

DAILY GLOBAL
COMMENTARY

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Headlines are Stunning, but Details Point to Positive Developments*May 8, 2009*

The **Civilian Unemployment Rate**: 8.9% in April vs. 8.5% in March, cycle low is 4.4% in March 2007.

Payroll Employment: -539,000 in April vs. -699,000 in March, net loss of 66,000 jobs after revisions of payroll estimates for February and March.

Hourly earnings: +1 cents to \$18.51, 3.18% yoy change vs. 3.4% yoy change in March, cycle high is 4.28% yoy change in Dec. 2006.

HIGHLIGHTS OF THE EMPLOYMENT REPORT – APRIL 2009

	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>
Household Survey						
Chg. in Civilian Labor Force (000)	-258	-173	-731	498	-166	683
Chg. in Civilian Employed (000)	-513	-806	-1239	-351	-861	120
Civilian Unemployment Rate	6.8	7.2	7.6	8.1	8.5	8.9
Participation Rate	65.8	65.7	65.5	65.6	65.5	65.8
Employment-Population ratio	61.4	61.0	60.5	60.3	59.9	59.9
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	-597	-681	-741	-681	-699	-539
Chg. in Private Nonfarm Payrolls (000)	-601	-670	-749	-688	-693	-611
Chg. in Manufacturing Payrolls (000)	-121	-180	-262	-172	-167	-149
Chg. in Services - Private Sector (000)	-352	-388	-344	-393	-375	-341
Chg. in Government payrolls (000)	4	-11	8	7	-6	72
Total Workweek (Hours)						
Total Workweek (Hours)	33.4	33.3	33.3	33.3	33.2	33.2
Manufacturing Workweek (Hours)	40.2	39.9	39.8	39.5	39.4	39.6
Manufacturing Overtime (Hours)	3.2	2.9	2.9	2.7	2.6	2.7
Average Hourly Earnings						
Average Hourly Earnings	18.34	18.40	18.43	18.46	18.50	18.51
Chg. from prior month	0.3%	0.3%	0.2%	0.2%	0.2%	0.1%
Chg. from year ago	3.9%	3.9%	3.7%	3.5%	3.4%	3.2%
Average Weekly Earnings						
Average Weekly Earnings	612.56	612.72	613.72	614.72	614.20	614.53
Chg. from prior month	0.0%	0.0%	0.2%	0.2%	-0.1%	0.1%
Chg. from year ago	2.6%	2.4%	2.5%	2.0%	1.5%	1.3%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	-0.9%	-0.9%	-0.7%	-0.6%	-1.0%	-0.6%
Chg. from prior month in Mfg. Index	-1.6%	-2.3%	-2.7%	-2.3%	-1.9%	-0.9%

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Household Survey – The civilian unemployment rate rose to 8.9% in April, the highest since September of 1983 (see chart 1). The participation rate increased to 65.8% from 65.5%. The sharp increase in unemployment rate is troubling and it is projected to shoot up to 10% by year-end.

Chart 1



However, according to the household survey, the number employed (see chart 2) increased 120,000 in April. When the employment numbers are adjusted to the payroll concept, the increase in employment was 80,000.

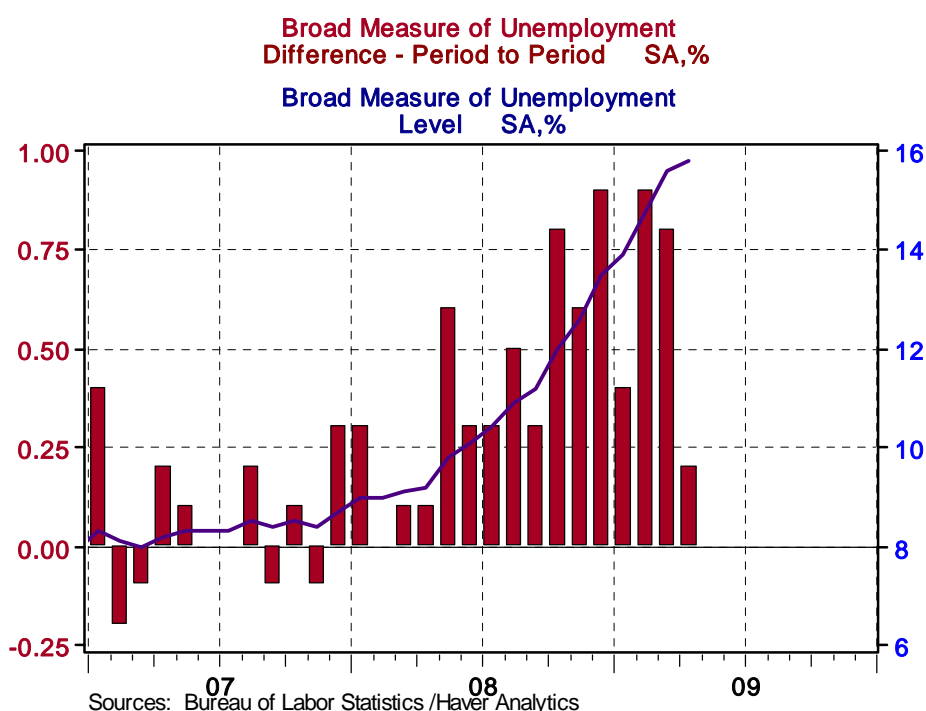
Chart 2



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In prior employment reports we have frequently cited 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) to stress the extent of joblessness in the economy. In April, this broad measure of unemployment rose 0.2% percentage points to 15.8%. The very fact that it increased by a small measure is noteworthy because in the October 2008 – March 2009 period, the average monthly increase of this unemployment rate was 0.7 percentage points (see chart 3)

