose 20.6% from a year ago. Alternatively, this situation can be seen as an increase in part-time employment to 5.22 million vs. 4.37 million employees a year ago. The BLS also publishes information about marginally attached persons to the labor force. These folks are either discouraged workers or they want to work and are available but are not working and have looked for work in the recent past. If we sum the number of officially unemployed, the number of marginally attached workers, and the number of working part-time for economic reasons we obtain a more comprehensive measure of unemployment. This broader measure of unemployment rose to 9.2% in April (see chart 1) which is significantly higher than the 8.2% rate reported in April 2007.

Chart 1

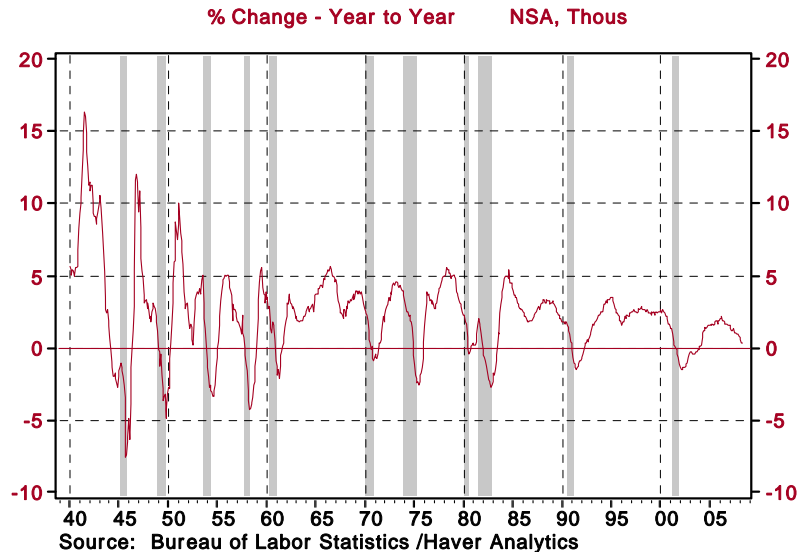


Establishment Survey – Nonfarm payrolls fell 20,000 in April, after a loss of 81,000 jobs in March. Revisions of February and March employment estimates resulted in a loss of 8,000 more jobs. In the first four months of the year, payrolls have declined by 260,000. On a year-to-year basis, payroll employment increased only 0.3%, which is consistent with similar readings seen in prior recessions (see chart 2)

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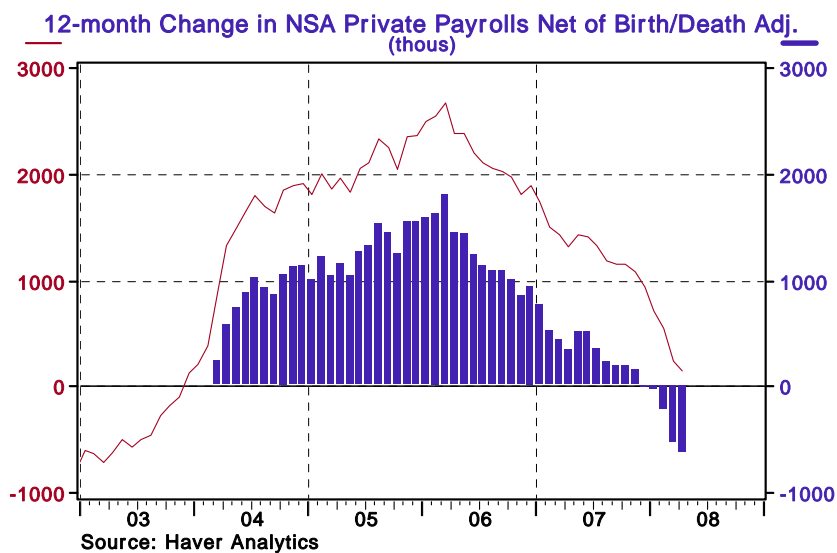


Chart 2
All Employees: Total Nonfarm



The BLS carries out adjustments every month to account for the creation and closing of new businesses every month because they are not included in the monthly survey. This birth/death adjustment process fails to take into consideration cyclical changes taking place in the labor market. The estimate of nonfarm payrolls appears to be an exaggeration because nonfarm payrolls fell 630,000 during the twelve months ended April when the birth/death adjustment is eliminated (see chart 3). If this adjustment is retained, private nonfarm payrolls actually increased 157,000 during the twelve months ended April.

