

Labor markets have stabilized in the last three months. Nonfarm payroll employment decreased by 20,000 jobs in January after a loss of 150,000 jobs in December and a gain of 64,000 jobs in November, according to the monthly survey of employers.

Employment in December was 1.36 million jobs lower than previously reported, reflecting annual benchmark revisions. The level of employment in January was 8.42 million jobs lower than when the recession officially began in December 2007.

The U.S. unemployment rate was 9.7% in January – down from 10.0% in November and December and down 0.4 percentage points from the peak for the cycle of 10.1% in October. A total of 14.8 million people were reported as unemployed in January, down by 430,000 people from December. According to the survey of households that is used to calculate unemployment, total employment increased by 541,000 workers during January. Employment changes from the employer and household surveys often diverge on a monthly basis.

The broadest measure of unemployment, which includes people who gave up looking for work because they became discouraged and those working part-time for economic reasons, declined to 16.5% in January from 17.3% in December. This measure was in the 8% to 10% range for most of the period following the 2001 recession through 2007.

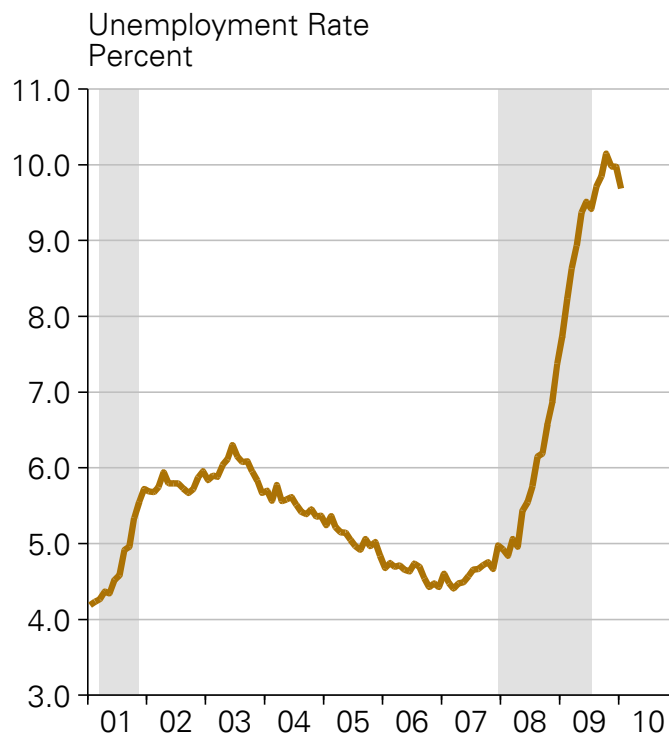
The recent pattern in the unemployment rate is significant, if not quite conclusive, evidence that the recession ended last summer. Each of the ten previous recessions had already ended by the time the unemployment rate decreased by at least 0.4 percentage points from the peak during the previous twelve months. The lag from the end of recession to the decline of at least 0.4 percentage points ranged from one month following the 1949 recession to 24 months following the 2001 recession. The median lag was six months.

The length of the workweek in manufacturing and in the private sector overall increased, lifting total hours worked in January. Average hourly earnings increased 0.2%. Compared with a year earlier average hourly earnings

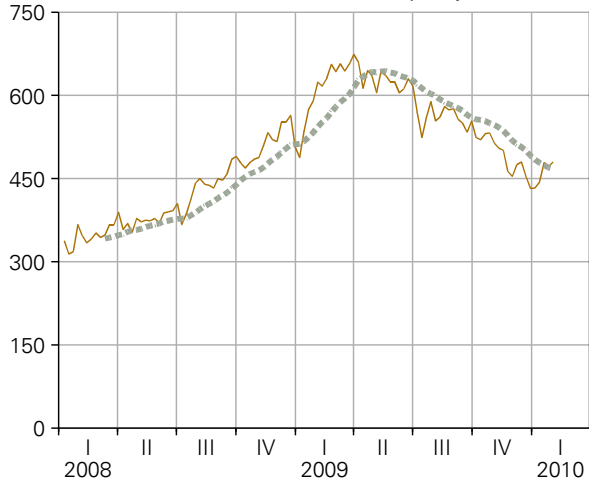
**Employment decreased by 20,000 jobs in January. The unemployment rate surprisingly declined to 9.7% from the peak for the cycle of 10.1% in October, further indicating that the recession ended last summer.**

were up 2.0% – down from the cyclical peak of 3.6% in February 2009 and the lowest since 1.8% in March 2004. The modest pick-up in aggregate demand has prompted businesses to increase labor input by extending the workweek, but the large number of unemployed and underemployed workers continues to weigh on compensation.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



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



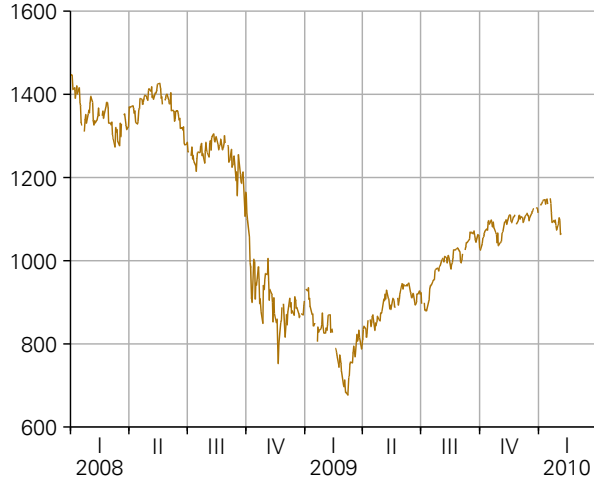
Price of Oil  
West Texas Int, \$/bbl



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

