

US Weekly Economic Update

8th March 2010

Contacts:

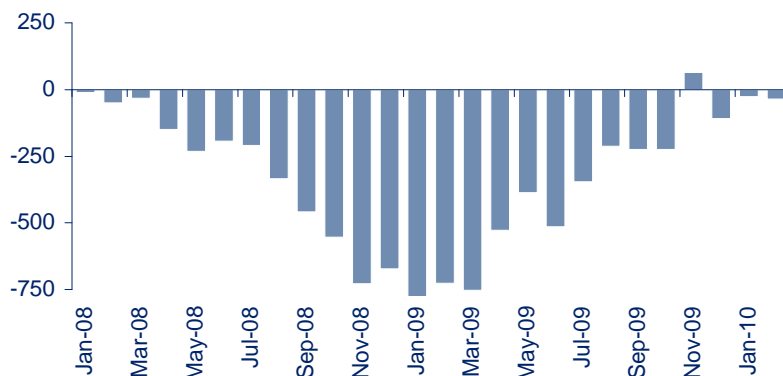
Julien Seetharamdoo
 Group Economics
 + 44 131 626 3925
julien.seetharamdoo@rbs.co.uk

www.charteronebank.com/economics

- **The unemployment rate held steady at 9.7% in February.** In fact there was little change in the overall employment situation offering some hope that the jobs market is stabilising after two years of marked decline. Non-farm payrolls did slip slightly (-36K, but less than expected), as severe weather in parts of the country disrupted work and the construction and information sectors shed workers. Total employment has fallen by 8.4m since December 2007, of which the construction sector has account for over a fifth (22%).
- **The ISM survey of business activity showed the recovery gaining pace.** The non-manufacturing index, which covers the lion's share of economic output in the US, saw a substantial rise to 53.0 from 50.5 in January (50 is the break-even level). This was the highest level the index has achieved since October 2007, although nine industries reported growth while eight continued to see contractions. The manufacturing ISM index fared less well, losing some altitude during the month, but at 56.5 it continues to point to a healthy pace of expansion.
- **In the euro area the Governing Council of the European Central Bank (ECB) left interest rates unchanged at 1%.** Like the Federal Reserve, the ECB is gradually phasing out the extraordinary policy measure it used to support the financial sector, while still ensuring ample liquidity remains in the system. ECB President Trichet emphasised that the ECB will only absorb excess liquidity and will only start to raise rates when developments in the euro area economy warrant it. This is likely to be some way off. Inflation remains well below the 2% target, dropping slightly to 0.9% in February, and growth stagnated in the fourth quarter.

Chart of the week: Non-farm payrolls, monthly change

Source: Thomson Datastream



MARKET RATES MONITOR	5 th March 2010	26 th February 2010	Year ago
Fed Funds Rate Target	0.25%	0.25%	0.25%
10-yr US Treasury yield	3.69%	3.61%	3.02%
30-yr Mortgage (Freddie Mac)	4.97%	5.05%	5.07%
US dollar/Japanese Yen	90.56	88.87	97.85
Euro/US Dollars	1.36	1.36	1.27
British Pound/US dollars	1.51	1.52	1.43