

Economic Highlights

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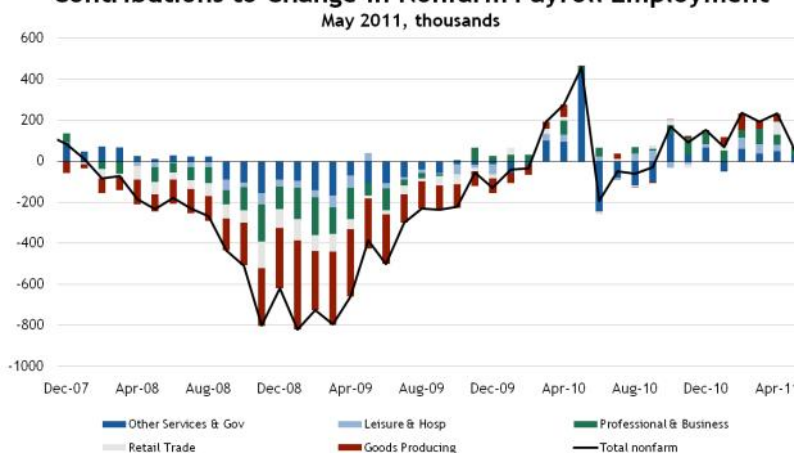
Employment

Summary

Payroll employment increased by 54,000 in May, and April and March payrolls were revised down.

This payroll increase is the smallest over-the-month increase thus far in 2011, reducing the average of monthly payrolls added to 157,000 for the year.

Contributions to Change in Nonfarm Payroll Employment

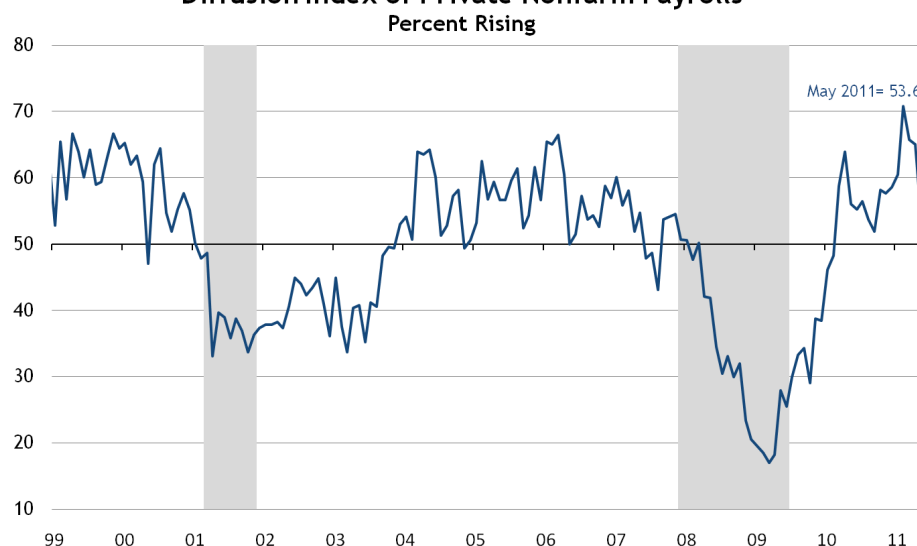


Source: U.S. Bureau of Labor Statistics

- Nonfarm payroll employment increased by 54,000 and private payrolls increased by 83,000 in May, significantly below consensus expectations. April and March payrolls were revised down by a net 39,000; April was revised down to 232,000 and March was revised down to 194,000.
- **Manufacturing** payrolls decreased by 5,000 in May, ending a six-month trend of steady monthly increases.
- Job growth was steady in the **professional and business services**, adding 44,000 jobs in May; **temporary services** payrolls declined slightly for a second consecutive month.
- **Private health care and education** continued its steady monthly payroll gain, increasing 34,000.
- **Leisure and hospitality** experienced a payroll decrease of 6,000, a marked deviation from steady increases in the past 3 months. **Retail trade** declined by 9,000 in May following a strong showing in April.
- Payrolls in the **construction** sector have not experienced an appreciable change since February 2011 and continue to oscillate around zero.
- **Government** payrolls were cut for the seventh consecutive month, decreasing by 29,000; the **local government** sector has decreased payrolls by 446,000 since September 2008 and accounted for the majority of the decline in May.

Job growth was significantly less widespread across industries in May compared to the prior six months.

Diffusion Index of Private Nonfarm Payrolls



Source: U.S. Bureau of Labor Statistics

- The diffusion index decreased from 64.6% to 53.6% in May, its lowest level since October 2010.

Employment

Summary

The unemployment rate increased to 9.1% in May.

