

DAILY GLOBAL
COMMENTARY

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January Employment Report – Severity of Weakness Will Stimulate the Votes for Fiscal Stimulus under Consideration

February 6, 2009

Civilian Unemployment Rate: 7.6% in January vs. 7.2% in December, cycle low is 4.4% in March 2007.

Payroll Employment: -598,000 in January vs. -577,000 in December, net loss of 66,000 jobs after revisions of payroll estimates for November and December.

Hourly earnings: +5 cents to \$18.36, 3.88% yoy change vs. 3.95% yoy change in December; cycle high is 4.28% yoy change in Dec. 2006.

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HIGHLIGHTS OF THE JANUARY 2009 EMPLOYMENT REPORT

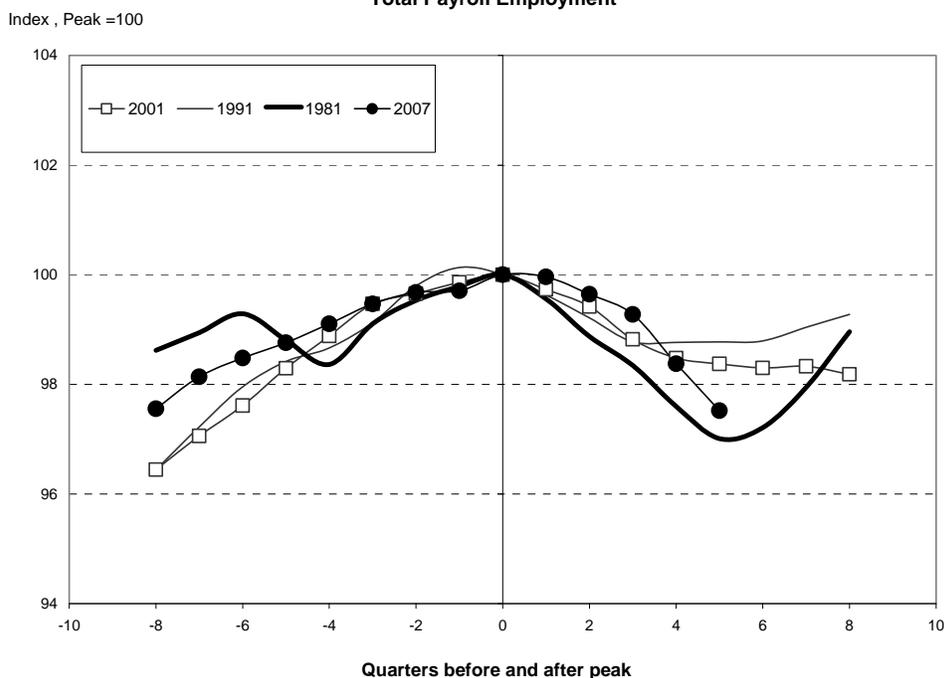
	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>
Household Survey						
Chg. in Civilian Labor Force (000)	317	-202	257	-258	-173	-731
Chg. in Civilian Employed (000)	-323	-244	-372	-513	-806	-1239
Civilian Unemployment Rate	6.2	6.2	6.6	6.8	7.2	7.6
Participation Rate	66.1	66.0	66.0	65.8	65.7	65.5
Employment-Population ratio	62.1	61.9	61.7	61.4	61.0	60.5
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	-175	-321	-380	-597	-577	-598
Chg. in Private Nonfarm Payrolls (000)	-194	-300	-384	-601	-567	-604
Chg. in Manufacturing Payrolls (000)	-67	-65	-119	-121	-162	-207
Chg. in Services - Private Sector (000)	-113	-196	-200	-352	-317	-285
Chg. in Government payrolls (000)	19	-21	4	4	-10	6
Total Workweek (Hours)						
Manufacturing Workweek (Hours)	40.8	40.5	40.4	40.2	39.9	39.8
Manufacturing Overtime (Hours)	3.7	3.5	3.5	3.2	3.0	2.9
Average Hourly Earnings						
	18.18	18.21	18.28	18.34	18.41	18.46
Chg. from prior month	0.4%	0.2%	0.4%	0.3%	0.4%	0.3%
Chg. from year ago	3.8%	3.6%	3.9%	3.9%	4.0%	3.9%
Average Weekly Earnings						
	612.67	611.86	612.38	612.56	613.05	614.72
Chg. from prior month	0.7%	-0.1%	0.1%	0.0%	0.1%	0.3%
Chg. from year ago	3.5%	3.0%	2.9%	2.6%	2.4%	2.7%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	0.2%	-0.6%	-0.8%	-0.9%	-0.8%	-0.7%
Chg. from prior month in Mfg. Index	-1.1%	-1.4%	-1.5%	-1.6%	-2.3%	-2.1%

