

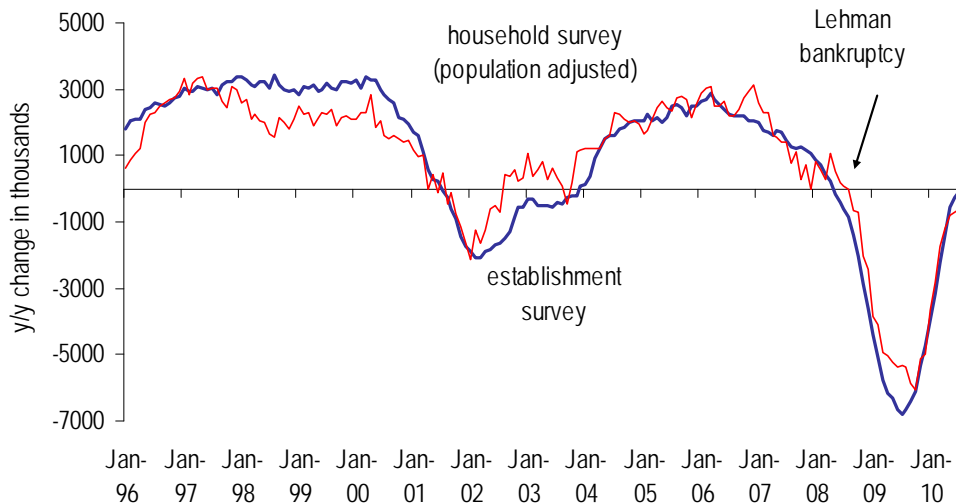
August 6, 2010

# Jobs Report Weak, Unemployment Rate Flat at 9.5%

Today's employment report showed a decline in nonfarm payrolls of 131,000 in July, with below-expectation change for both private sector and government employment. There was also a 96,000 downward revision to June's figure (to -221,000 from -125,000). We expect gradual improvement in private sector job growth going forward, helped by corporate profits, global growth, and recent increases in weekly hours worked.

- Total job growth in the establishment survey was a loss of 131,000, with census worker layoffs subtracting 143,000 jobs and non-census government falling 59,000. Private sector payroll growth was weaker-than-expected, showing a 71,000 gain versus the 90,000 consensus expectation. After solid growth from January-April, the household survey declined the last three months: 159,000 in July after a decline of 301,000 in June and a decline of 35,000 in May.

