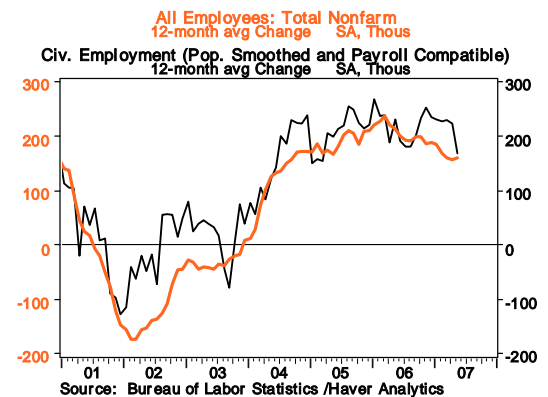


MAY EMPLOYMENT REPORT

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- Non-farm payrolls increased 157,000 in May while revisions to March and April subtracted a total of 10,000 from payroll growth. Combined, payrolls in May were 147,000 higher than reported a month ago. The consensus expected gain was 135,000.
- Sectors performing well in May included education and health (+54,000), professional and business services (+32,000), leisure and hospitality (+46,000) – particularly restaurants and bars (+35,000) – and government (+22,000).
- Manufacturing payrolls shrunk by 19,000 in May while March and April were revised down by a combined 6,000. Construction payrolls were unchanged, with residential construction down 1,000 and non-residential up 1,000.
- The unemployment rate remained at 4.5%. Un-rounded, the rate was 4.464%. Average hourly earnings increased 0.3% (0.35% un-rounded) and are up 3.8% versus a year ago, consistent with nominal wage gains in the late 1990s.



Implications: Today's report was a strong one: more jobs, more hours per job, more earnings per hour. These data confirm our view that last month's relatively slow payroll increase of 80,000 was a weather-related aberration. Payrolls are up 1.93 million in the past twelve months while civilian employment (adjusted for the payroll concept) is up 2.02 million. The U.S. labor market has been in excellent shape and we expect it to remain that way for the foreseeable future.

Employment Report <i>All Data Seasonally Adjusted</i>	May-07	Apr-07	Mar-07	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.5	4.5	4.4	4.5	4.5	4.6
Civilian Employment (monthly change in thousands)	66	-70	420	139	50	168
Nonfarm Payrolls (monthly change in thousands)	157	80	175	137	148	160
Construction	0	-21	51	10	-2	-2
Manufacturing	-19	-20	-23	-21	-15	-14
Retail Trade	-5	-25	39	3	8	6
Finance, Insurance and Real Estate	2	-7	-1	-2	3	7
Professional and Business Services	32	21	-6	16	27	32
Education and Health Services	54	58	50	54	47	44
Leisure and Hospitality	46	12	24	27	31	36
Government	22	21	23	22	22	25
Avg. Hourly Earnings: Total Private*	0.3%	0.2%	0.3%	3.3%	3.7%	3.8%
Avg. Weekly Hours: Total Private	33.9	33.8	33.9	33.9	33.8	33.8
Index of Aggregate Weekly Hours: Total Private*	0.5	-0.3	0.8	4.2	2.3	2.0

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