

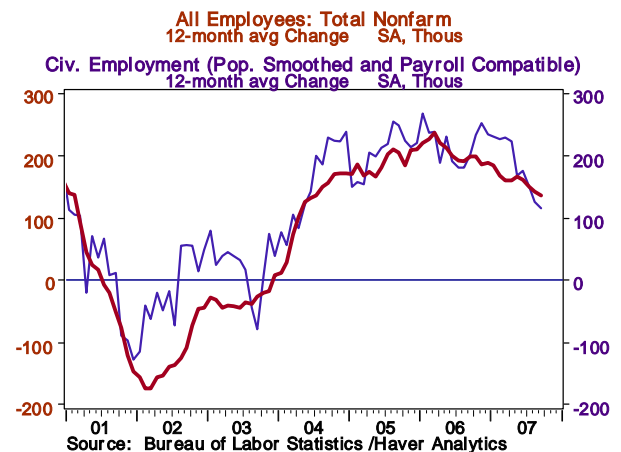
SEPTEMBER EMPLOYMENT REPORT

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- Non-farm payrolls increased 110,000 in September and revisions to July and August added 118,000. The consensus expected a gain of 100,000.
- Government jobs increased 37,000 in September and accounted for 113,000 of the upward revisions to July and August. Excluding government, private sector payrolls increased 73,000 in September and were revised up a net 5,000 in the previous two months. Construction payrolls fell 20,000 in September, all due to home building. Outside home building, construction jobs rose 6,000.
- The unemployment rate ticked up to 4.7% but the increase was exaggerated by rounding to the nearest tenth. Un-rounded the rate increased to 4.696% from 4.642% in August.
- Average hourly earnings increased 0.4% and are up 4.1% versus a year ago.

Implications: What a difference a month makes. Four weeks ago August payrolls were reported down 4,000 and stories about a recession were everywhere. We wrote then that “overreaction...is the real news.” Now the Labor Department says August payrolls were up 89,000 and September payrolls increased another 110,000. In addition wages are increasing rapidly, supporting consumer buying power. Average hourly earnings were up 0.4% in September and were up at a 4.1% annual rate in the past two years, the most rapid pace since 1990. Some analysts are focusing on the Labor Department’s suggestion that the benchmark revision will be down 297,000 but that figure refers to the year that ended in March 2007, when previous estimates show payrolls growing at an average monthly rate of 161,000. So even after the benchmark revision, that year-long period will still show payrolls growing at an average monthly rate of 137,000. In the months ahead we expect job gains to remain solid as real GDP growth has already re-accelerated from the lull in 2006 and the first quarter of 2007.

Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Sep-07	Aug-07	Jul-07	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.7	4.6	4.6	4.6	4.6	4.5
Civilian Employment (monthly change in thousands)	289	117	-23	128	72	116
Nonfarm Payrolls (monthly change in thousands)	110	89	93	97	112	136
Construction	-14	-22	-16	-17	-13	-9
Manufacturing	-18	-45	-4	-22	-18	-19
Retail Trade	-5	9	7	3	-2	9
Finance, Insurance and Real Estate	-14	-14	16	-4	1	3
Professional and Business Services	21	18	25	21	19	26
Education and Health Services	44	65	58	56	57	49
Leisure and Hospitality	35	11	12	19	27	34
Government	37	57	-24	23	18	19
Avg. Hourly Earnings: Total Private*	0.4%	0.3%	0.3%	4.0%	4.2%	4.1%
Avg. Weekly Hours: Total Private	33.8	33.8	33.8	33.8	33.8	33.8
Index of Aggregate Weekly Hours: Total Private*	0.1	0.1	-0.1	0.4	0.9	1.7

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