## Annual Changes in Employment (last obs. July 2010)

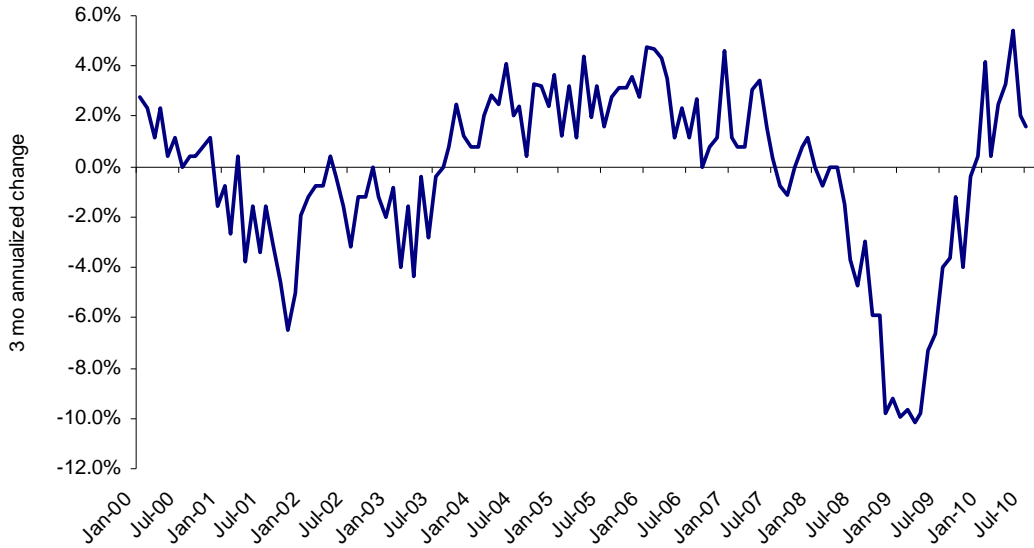


Source: Bureau of Labor Statistics; Encima Global

- The unemployment rate stayed at 9.5% in July as employed workers and the labor force both fell. At the end of July, unemployment was 14.6 million with another 8.5 million part-time workers for economic reasons and 5.9 million persons not in the labor force but who would like a job (including discouraged and marginally attached workers). U6 unemployment, which doesn't include workers who haven't searched in the last year, stayed at 16.5%.

- The one positive note was an uptick in hours worked and average hourly pay. With the decline in employment, however, annualized growth in aggregate weekly hours worked by production and nonsupervisory workers (weekly hours times jobs) slowed to 1.6% in the three-months through July.

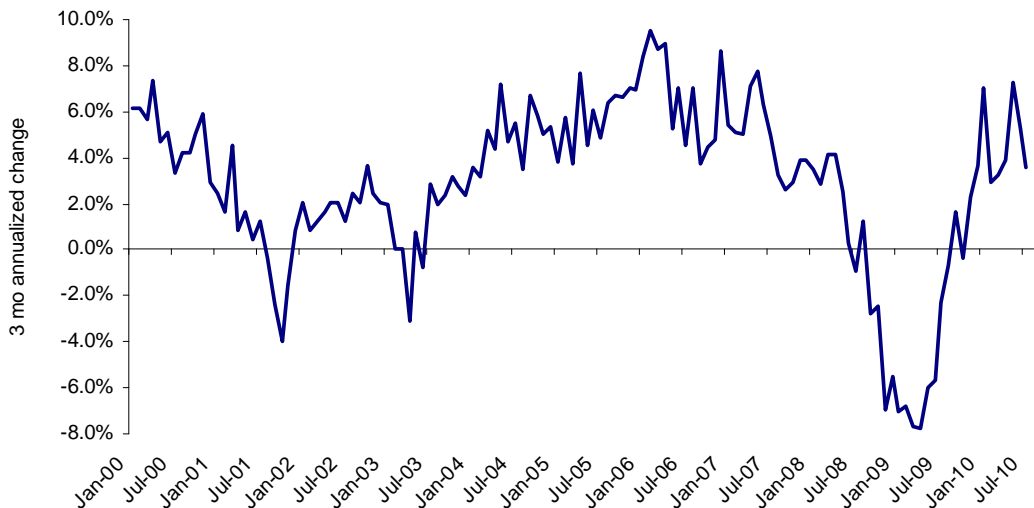
### Aggregate Weekly Hours Index (last obs. July 2010)



Source: Bureau of Labor Statistics; Encima Global

- Aggregate weekly payrolls (the product of hours, earnings and employment) for production and nonsupervisory workers slowed to 3.6% annualized for the three months ending in July. This is consistent with moderate GDP growth in coming months.

