Although January’s employment report shows another decline, it is much less severe than those for the final months of 2001. Nonfarm payroll employment posted a net loss of 89,000 jobs in January, but that is substantially less than the average monthly loss of more than 300,000 for 2001:IVQ. December’s estimates were also revised slightly downward. Every industry in the goods-producing sector lost jobs in January. While manufacturing’s loss of 89,000 jobs was the highest of any industry, this was still an improvement on its average monthly losses of more than 130,000 for 2001:IVQ and 109,000 for the year. Service-producing industries performed better, adding 56,000 jobs in January, mostly in wholesale and retail trade. Every service-producing industry except government did better in January than throughout 2001:IVQ.

The unemployment rate fell 0.2 percentage point to 5.6% after reaching 5.8% in December; except for that month, it is still at its highest point since mid-1996. The employment-to-population ratio fell again to 62.6, its lowest point since August 1994.

In late January, the employment cost index for 2001:IVQ was released. Its 12-month percent change showed that although total compensation remained the same as in 2001:IIIQ, both wages and benefits inched up 0.1 percentage point. While total compensation dropped slightly from 2000, benefits rose sharply from the late 1990s because of an increase in benefits such as paid time off and medical benefits.