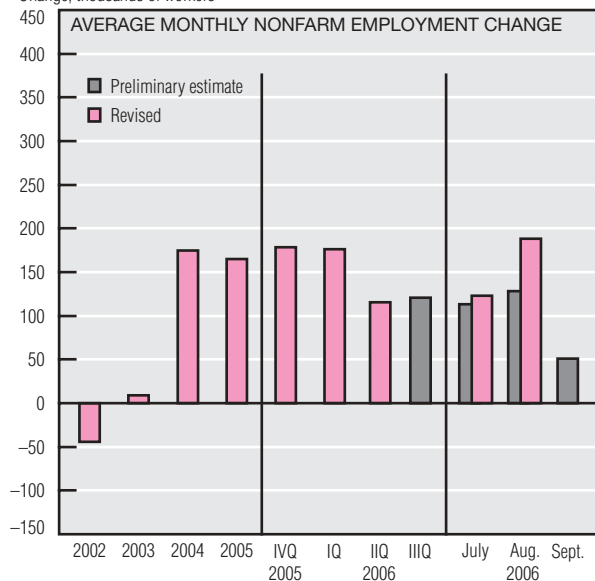


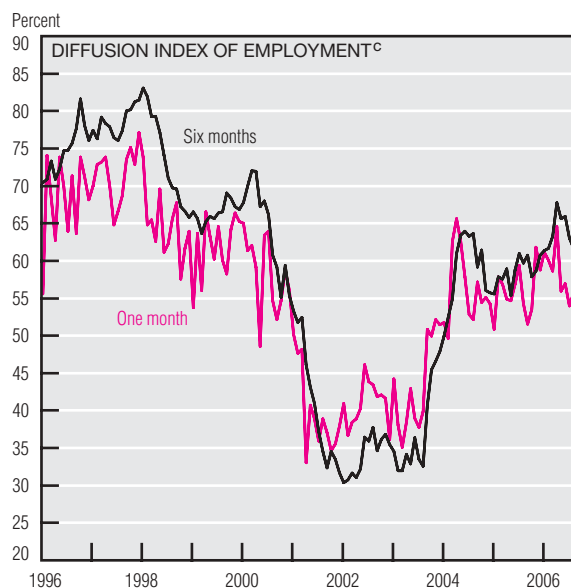
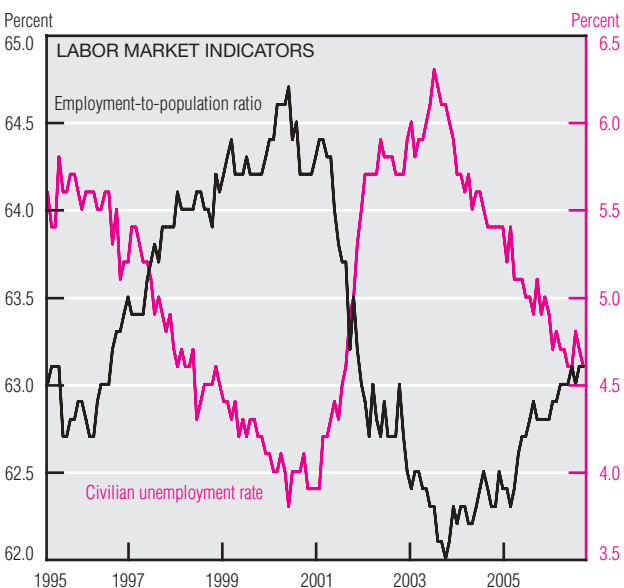
Labor Markets

Change, thousands of workers



Labor Market Conditions

	Average monthly change (thousands of employees, NAICS)				
	2003	2004	2005	Jan.- Aug. 2006	Sept. 2006
Payroll employment	9	175	165	148	51
Goods producing	-42	28	22	20	-11
Construction	10	26	25	14	8
Manufacturing	-51	0	-6	1	-19
Durable goods	-32	9	1	5	-8
Nondurable goods	-19	-9	-7	-5	-11
Service providing	51	147	143	129	62
Retail trade	-4	17	13	-11	-12
Financial activities ^a	7	8	12	14	16
PBS ^b	23	40	41	35	12
Temporary help svcs.	12	13	14	-3	-11
Education & health svcs.	30	33	31	37	15
Leisure & hospitality	19	26	21	23	10
Government	-4	13	14	15	-8
	Average for period (percent)				
Civilian unemployment rate	6.0	5.5	5.1	4.7	4.6



a. Financial activities include the finance, insurance, and real estate sector and the rental and leasing sector.

b. Professional and business services include professional, scientific, and technical services, management of companies and enterprises, administrative and support, and waste management and remediation services.

c. Percent of total nonfarm industries with increased employment over three (or six) months plus half of those with unchanged employment.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

Nonfarm payrolls stalled in September, increasing by only 51,000. This weakness was partly offset by an upward revision of 60,000 jobs from the August level of 128,000, but payrolls were still well below expectations. Even so, the three-month average of 121,000 is in line with the recent trend.

The manufacturing sector drained the most blood from total employment, with a loss of 19,000 jobs. Declines in industries related to homebuilding (wood, nonmetallic

minerals, and furniture-related products) seemed to reflect the slowdown in the housing sector. There were also reductions in retail trade (-12,000 jobs) and temporary help services (-11,000 jobs). Financial activities and education and health services breathed some life back into employment with a combined increase of 31,000 jobs.

The civilian unemployment rate was virtually unchanged, edging down from 4.7% to 4.6%. The labor force participation rate held at 66.2%, and

the employment-to-population ratio stayed at 63.1.

The Diffusion Index of Employment is an important tool for analyzing broad-based labor trends because it measures the proportion of industries where employment rose over a given period. The six-month trend is steadily drifting down toward 50%, the point at which the number of industries where employment is increasing equals the number where it is decreasing. The one-month trend has fallen to 51.4%, its lowest point this year, reflecting a softening labor market.