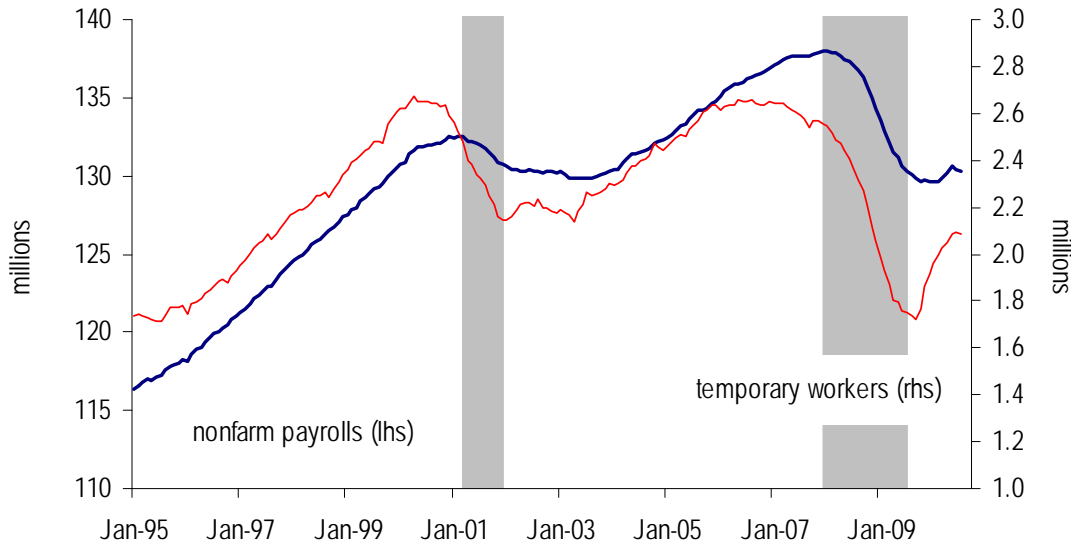
### Aggregate Weekly Payrolls index (last obs. July 2010)



Source: Bureau of Labor Statistics; Encima Global

- Temporary help, a leading indicator of broader employment gains that had been a bright note in previous labor reports, lost 6,000 jobs in July.

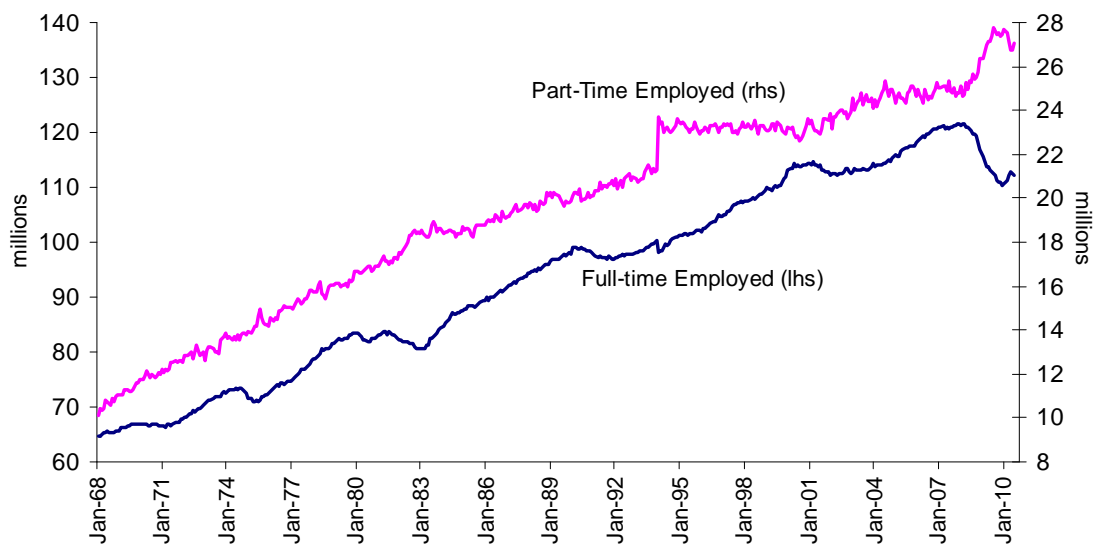
### Temporary Workers Rising (last obs. July 2010)



Source: Bureau of Labor Statistics; Encima Global

- Per the household survey, the number of full-time workers fell 570,000 in July while part-time workers rose 327,000.

