FEDERAL RESERVE BANK *of* ATLANTA

August 11, 2010

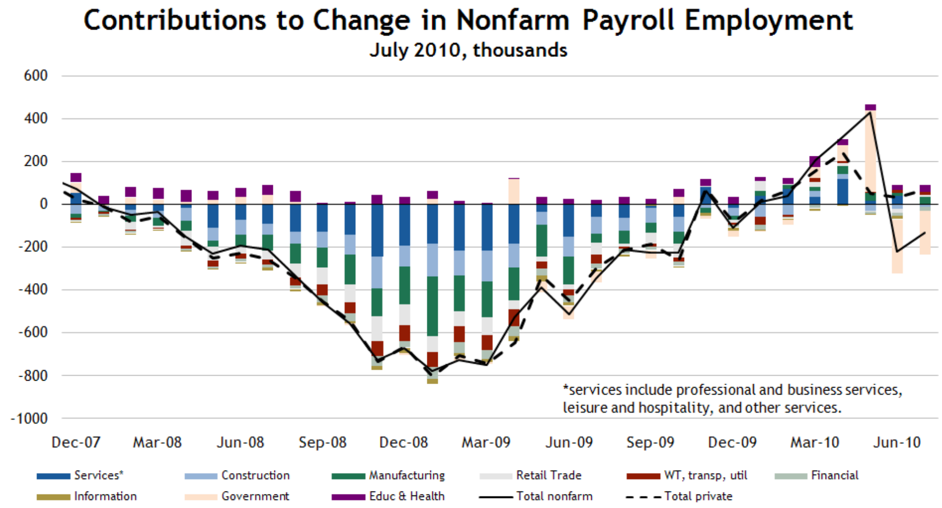
Economic Highlights

Employment

Summary

Payroll employment fell by 131,000 in July largely because of the release of Census workers.

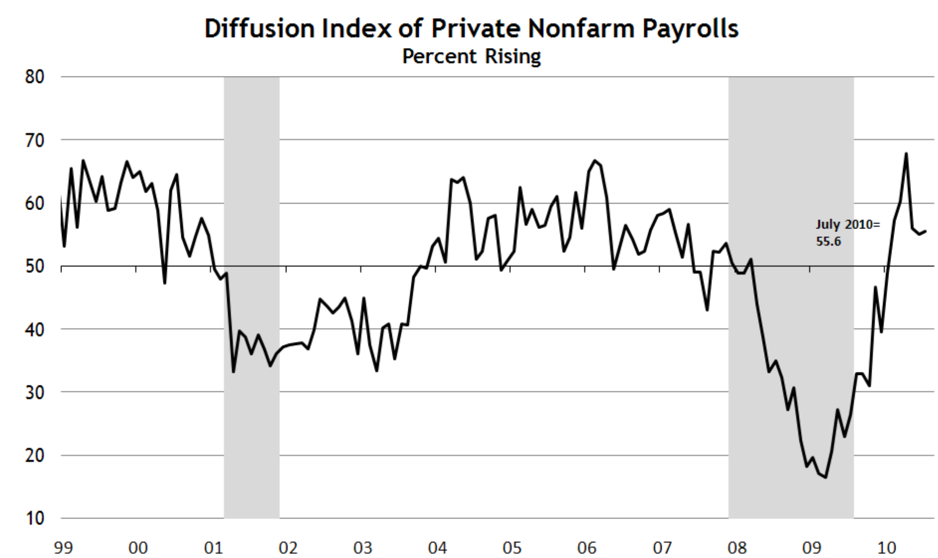
Outside of the government sector, private payrolls continued to add jobs but at a slow pace.



Source: U.S. Bureau of Labor Statistics

- Nonfarm payroll employment declined by 131,000 in July. This decline reflects the release of 143,000 temporary **Census workers** from Government payrolls. Private payrolls rose 71,000 (less than the 90,000 expected).
- **Manufacturing** led payroll growth in goods-producing industries, adding 36,000 jobs in July (much more than the 13,000 expected).
- Service payrolls were led mostly by **health care,** which added 27,000 jobs in July and, over the past 12 months, has added 231,000 jobs.
- Meanwhile, **professional and business services** lost jobs for the first time since September 2009, declining by 13,000.

Job gains were less broad based in July than at the beginning of the year.



