

The pace of deterioration in labor markets accelerated in September and October. Total employment decreased by 240,000 jobs in October after a downwardly revised loss of 284,000 jobs in September. Since the peak in December 2007, employment has declined by a total of 1.179 million jobs. Private sector payrolls are down by 1.356 million jobs since the peak in November 2007. Total hours worked fell again, and the unemployment rate rose to a new high for the cycle.

Job losses have been widespread in recent months, with fewer than 38% of the 274 industries tracked by the Bureau of Labor Statistics reporting higher payrolls over one, three, six and even twelve month periods. Manufacturing was especially hard hit in October, falling by 96,000 jobs. The losses in manufacturing were partially due to the Boeing strike, which has been resolved. Construction employment fell by 49,000 jobs with losses spreading to commercial trades. Retail employment fell by 38,000 jobs, including sizable reductions at auto dealers and general merchandise stores. Financial activities employment fell by 24,000 jobs – the largest one-month decline on record dating back to 1940.

The unemployment rate jumped by 0.4 points to 6.5% in October – the highest mark since early 1994. The rate is up by 2.1 points from the cycle low that was reached in March 2007. The number of unemployed workers was 2.8 million higher than a year earlier. The broadest measure of unemployment, which includes so-called discouraged workers, increased to 11.8% from 11.0% in September and 8.4% in October 2007.

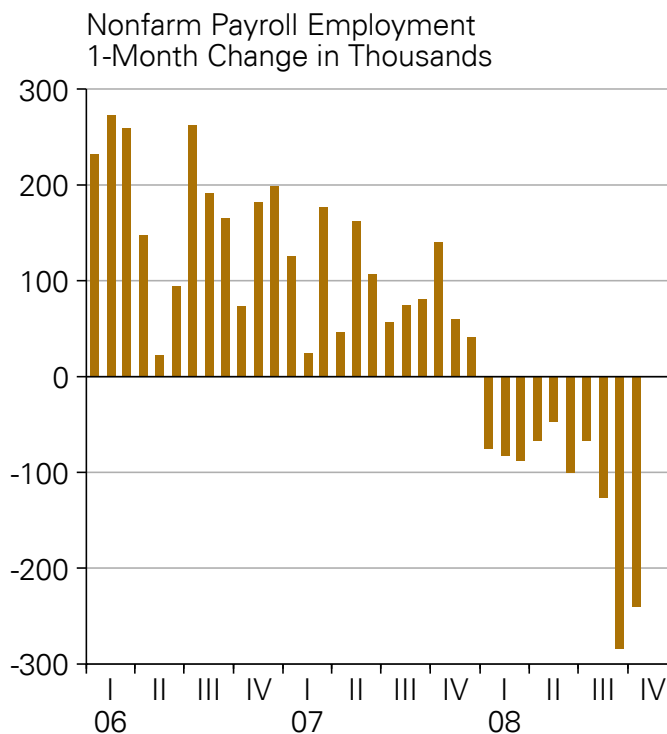
The length of the workweek for all production and non-supervisory workers remained at its all-time low of 33.6 hours. The manufacturing workweek stayed at 40.6 hours after a downward revision to the August level. Manufacturing overtime stayed at 3.6 hours – the lowest since May 1991. The index of aggregate weekly hours decreased for the seventh straight month. The October level is 0.7% below the third quarter average, and even if unchanged in November and December would point toward a drop in real GDP greater than 2% during quarter.

Pointing toward more negative developments this fall, the manufacturing purchasing managers index fell to its

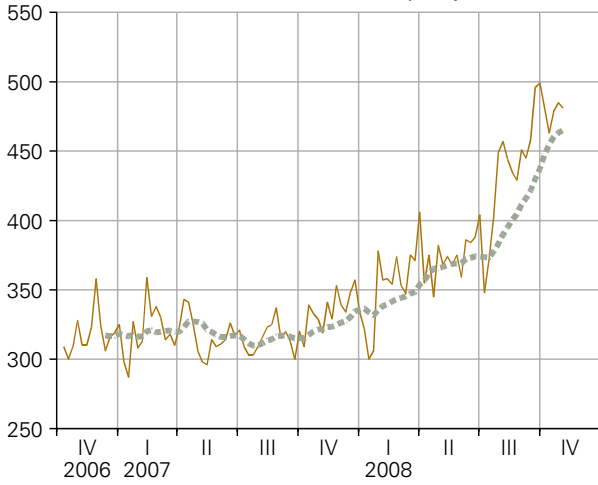
**The economy slumped at a remarkable pace in September and October. Job losses accelerated, and the unemployment rate hit a new high for this cycle. The mood among purchasing managers turned deeply negative.**

lowest level in October since the 1981-82 recession. The prices paid component fell by the largest amount ever over a two-month period during September and October, and the two-month declines in the employment and production components nearly matched historical extremes. Purchasing managers at non-manufacturing firms also reduced their assessments of current conditions.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



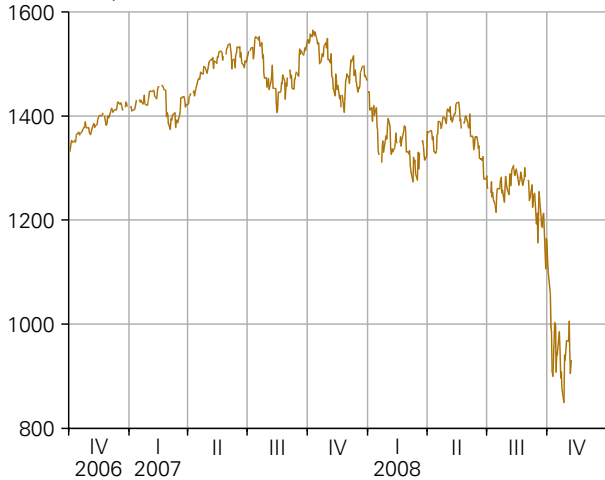
Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

