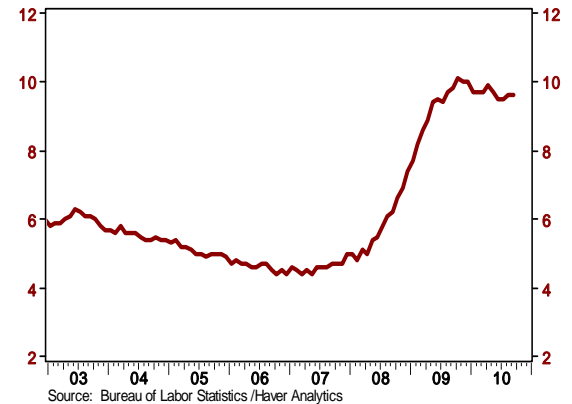


SEPTEMBER EMPLOYMENT REPORT

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- The headlines show that non-farm payrolls declined 95,000 in September (Consensus expected -5K). Revisions to July/August subtracted 15,000 (so, net loss in September = 110,000). These declines were entirely caused by a drop in government employment. September government payrolls fell by 159,000, while revisions subtracted another 51,000 to prior months.
- Despite this, private sector payrolls increased 64,000 in September, the ninth consecutive month of gains. Prior months were revised up by 36,000, for a net gain of 100,000. September private sector gains were led by restaurants/bars (+34,000), health care & social assistance (+32,000), and temps (+17,000). Non-residential construction fell 18,000, while education fell 15,000. Government job losses were due to the Census (-76,000) and state and local education (-58,000).
- The unemployment rate remained unchanged at 9.6% (9.579% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – were unchanged in September but are up 2.9% versus a year ago.

Civilian Unemployment Rate: 16 yr +
SA, %



Civilian Employment: 16 Years Old & Over: Population-Adjusted
Difference - Year to Year SA, Thous



Implications: The headline drop in payrolls in September was all due to government. Private sector jobs increased. Private payrolls, which are calculated using a survey of employers, expanded for the ninth consecutive month. So far this year, private payrolls are up at an average monthly rate of 96,000. Meanwhile, the household survey, which is calculated by knocking on people’s doors, showed employment rose by 141,000 in September. So far this year, household employment is up 205,000 per month, for a total gain of 1.8 million jobs. Although total hours worked in the private sector were unchanged in September, they were revised up for August. Workers’ total cash earnings are up at a 4.4% annual rate so far this year, enough for consumer spending to keep moving upward while also leaving room for households to pay down debt. Benchmark revisions show that payrolls for the twelve months up to March 2010 are likely to be revised down by about 366,000. However, this has zero impact on the change in payrolls in the past six months. In more recent news, new claims for jobless benefits declined 11,000 last week to 445,000. We continue to believe that initial claims have been elevated by a loss of government jobs, not further weakness in the private sector. Declining government jobs are a negative for those individuals and families affected directly, but a positive for the economy overall.

Employment Report <i>All Data Seasonally Adjusted</i>	Sep-10	Aug-10	Jul-10	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.6	9.6	9.5	9.6	9.6	9.8
Civilian Employment (monthly change in thousands)	141	290	-159	91	81	72
Nonfarm Payrolls (monthly change in thousands)	-95	-57	-66	-73	59	29
Construction	-21	31	-2	3	-1	-18
Manufacturing	-6	-28	32	-1	13	3
Retail Trade	6	-2	11	5	1	1
Finance, Insurance and Real Estate	-1	-3	-10	-5	-5	-9
Professional and Business Services	14	28	-5	12	28	32
Education and Health Services	17	36	26	26	27	30
Leisure and Hospitality	38	20	11	23	20	6
Government	-159	-150	-183	-164	-46	-21
Avg. Hourly Earnings: Total Private*	0.0%	0.3%	0.2%	2.1%	1.7%	1.7%
Avg. Weekly Hours: Total Private	34.2	34.2	34.2	34.2	34.2	34.0
Index of Aggregate Weekly Hours: Total Private*	0.0%	0.1%	0.4%	2.2%	2.2%	1.8%

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