Chart 3
All Employees: Total Private Industries

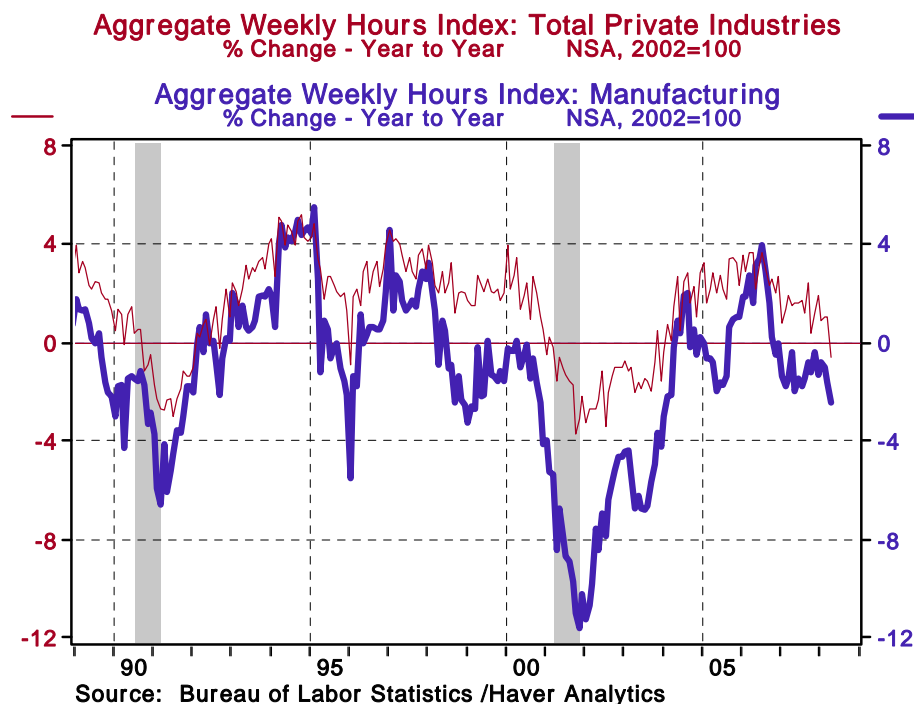


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Construction employment declined 61,000 in April, putting the total number of jobs lost since the peak in September 2006 at 457,600. Factory payrolls dropped 46,000 in April inclusive of a 17,000 loss in auto sector jobs. In addition, employment in furniture and related sectors fell 4,000 and there were 3,000 fewer semiconductors and electronics jobs. Factory employment has dropped 326,000 in the most recent 12-month period. Retail sector employment declined 27,000 in April. A total of 137,000 retail industry jobs have been lost from the peak in March 2007. The 37,000 increase in employment in the health care sector is the silver lining in this market. 365,000 jobs have been created in the health care industry in the past year.

The index of aggregate hours worked fell 0.4% in April, indicative of a contraction in GDP in the second quarter. The 1.2% decline in the factory man-hours index makes a strong case for a drop in industrial production in April.

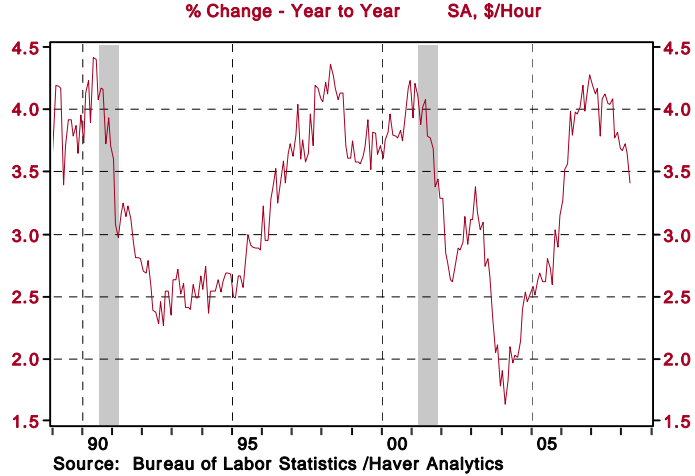
Chart 4



Hourly earnings increased 1 cent to \$17.88, putting the year-to-year change at 3.4%. The downward trend of hourly earnings is a source of relief for the doves on the FOMC who are facing dissents from the hawks focused on the upward trend of inflation.

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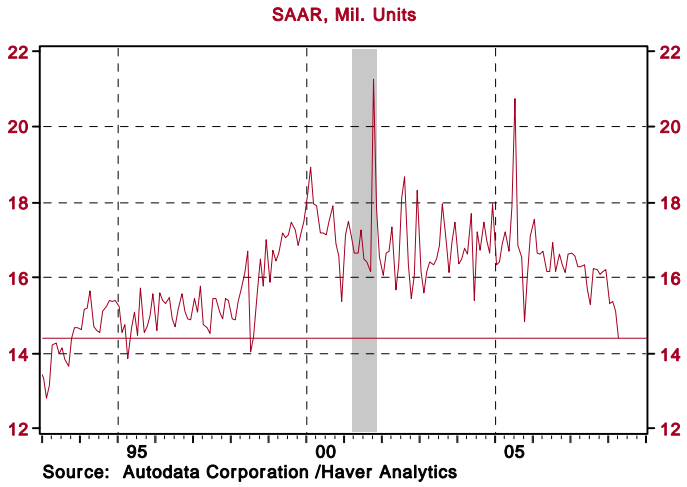
Chart 5
Average Hourly Earnings: Total Private Industries



The drop in payrolls and meager increase in earnings point to a steady wage and salary reading for April, at best; a decline in personal income in April should not be a surprise.

Conclusion – In addition to the weak employment numbers for April, real GDP advanced only 0.6% in the first quarter, final sales dropped 0.2%, the April ISM survey showed a stalled factory sector, and auto sales dropped to 14.4 million units in April, the weakest pace of sales since April 1995. (The sharp decline in auto sales in July and August of 1998 was related to a GM strike which led to a large reduction in inventories.)

Chart 6
Total Light Vehicle Retail Sales (Imported+Domestic)



Essentially, there is no doubt about the fundamentally feeble status of the U.S. economy. The Fed’s policy statement of April 30 and today’s actions to enhance liquidity in financial markets suggest that the Fed is most likely to pause and await the impact of the 325 basis point reduction in the federal funds rate, the economic stimulus package, and other programs put in place.

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