



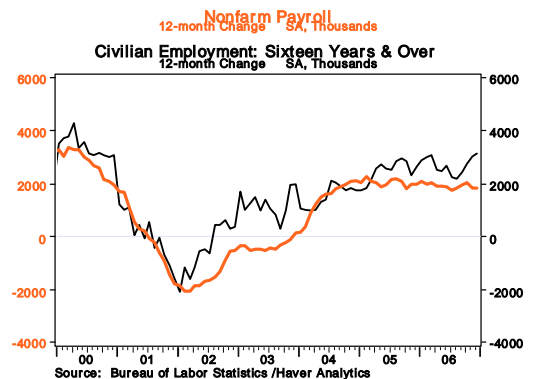
DECEMBER EMPLOYMENT REPORT

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- Non-farm payrolls increased by 167,000 in December, well above the consensus expected gain of 100,000. Payroll gains were also revised up a combined 29,000 for October and November.
- The unemployment rate remained at a very low 4.5% even as the size of the labor force continued its recent surge. The labor force participation rate – the share of adults either working or looking for work – increased to 66.4%, the highest level since June 2003.
- Average hourly earnings increased 0.5% in December and are up 4.2% in the past year, both figures better than the consensus forecast. The 4.2% gain in the past twelve months is the largest increase in six years.



Implications: The job market is in excellent shape. Payrolls are expanding at a robust rate, wages are rising – drawing more marginal workers back into the labor force – and those still unemployed are finding jobs faster. Payrolls have grown by more than 1.8 million in the past year (more than 2 million including the Labor Department’s estimate of annual payroll revisions to be released next month). Civilian employment from the household survey is up 3.1 million during the past year. Wage gains are very strong. To put the 4.2% wage increase of 2006 in perspective, wages have not grown more than 4.5% in any 12-month period since 1983. Another sign of strength deeper within the employment report is that the median duration of unemployment for those without jobs fell to 7.3 weeks, the lowest it’s been in more than five years. Today’s report supports our view that the economy is strong and interest rate cuts are nowhere in sight.



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-06	Nov-06	Oct-06	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.5	4.5	4.4	4.5	4.6	4.6
Civilian Employment (monthly change in thousands)	303	286	431	340	257	262
Nonfarm Payrolls (monthly change in thousands)	167	154	86	136	161	153
Construction	-3	-25	-28	-19	-7	3
Manufacturing	-12	-20	-41	-24	-18	-6
Retail Trade	-9	39	6	12	4	-5
Finance, Insurance and Real Estate	9	8	-1	5	10	13
Professional and Business Services	50	47	29	42	37	35
Education and Health Services	43	36	20	33	43	38
Leisure and Hospitality	31	39	52	41	38	29
Government	17	10	22	16	29	21
Avg. Hourly Earnings: Total Private*	0.5%	0.3%	0.4%	4.6%	4.2%	4.2%
Avg. Weekly Hours: Total Private	33.9	33.9	33.9	33.9	33.9	33.9
Index of Aggregate Weekly Hours: Total Private*	0.2	0.1	0.4	2.7	1.5	2.1

*3, 6 and 12 month figures are % change annualized

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