

US Weekly Economic Update

11 January 2010

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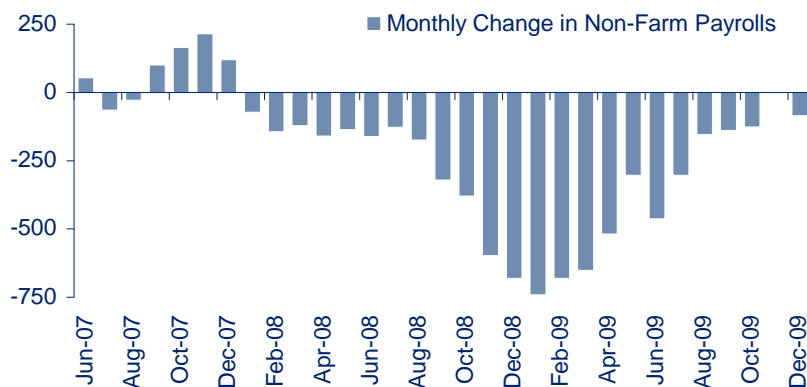
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- **The economy unexpectedly shed 85,000 jobs in December after the best labour market performance in two years in November.** An early report of an 11K decline in employment in November was revised up to small gain of +4K - the first increase since December 2007. This made the decline in employment in December 2009 all the more surprising. The unemployment rate was unchanged at 10% as employment in the manufacturing sector continued to decline but at the slowest rate since the recession began. Overall, the data underline the point that the improvement in the labour market is likely to be a tentative affair and that the US recovery will remain tepid this year.
- **Key business surveys were consistent with this view.** The ISM index of activity in the manufacturing sector reached its the highest level since April 2006, well above the 50 level that indicates stable output. The index of non-manufacturing businesses, which make up the majority of the economy, rose only to 50.5 from 48.7 in November, barely above the 50 mark.
- **And finally, China's economy passed another milestone, as it replaced Germany as the largest global exporter.** According to data for the first ten months of 2009, China exported \$957bn worth of goods, \$40bn more than Germany over the same period. Although the crown has passed, the composition of these manufactured exports is very different. Germany specialises in high-value added machinery while China's produce is less capital-intensive (and hence more labour-intensive), an indication of its lower level of development and per capita income.

Chart of the week: Monthly change in non-farm payrolls

Source: Thomson Datastream



MARKET RATES MONITOR	8 th January 2009	1 st January 2010	Year ago
Fed Funds Rate Target	0.25%	0.25%	0.25%
10-yr US Treasury yield	3.83%	3.82%	2.46%
30-yr Mortgage (Freddie Mac)	5.09%	5.05%	5.10%
US dollar/Japanese Yen	92.95	93.10	90.98
Euro/US Dollars	1.43	1.43	1.39
British Pound/US dollars	1.60	1.61	1.45