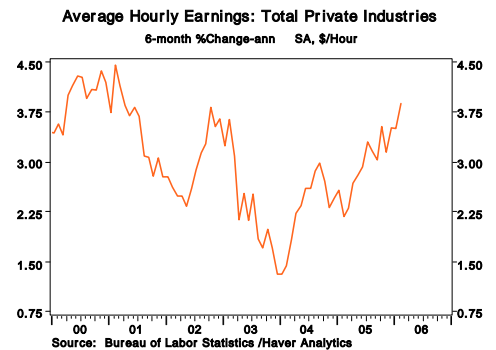
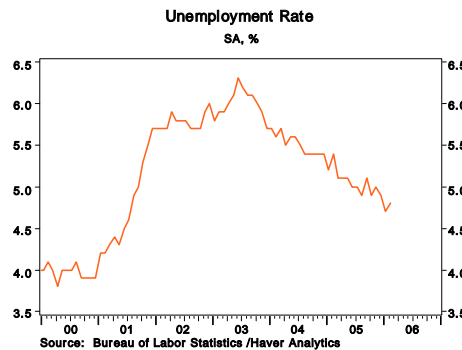
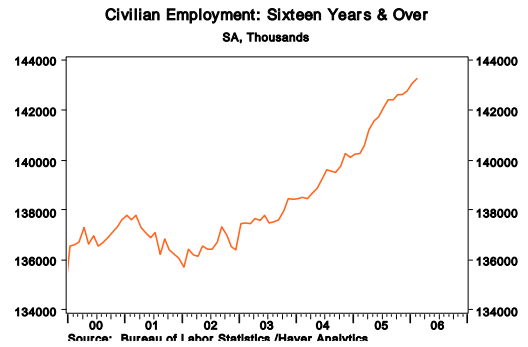
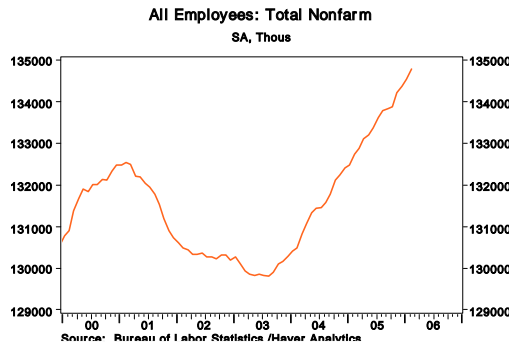


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FEBRUARY EMPLOYMENT REPORT

- Non-farm payrolls increased by 243,000 jobs in February. Payrolls were revised down by a total of 18,000 in December and January.
- The household survey reported 183,000 new jobs and a jump of 335,000 in the labor force, pushing the unemployment rate to 4.8% versus 4.7% in January.
- Average hourly earnings increased 0.3% in February after a 0.4% gain in January.



Implications: February's robust increase in non-farm payrolls is yet another indicator that the job market has significantly improved. The US economy has created 912,000 jobs over the last four months – the best four month change since early 2004. Average hourly earnings have increased 3.5% in the last 12 months, 3.9% at an annual rate in the last six months and 4.8% at an annual rate in the last three months. This is the fastest three-month gain since 2000. The acceleration in average hourly earnings, when combined with much lower initial unemployment claims, suggests that the labor market has tightened significantly. With jobs easier to find and wages rising, it is not surprising that the labor force grew by 335,000 in February. As a result, we do not view the increase in the unemployment rate to 4.8% as a sign of weakness, but strength. While we do not believe that rising wages cause inflation, the Fed's Phillips Curve models do. As a result, we continue to believe the fed funds rate will end 2006 north of 5.0%.

Employment Report	Feb-06	Jan-06	Dec-05	3-month moving avg	6-month moving avg	12-month moving avg
Nonfarm Payrolls (thous.)	243	170	145	186	166	171
<i>Goods-Producing Industries</i>						
Mining	5	3	3	4	5	4
Construction	41	55	7	34	34	29
Manufacturing	-1	7	8	5	3	-4
<i>Service-Producing Industries</i>						
Retail Trade	198	105	127	143	125	143
Finance, Insurance and Real Estate	7	-14	7	0	-3	8
Government	22	21	6	16	19	14
Government	38	-31	-2	2	6	12
Avg. Hourly Earnings: Priv. Nonfarm Payrolls*	0.3%	0.4%	0.4%	4.8%	3.9%	3.5%
Avg. Weekly Hours: Priv. Non-agric	33.7	33.8	33.8	33.8	33.8	33.8
Avg. Weekly Hours: Manufacturing	41.0	40.9	40.8	40.9	40.9	40.7
Index of Aggregate Weekly Hours*	-0.1%	0.2%	0.2%	1.2%	2.2%	2.2%
Unemployment Rate	4.8	4.7	4.9	4.8	4.9	5.0
Labor Force	335	-39	-30	89	110	182
Civilian Employment	183	295	168	215	139	248

Source: Bureau of Labor Statistics

*3, 6 month figures are % ch annualized; 12 mo. = year over year % change

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