Nonfarm payroll employment gained 143,000 in January. December 2002 losses were revised from 101,000 jobs to 156,000. Payrolls fell 210,000 in 2002. In the goods-producing sector, manufacturing employment continued downward, losing 16,000 jobs, far less than December’s 80,000 loss or the average monthly loss of 50,000 in 2002. Construction added 21,000 jobs in January. Since its recent peak in March 2001, this industry has lost about 214,000 jobs.

In the services sector, retail trade, which lost 99,000 jobs in December, gained 101,000 in January, about two-thirds of all employment gains. The large gain results from seasonal adjustment factors. The services industry added 35,000 jobs, most of them (18,000) in health services; help supply remained essentially flat.

The unemployment rate dropped 0.3 percentage point in January to 5.7%, equal to the monthly average in 2002. Effective this month, the BLS has implemented several changes in the household survey, using new population controls from the 2000 census to benchmark the data. However, the effect of this change on the unemployment rate data was small.

Manufacturing’s one-month-span diffusion index for employment jumped to 44.1% from 39.6% last December. This is a significant increase from the 25% recorded in November 2001, the lowest level since December 1981. From July 2000 when it measured 57%, its recent high, the manufacturing index has declined sharply, never touching the 50% level. The diffusion index for total private employment hit 50% in January for the first time since May 2002.