

NOVEMBER EMPLOYMENT REPORT

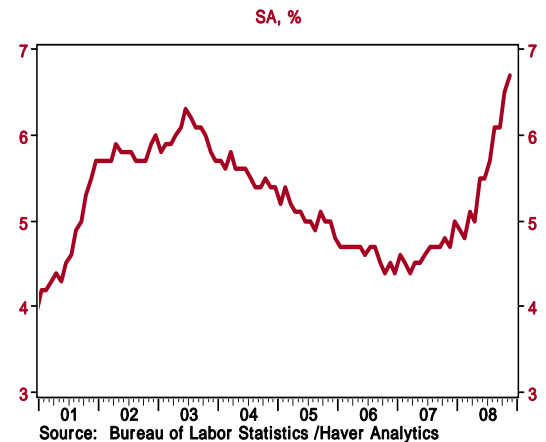
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- Non-farm payrolls declined 533,000 in November, while revisions to September and October subtracted 199,000 jobs, resulting in a net loss of 732,000. The consensus expected a loss of 335,000.
- Private (non-gov't) payrolls dropped 540,000, with declines in almost all major sectors. The weakest job categories were employment services – such as temps – (down 101,000), retail (down 91,000), manufacturing (down 85,000), and construction (down 82,000). The strongest sector was health and education (up 52,000).
- The jobless rate increased to 6.7% from 6.5% in October. The consensus had expected 6.8%.
- Average hourly earnings rose 0.4% in November and are up 3.7% versus a year ago, both higher than expected.

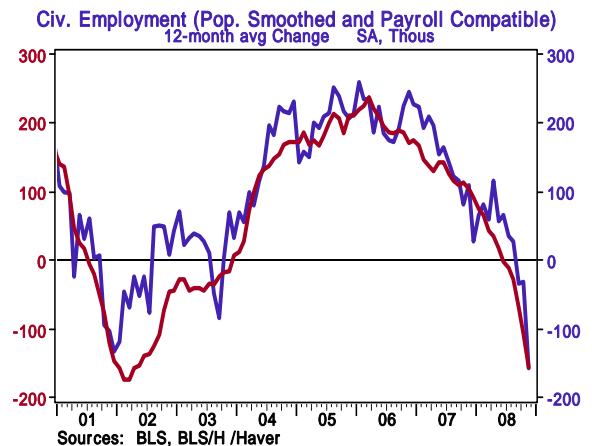
Implications: The job market got substantially worse in November. As a share of the labor force, the 533,000 drop in payrolls was the largest since 1980. The weakness in jobs was widespread, with the private service sector losing 377,000 on top of continuing weakness in construction and manufacturing. While the unemployment rate went up less than the consensus expected, this was due to a decline in the labor force participation rate (the portion of people working or looking for work) to a tie for the lowest level in 20 years. Moreover, firms are now trimming not only jobs but hours per worker, with average weekly hours falling to 33.5, the lowest level on record. We expect further significant job losses in the months ahead. However, given the recent stabilization in initial unemployment claims, the loss of jobs in November should be the worst of the cycle, barring liquidations in the auto sector. The only bright spot in the report was that average hourly earnings increased 0.4% in November and are up 3.7% versus last year.

Given the recent rapid decline in consumer prices, which continued through November, these wages will likely translate into a 2% increase in inflation-adjusted purchasing power per hour of work, helping temper weakness in consumption in the months ahead.

Civilian Unemployment Rate: 16 yr +



All Employees: Total Nonfarm
12-month avg Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Nov-08	Oct-08	Sep-08	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.7	6.5	6.1	6.4	6.1	5.6
Civilian Employment (monthly change in thousands)	-901	-12	-511	-475	-247	-158
Nonfarm Payrolls (monthly change in thousands)	-533	-320	-403	-419	-258	-156
Construction	-82	-64	-55	-67	-49	-47
Manufacturing	-85	-104	-69	-86	-67	-52
Retail Trade	-91	-62	-76	-76	-48	-39
Finance, Insurance and Real Estate	-32	-31	-23	-29	-19	-13
Professional and Business Services	-136	-63	-65	-88	-65	-41
Education and Health Services	52	28	-4	25	42	46
Leisure and Hospitality	-76	-25	-52	-51	-32	-12
Government	7	42	-19	10	15	22
Avg. Hourly Earnings: Total Private*	0.4%	0.3%	0.2%	3.6%	3.9%	3.7%
Avg. Weekly Hours: Total Private	33.5	33.6	33.6	33.6	33.6	33.7
Index of Aggregate Weekly Hours: Total Private*	-0.9	-0.4	-0.7	-7.6	-4.4	-2.8

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

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