The January employment report is grim on all fronts, with the unemployment rate at 7.6% vs. 7.2% in December. In January, 598,000 jobs were lost, putting the total loss during January 2008 – January 2009 at 3.6 million payroll jobs. Roughly one-half of the losses have occurred in the

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last three months. The 1.77 million jobs lost in the three months ended January is the largest three-month loss of jobs since the war-related drop in jobs during the later half of 1945. However, job losses need to be evaluated within the context of the growth of the labor force. An index chart is a useful tool to compare economic employment conditions across business cycles that adjusts for the growth of the labor force. The index chart (chart 1) shows that the extent of job losses is larger in the current downswing compared with the prior two recessions. Assuming, employment will stay at the January level (optimistic), the extent of the decline in payroll employment after five quarters of the peak in economic activity in the current downturn (index number is 97.52) exceeds job losses recorded in the 2001 (98.37) and 1991-92 (98.7) recessions, while the 1981-82 (97.0) recession was a more severe situation. The average employment index for the period 1960-1980 (not shown in chart) posted a more muted drop to 99.6 five quarters after the peak of a business cycle. Although there are differences of opinion about the impact of an expansionary fiscal policy, the large and rapid decline in employment in recent months creates the political impetus for a quick passage of the fiscal stimulus package under consideration.

Chart 1
Total Payroll Employment



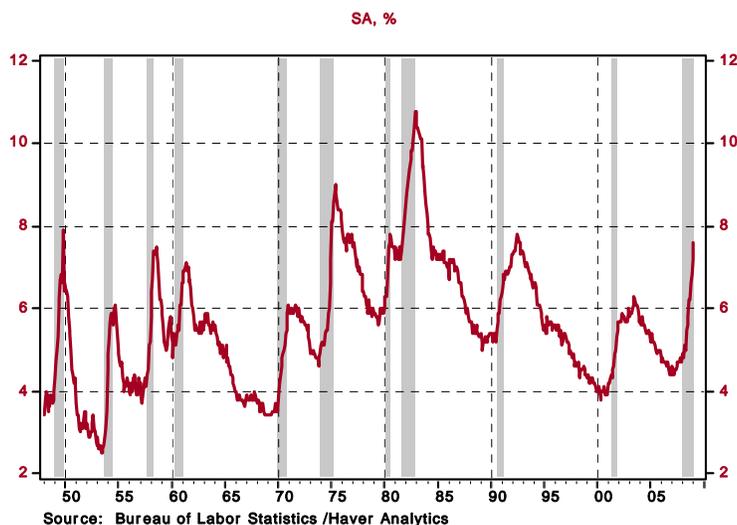
[Note: Chart 1 is an index chart where the level of employment in the quarter corresponding to the peak of the business cycle is set to 100 and appropriate computations are made for levels of employment before and after the peak of the business cycle. For example, an index reading of 98 indicates that the level of employment in the relevant quarter was 2.0% below that of the level of employment during the peak quarter of business cycle. Likewise, a reading of 102 indicates that the level of employment in the relevant quarter was 2% higher than the number employed in the quarter identified as the peak of the business cycle.]

