

US Weekly Economic Update

09 November 2009

Contacts:

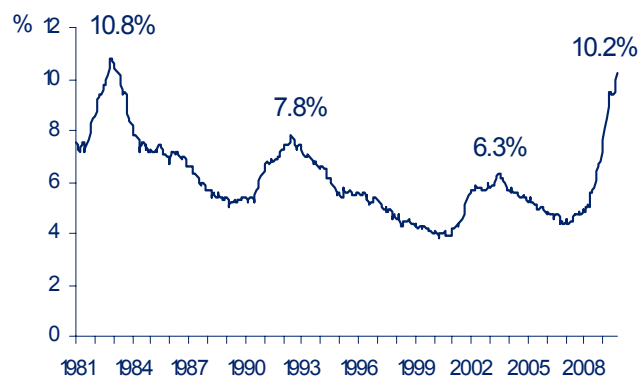
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- It was a week of mixed data for the US. It began on a high note on Monday, with the manufacturing ISM survey increasing to 55.7 in October, from 52.6 in September (remember a number above 50 indicates expansion). The production index rose to 63.3, the highest level since July 2004. Most encouraging was the improvement in the employment index to 53.1, the first expansion in this gauge in more than a year, from 46.2 in September.
- However, on Wednesday the non-manufacturing ISM survey, which comprises the largest part of the economy (between 80% - 90% covering industries such as health care, housing, and transportation) fell to 50.6 in October from 50.9 in September. Renewing concerns about the labour market, the index of employment dropped to 41.1, the lowest level since May, from 44.3.
- On Friday ongoing weakness in the US labour market was confirmed with the news that the unemployment rate breached the 10% level (rising to 10.2% in October from 9.8% in September) for the first time since the early 1980s. A broader measure of unemployment, known as “U-6” which also includes marginally attached workers and those working part-time for economic reasons (i.e. because they can’t find full-time jobs), shot up even more rising half a point to 17.5%. A separate survey showed that non-farm payrolls fell by 190,000 workers last month. The breakdown showed that the steady progress seen since early in the year has stalled out in some key industries. Notwithstanding the ISM manufacturing release on Monday, manufacturing jobs excluding the motor vehicles category deteriorated for the first time since January. Retailers shed 40,000 jobs on top of September's 44,000 fall, and transportation payrolls fell noticeably again in October as well.
- Finally, the Federal Reserve in its latest rate-setting meeting, kept interest rates on hold at emergency lows, noting that rates were likely to be kept 'extremely low' for an 'extended period' because of the slack in the economy, and as long as inflation expectations remain subdued.

Chart of the week: US unemployment rate and previous peaks

Source: Thomson Datastream



MARKET RATES MONITOR	6 th November 2009	30 th October 2009	Year ago
Fed Funds Rate Target	0.25%	0.25%	1.00%
10-yr US Treasury yield	3.54%	3.41%	3.75%
30-yr Mortgage (Freddie Mac)	4.98%	5.03%	6.46%
US dollar/Japanese Yen	89.84	90.52	98.10
Euro/US Dollars	1.49	1.48	1.28
British Pound/US dollars	1.66	1.65	1.59