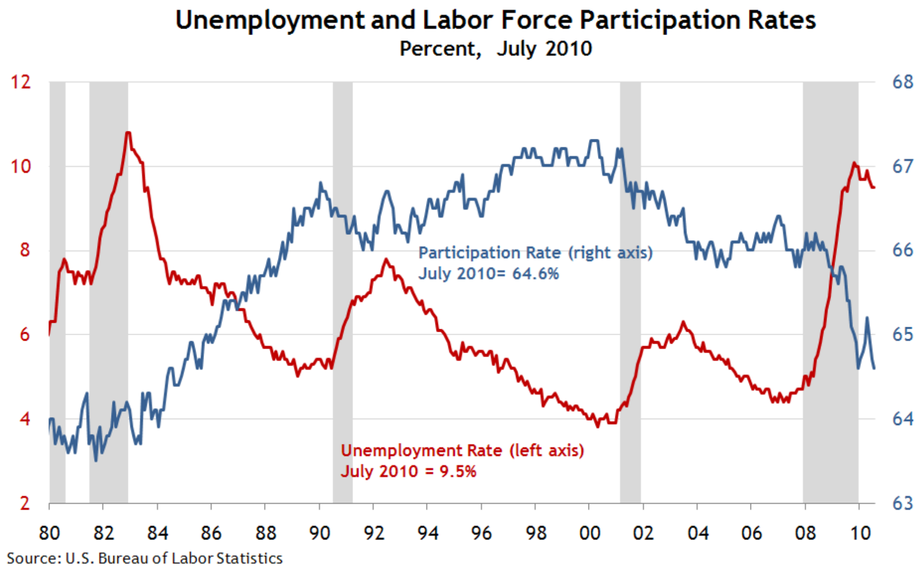
Source: U.S. Bureau of Labor Statistics

- The diffusion index, which measures the fraction of industries that are holding steady or increasing payrolls, increased only slightly from 55.2 in June to 55.6 in July.

Employment

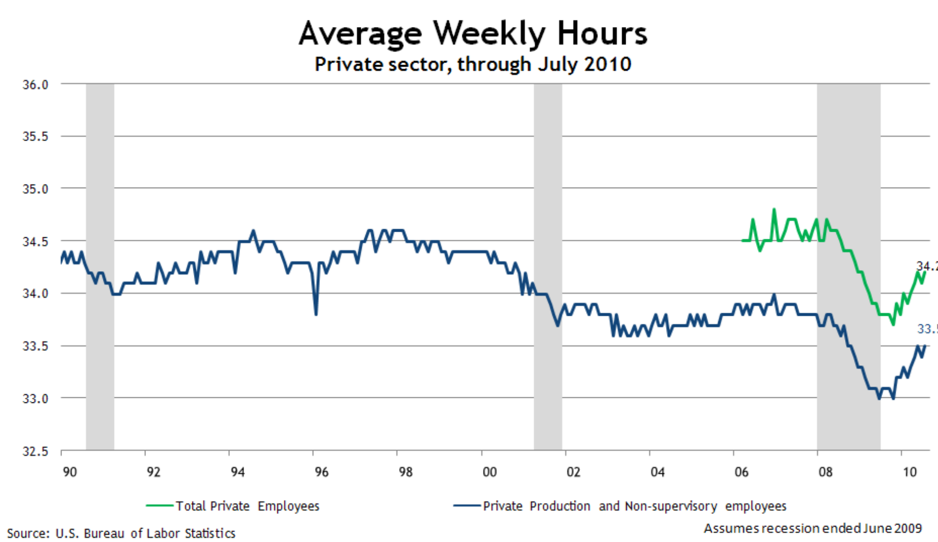
Summary

In the household survey, the unemployment rate and the labor force participation rate remained relatively unchanged in July.



- The **unemployment rate** remained at 9.5% for the second consecutive month (9.6% was expected), and the **labor force participation rate** decreased 0.1 percentage point to 64.6% in July.
- The average **duration of unemployment** fell for the first time since February to 34.2 weeks in July. Long-duration (27 weeks and over) unemployment's share of total unemployment edged down for the second consecutive month to 44.9%.

Average weekly hours and average hourly earnings increased in July, a slight improvement over the previous month's decline.