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Moving on to the details of the employment report:

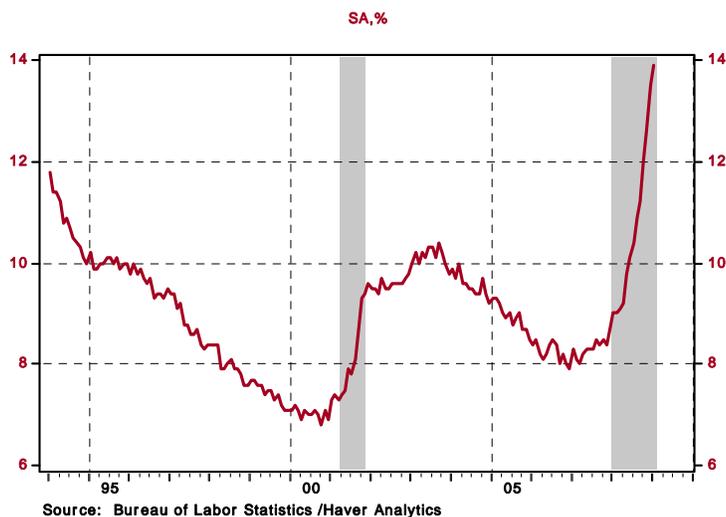
Household Survey – The unemployment rate in January shot up to 7.6%, the highest since September 1992. The labor force fell 0.5% in January, while the number unemployed rose 4.6%. The participation rate (labor force as a percent of the non-institutional population) fell to 65.5% in January from a high of 66.2% in May.

Chart 2
Civilian Unemployment Rate: 16 yr +



The broader measure of unemployment (which includes those working part-time because they cannot find full-time jobs and those not looking for work but want and are available in addition to those included in the tally of unemployed in the headline jobless rate) advanced to 13.9% from 13.5% in December.

Chart 3
Unempl+Margin Attach+Part Time Econ Reasons/CLF + Margin Attach



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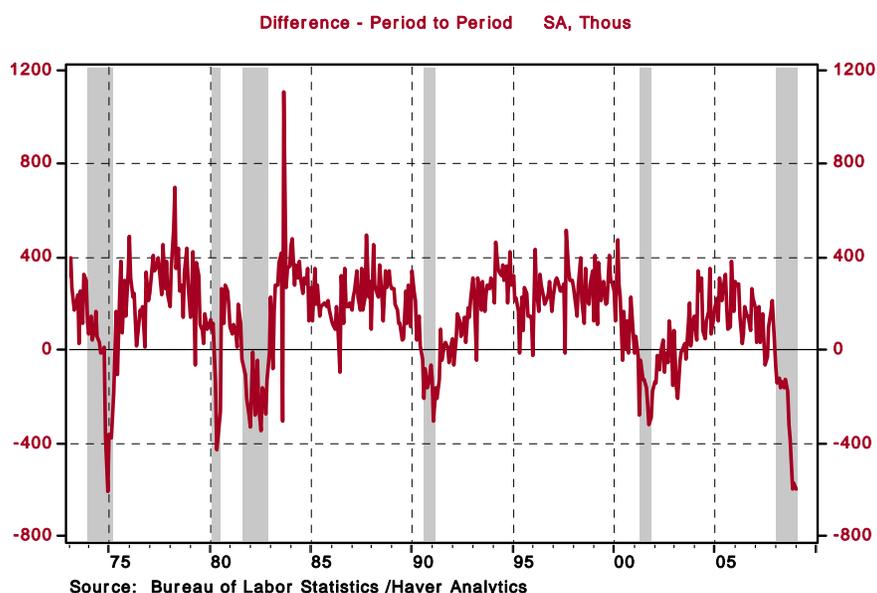
The unemployment rate has now risen 3.2 percentage points from a cycle low of 4.4% in March 2007, which matches the median increase in the jobless rate during business cycles of the post-war period. The average increase of the jobless rate from cycle low to cycle high is 3.24 percentage points. Given that the current downswing in business activity is not of the garden variety, a larger than average gain is likely by the trough of the business cycle.