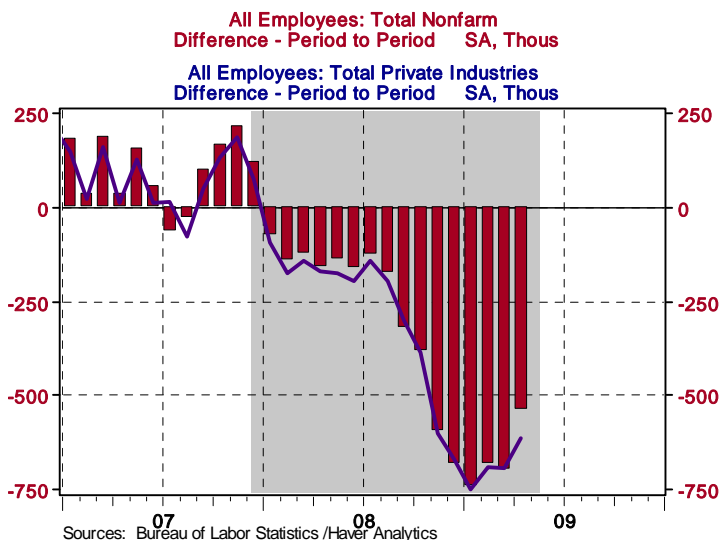
Chart 3



Establishment Survey – Nonfarm payrolls fell 539,000 in April, following a 699,000 drop in March. Since December 2007, the date of the official onset of the current recession, 5.7 million payroll jobs have been lost. The headline number in April was partly more muted compared with March partly due to increase in federal government employment (+related to Census 2010). Private sector employment fell 611,000 in April vs. a loss of 693,000 private sector jobs in March. As shown in chart 4, the pace of decline in non-farm employment was significantly smaller in April compared with the prior five-month period.

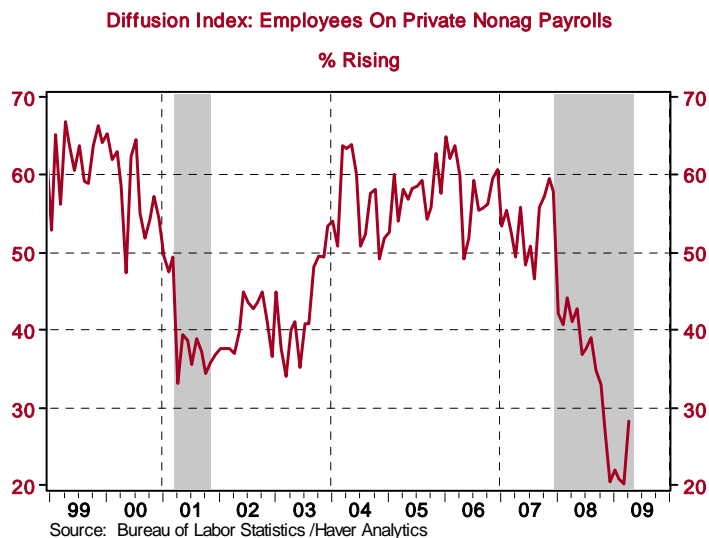
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Chart 4



In addition, the diffusion index (Figures are the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.) jumped to 28.2% in April from 20.3% in March.

