

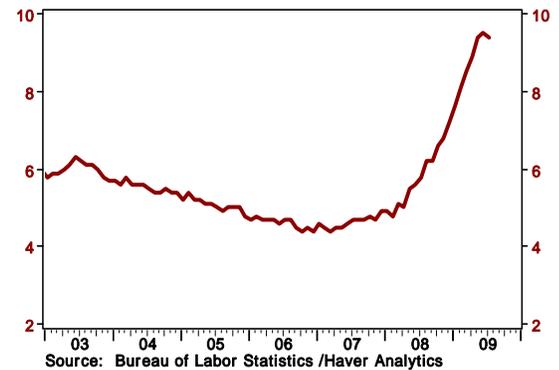
JULY EMPLOYMENT REPORT

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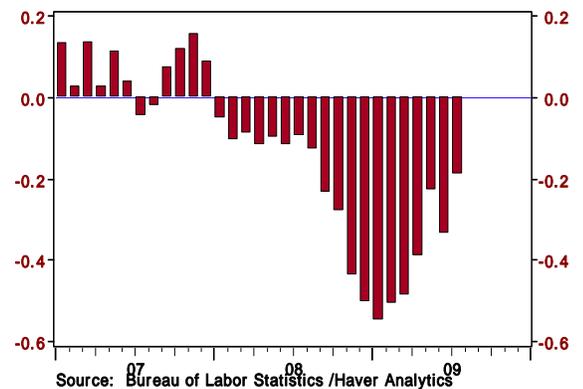
- Non-farm payrolls fell 247,000 in July, beating the consensus expected loss of 325,000. Revisions to May and June added 43,000 to payrolls.
- Payrolls continued to fall in most major sectors, but the pace of the decline was generally much slower. Manufacturing lost 52,000 jobs versus an average of 172,000 in the first half of 2009. Construction lost 76,000 versus an average of 103,000. Professional/business services lost 38,000 versus an average of 118,000.
- As usual, health and education jobs continued to increase (+17,000). Leisure and hospitality also added jobs (+9,000), the second increase in three months.
- The unemployment rate fell to 9.4% in July (9.36% unrounded) from 9.5% in June. The consensus had expected an increase to 9.6%.
- Average hourly earnings were up 0.2% in July, beating the consensus expected gain of 0.1%. These earnings are up 2.5% versus a year ago.

Implications: Today's employment report was very good news on the direction of the labor market. Payrolls are still falling but at a much slower rate than they were earlier this year (see chart to right). For the first time since before the financial panic started in September 2008, businesses increased the number of hours per worker and total hours worked did not decline. Meanwhile, the number of unemployed fell in July for the first time in 15 months. This is consistent with the recent large decline in continuing claims for regular unemployment benefits. The economy is in a V-shaped recovery. Given the deepness of the recession and the fact that employment tends to be a lagging indicator, it will take time for the economic recovery to translate into job gains, but we believe payrolls should start expanding by the end of this year and that the unemployment rate will not be going to 10%+ as the consensus expects. In other news on the labor market, initial claims for jobless benefits dropped 38,000 last week to 550,000. Continuing claims for benefits increased 69,000 to 6.310 million, but are still about 600,000 below where they were a month ago. Meanwhile, Challenger, Gray & Christmas, a Chicago-based job placement firm, reported employers are planning fewer layoffs than at the same time last year.

Civilian Unemployment Rate: 16 yr +
SA, %



All Employees: Total Nonfarm
1-month % change



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-09	Jun-09	May-09	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.4	9.5	9.4	9.4	9.0	7.9
Civilian Employment (monthly change in thousands)	-155	-374	-437	-322	-343	-430
Nonfarm Payrolls (monthly change in thousands)	-247	-443	-303	-331	-474	-478
Construction	-76	-86	-57	-73	-93	-88
Manufacturing	-52	-131	-146	-110	-137	-136
Retail Trade	-44	-21	-28	-31	-41	-53
Finance, Insurance and Real Estate	-13	-29	-27	-23	-35	-34
Professional and Business Services	-38	-106	-27	-57	-99	-98
Education and Health Services	17	37	40	31	25	32
Leisure and Hospitality	9	-18	27	6	-14	-24
Government	7	-48	-11	-17	4	2
Avg. Hourly Earnings: Total Private*	0.2%	0.0%	0.2%	1.3%	1.4%	2.5%
Avg. Weekly Hours: Total Private	33.1	33.0	33.1	33.1	33.1	33.3
Index of Aggregate Weekly Hours: Total Private*	0.0	-0.7	-0.3	-3.9	-6.5	-6.7

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