Unemployment Rate across Business Cycles

Peak to Trough Business Cycles	Date	Cycle low of unemployment rate prior to onset of recession	Date	Cycle high of unemployment rate after the end of the recession	Increase in jobless rate from cycle low (percentage points)
1948:Q4 - 1949:Q4	Jan-48	3.4	Oct-49	7.9	4.5
1953:Q2 - 1954:Q2	Jun-53	2.5	Sep-54	6.1	3.6
1957:Q3 - 1958:Q2	Mar-57	3.7	Jul-58	7.5	3.8
1960:Q2 - 1961:Q1	Feb-60	4.8	May-61	7.1	2.3
1969:Q4 - 1970:Q4	May-69	3.4	Dec-70	6.1	2.7
1973:Q4 - 1975:Q1	Nov-73	4.6	May-75	9.0	4.4
1980:Q1 - 1980:Q3	May-79	5.6	Jul-80	7.8	2.2
1981:Q3 - 1982:Q4	Jul-81	7.2	Dec-82	10.8	3.6
1990:Q3 - 1991:Q1	Mar-89	5.0	Jun-92	7.8	2.8
2001:Q1 - 2001:Q4	Apr-00	3.8	Jun-03	6.3	2.5
Current cycle	Mar-07	4.4	Jan-09	7.6	3.2

Establishment Survey – Job losses were widespread across various industries during January. A gain of 8,000 government jobs, an increase of 19,000 health care jobs, and a 33,000 expansion in private education payrolls were the three components showing an increase in payroll employment.

Chart 4
All Employees: Total Nonfarm



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Tally of job losses:

Factory jobs: -207,000 in January, largest monthly loss since October 1982, 1.07 million jobs since recession commenced in December 2007.

Construction jobs: - 111,000 in January, 1.0 million jobs lost since January 2007

Temporary help: -76,000 in January, 695,000 jobs lost since the peak in December 2006

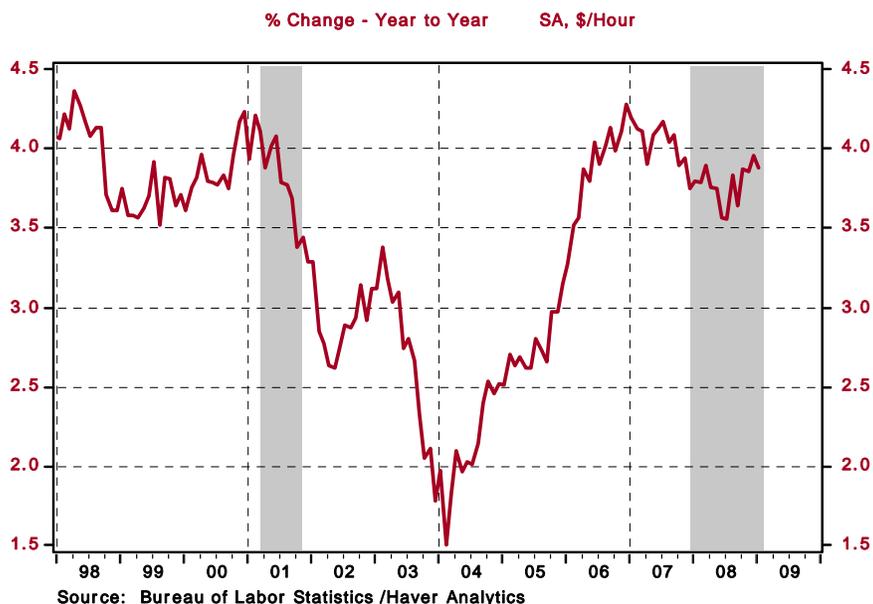
Retail: -45,000 in January, 592,000 jobs lost since peak in November 2007

Financial activities: -42,000 in January, 388,000 jobs lost since peak in December 2006

The 2.1% drop in the manufacturing man-hours index points to a significant decline in industrial production during January. The earnings and employment data suggest that personal income is most likely to post a decline in January, which will be the fourth consecutive drop in personal income.

Chart 5

Average Hourly Earnings: Total Private Industries



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