### Part-time and Full Time Employed (last obs. July 2010)

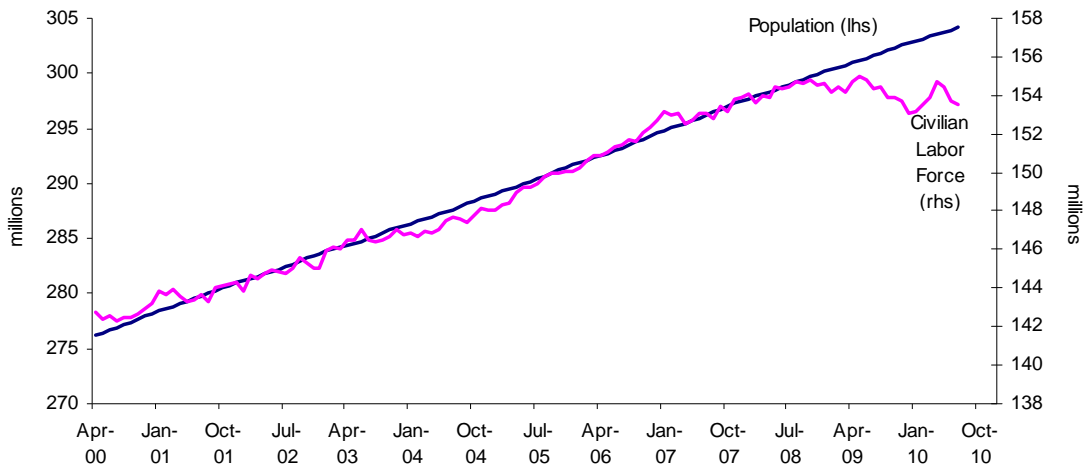


Source: Bureau of Labor Statistics; Encima Global

## Fewer Employed, Fewer Unemployed

The unemployment rates stayed the same primarily because the 159,000 decline in employment in the household survey was exceeded by the 181,000 decline in the civilian labor force to 153.6 million. Going forward, we expect the economy to grow enough to produce gains in employment, but the labor force should also grow leaving the unemployment rate relatively high. In effect, there's an overhang of workers waiting for better labor conditions to reenter the labor force.

## Population and the Civilian Labor Force (last obs. July 2010)



Source: Census Bureau; Bureau of Labor Statistics; Encima Global

- The average duration of unemployment at 34.2 weeks remains near peak levels, with the median duration now 22.2 weeks. 6.6 million workers have been unemployed more than 27 weeks.

## Duration of Unemployment (last obs. July 2010)



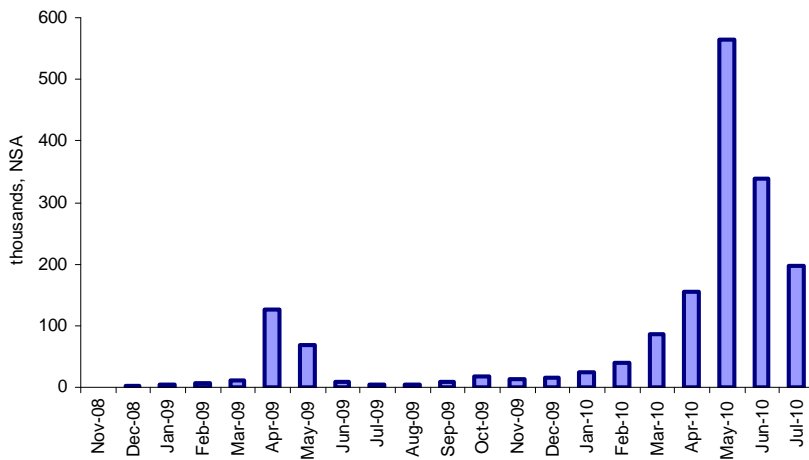
Source: Bureau of Labor Statistics; Encima Global

## Government Workers Declining

In July the federal government released 154,000 workers leaving 3.0 million total federal workers.

- Census hiring peaked in May. The release of temporary census workers reduced the number of employed workers in July by 143,000. There are still 196,000 temporary census workers to be released, albeit at a slower rate, in the coming months.

## Federal Government Decennial Workers (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

Since 2009, state and local governments have also been letting workers go. In July, state and local governments released 48,000 workers. There are currently 19.5 million state and local government workers. We expect net layoffs to gradually worsen.

## State and Local Government Payroll Growth m/m change (last obs. July 2010)



Source: Bureau of Labor Statistics; Encima Global

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