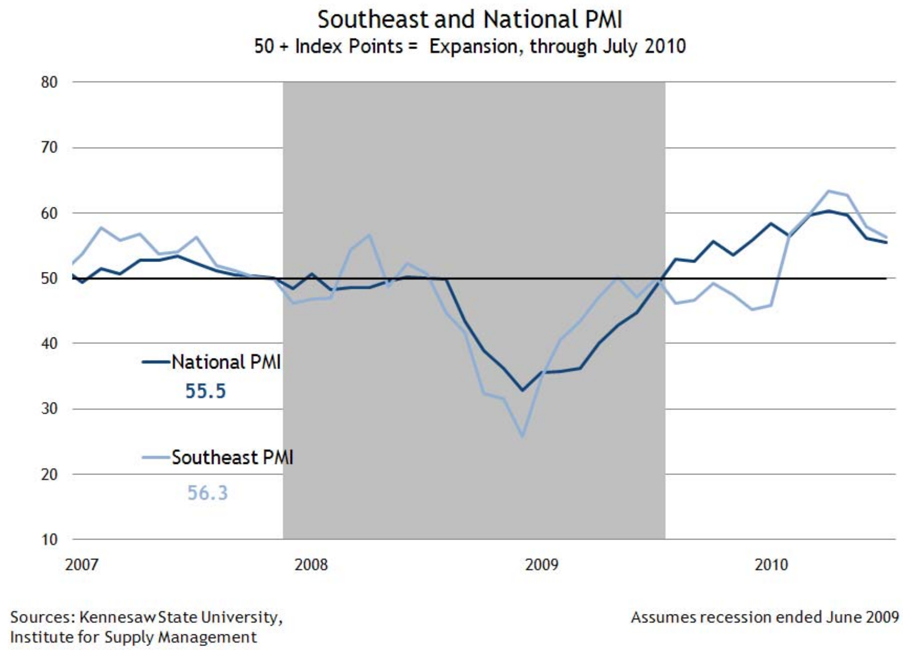


- Average weekly hours for all private employees increased by 0.1 to 34.2 in July.
- Average hourly earnings increased 0.2% in July on a monthly basis (0.1% was expected) and increased 1.8% over the past 12 months (1.6% expected).

Manufacturing

Summary

Manufacturing growth slowed across the Sixth District in July but fared slightly better than the nation's manufacturing growth as a whole.



- The KSU Southeast PMI indicated slower manufacturing growth across the Sixth District in July. **The index lost 1.6 points to reach 56.3.** The Institute for Supply Management's national PMI was slightly lower at 55.5.
- In July, 12% more respondents reported a lower level of new orders than in June, resulting in a **6.7 point drop in the new orders component**. The new orders index component, however, remains elevated at 59.7.
- **The production index gained 2.6 index points for the month to reach 61.8.**
- The employment index lost 2.1 points to reach 60.4 as 33% of participants reported higher employment levels for July, down from 34% in June.

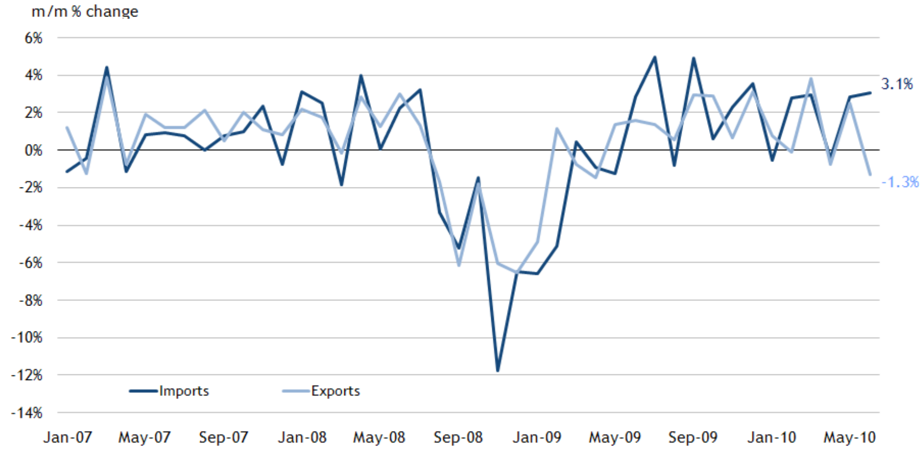
International Trade

Summary

The U.S. nominal international trade deficit widened in June to $49.9 billion, contrary to the Bloomberg consensus projection of a small decline in the deficit. A decline in exports and a strong increase in imports both contributed to the substantial widening of the trade deficit in June.

The June international trade data imply a larger drag on Q2 GDP growth from net exports than originally reported.

U.S. International Trade
June 2010



Source: U.S. Bureau of the Census

- The nominal trade deficit unexpectedly widened in June to $49.9 billion. The Bloomberg consensus anticipated a slight narrowing in the deficit to $42.1 billion. Exports fell 1.3% while imports rose a strong 3.1%.
- The decline in exports was driven by a drop in capital goods and industrial supplies and materials. Food exports also fell.
- Import growth was led by consumer goods, which rose at the fastest rate since 2004. Auto and capital goods imports also increased at a solid pace.
- The June trade deficit was larger than the BEA's assumptions in the advance Q2 GDP release, suggesting an even bigger drag from net exports on Q2 GDP growth than originally estimated.