

Labor markets continued to improve through year-end, as payrolls grew moderately in December and the unemployment rate fell to a new low for the recovery. The Weekly Leading Index continues to improve.

Nonfarm payroll employment increased by 103,000 jobs in December, and the changes in the two previous months were revised higher by a total of 70,000 jobs. Private payrolls increased by 113,000 jobs, about in line with recent months but well below expectations that had been buoyed for a second straight month by a strong report of job gains by payroll administrator ADP and a drop in weekly initial jobless claims. Labor markets still have far to go to return to pre-recession conditions.

The unemployment rate decreased by 0.4 percentage points to 9.4% – a new low for the recovery. The last time the unemployment was lower than in December was when it was on its way up in May 2009. Despite the decline, the rate has exceeded 9% for a post-war record twenty months. The decrease in the unemployment rate during December resulted in approximately equal parts from the increase in employment and a decrease in the labor force, which declined in each of the last three months. The broadest measure of unemployment, which includes those who have given up looking for a job and those working part-time because they have been unable

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to secure full-time employment, decreased from 17.0% to a still-extraordinarily high 16.7%.

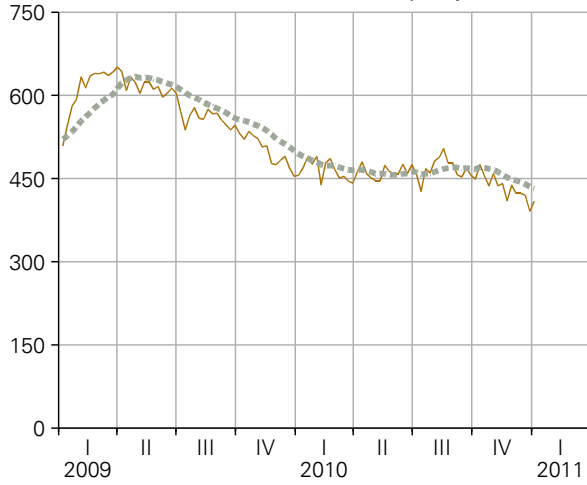
Private sector employment increased in each month of 2010, but by an average of only 112,000 jobs per month. That's the slowest pace of net job creation relative to the level of employment once employment started to rise on a sustained basis following all recessions since at least the early 1960s.

The 4-week moving average of the ECRI Weekly Leading Index (WLI) increased for the ninth straight week during the week of December 31, lifting the rate of change to 1.5% – the best since late May. The weekly index is 6.4% above the cyclical low reached in mid-July.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



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



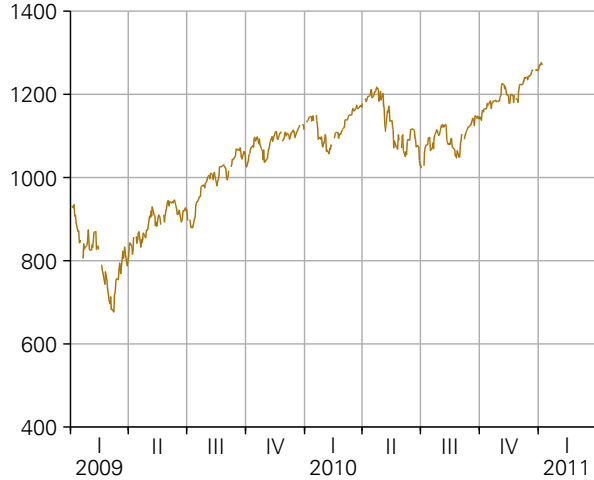
Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



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



Mortgage Loan Originations, 4-Week Average
MBA Purchase Index 3/16/90=100 SA

