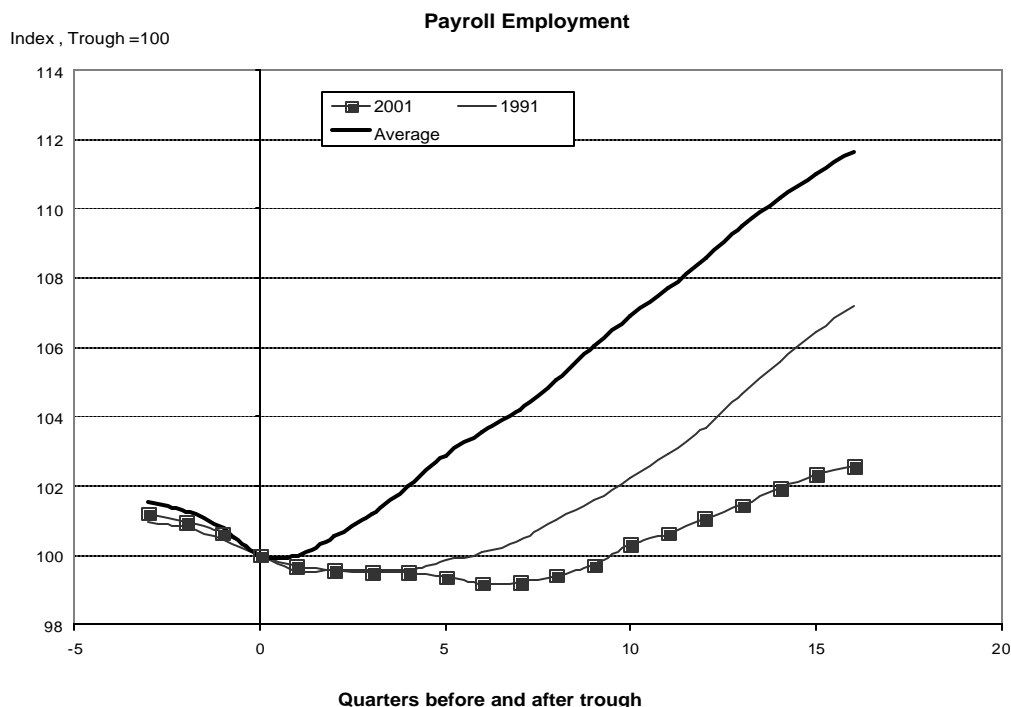




Payroll Employment Remains Soft Even After Four Years of Economic Expansion

Payroll employment increased 108,000 and there were net upward revisions to estimates of the prior two months. The tally for November and December is an impressive sum of 413,000 new jobs. This sum worked in favor of optimists who continue to view economic growth as solid in the economy. In our Friday commentary we presented a different view of how the strength in hiring during 2005 was concentrated in first-half of the year whether it is measured by payroll employment or the unemployment rate. Here is another perspective about employment numbers. Hiring in the current expansion is the weakest on record after four years of economic growth. The chart below is an index chart that measures growth in employment four quarters prior to the trough and 16 quarters after the trough. The payroll reading for the quarter when the recession ends is set to 100. For example a reading of 108 implies that payroll employment increased 8.0% from the level reported for the quarter when the recession ended. Following this methodology, on average, in post war economic recoveries which lasted four years, payroll employment increased 11.6%. In the current economic expansion, hiring has increased only 2.6%. In the 1991 economic cycle, after four years of economic growth, payrolls increased 7.2%. The current economic expansion could possibly end with the fewest number of jobs created during an economic cycle in the post-war period.



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