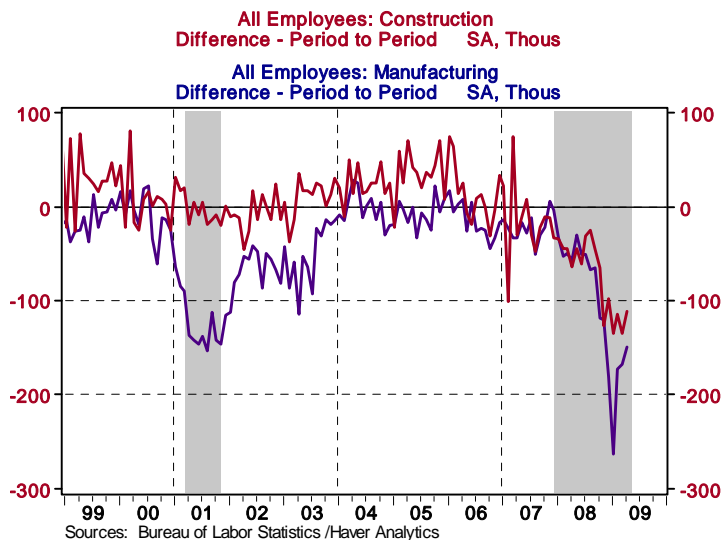
Chart 5



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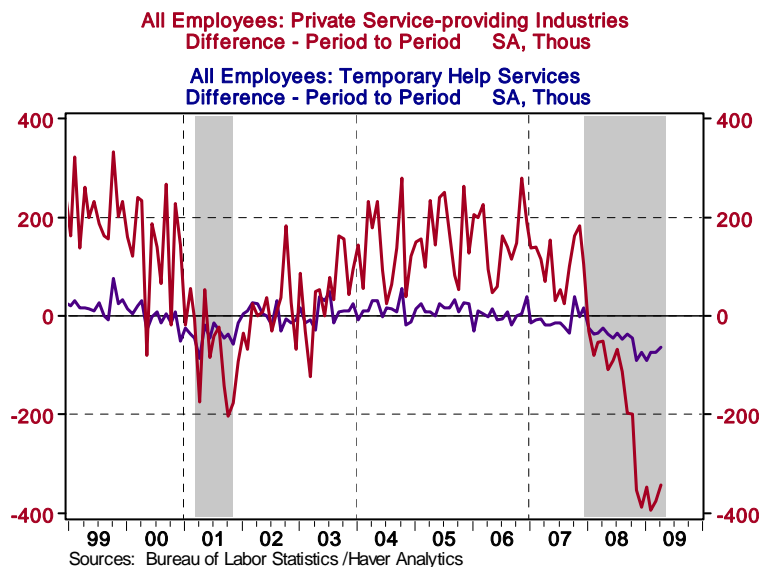
Construction employment fell 110,000 and factory payrolls dropped 149,000 in April. There appears to be deceleration in the loss of jobs in both these sectors (see chart 6).

Chart 6



Total private sector service employment (-341,000) and temporary help services (-63,000) are both pointing to a smaller loss in jobs in April compared with the situation a few months ago (see chart 7).

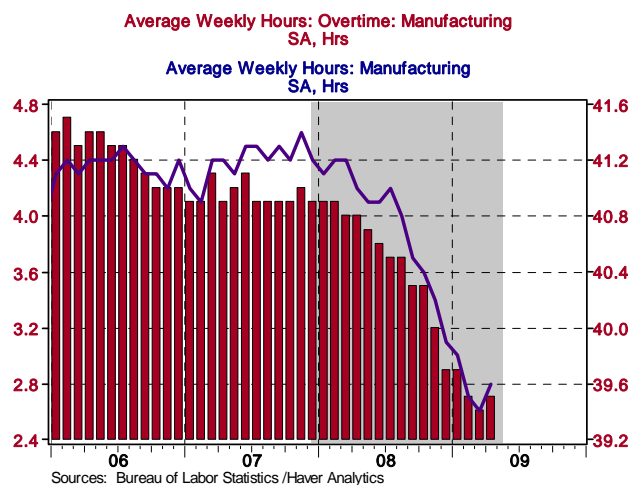
Chart 7



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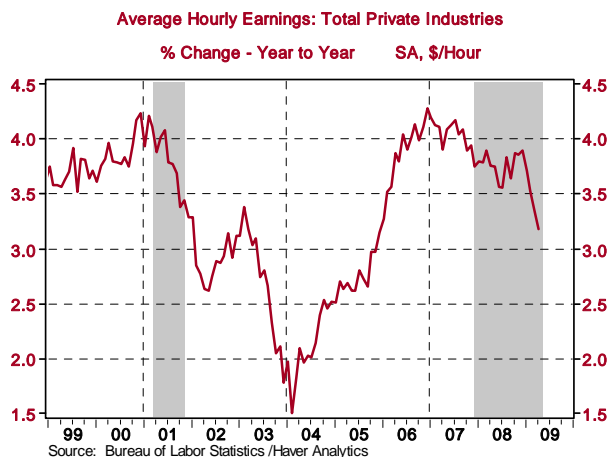
The longer manufacturing workweek (39.6 hours vs. 39.4 hours in March) and an increase in factory overtime (see chart 8) are important leading indicators suggesting that the economy is most likely turning the corner. In sum, much like the household survey details, the minutiae of the establishment survey are also supportive of the view that the pace of decline in job losses is slowing.

Chart 8



The 0.9% drop in the manufacturing man-hours index points to another monthly reduction in industrial production. The nearly steady average hourly earnings situation in April, puts the increase in the past twelve months at 3.2%, the lowest since December 2005. The small gain in hourly earnings and the drop in payroll employment raise the probability of another monthly decline in the wage and salary component of personal income in April.

Chart 9



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Conclusion – The headline numbers of the employment report are stunning but the other underlying details strongly support the view that hiring is stabilizing gradually. The Fed is on hold for the rest of the year given the nature of underlying weakness in economic conditions.

Key Interest Rates

	5/8/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.94	-7	-19	-175
2-year U.S. Treasury note yield	0.97	5	1	-128
10-year U.S. Treasury note yield	3.29	8	33	-48

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