From November 2010 to March 2011, the unemployment rate improved significantly, decreasing by 1 percentage point.

However, some of that improvement has been reversed as a result of a 0.3 percentage point increase in the unemployment rate since March 2011.

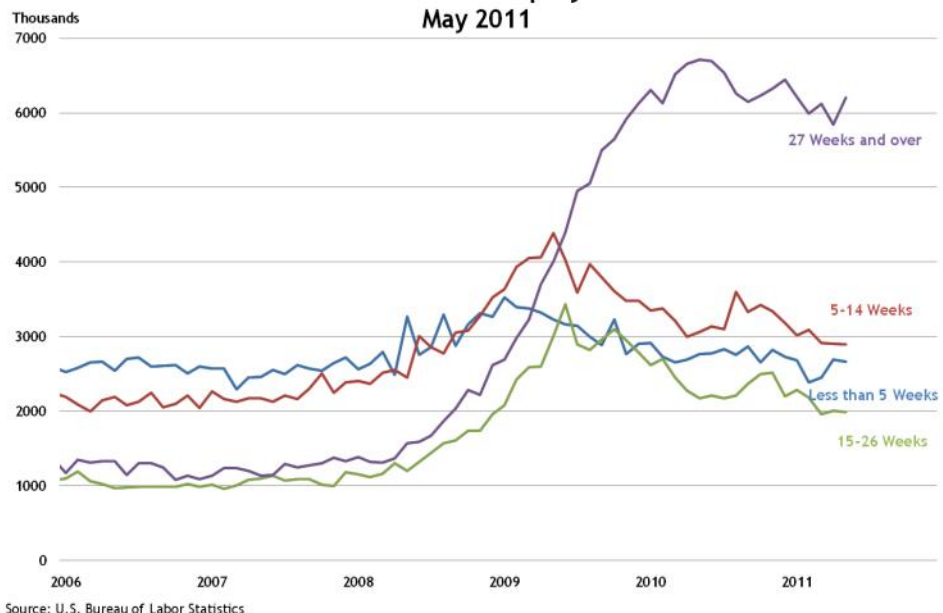
Unemployment and Labor Force Participation Rates
Percent



- The unemployment rate inched up to 9.1% in May from 9% in April, increasing for a second consecutive month.
- The labor force participation rate has been constant at 64.2% thus far in 2011 and did not experience any change in May.

The number of long-term unemployed increased in May after having decreased in April.

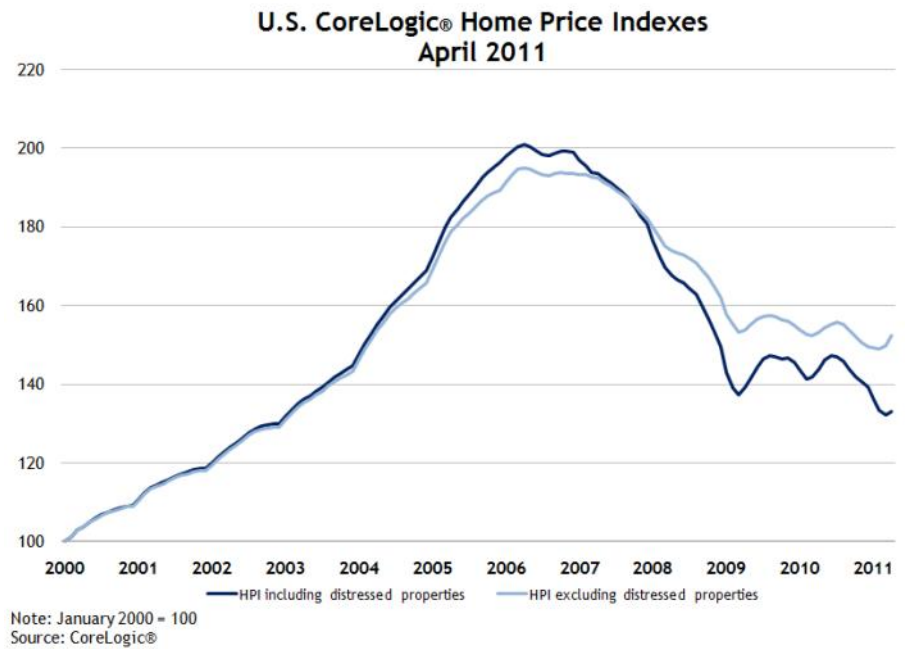
Duration of Unemployment
May 2011



- The number of people unemployed for less than five weeks decreased slightly in May while the number of unemployed 27 weeks or more increased over the month.
- The percent of people unemployed for 27 weeks or more increased to 45.1% in May, from April's level of 43.4%.

Summary

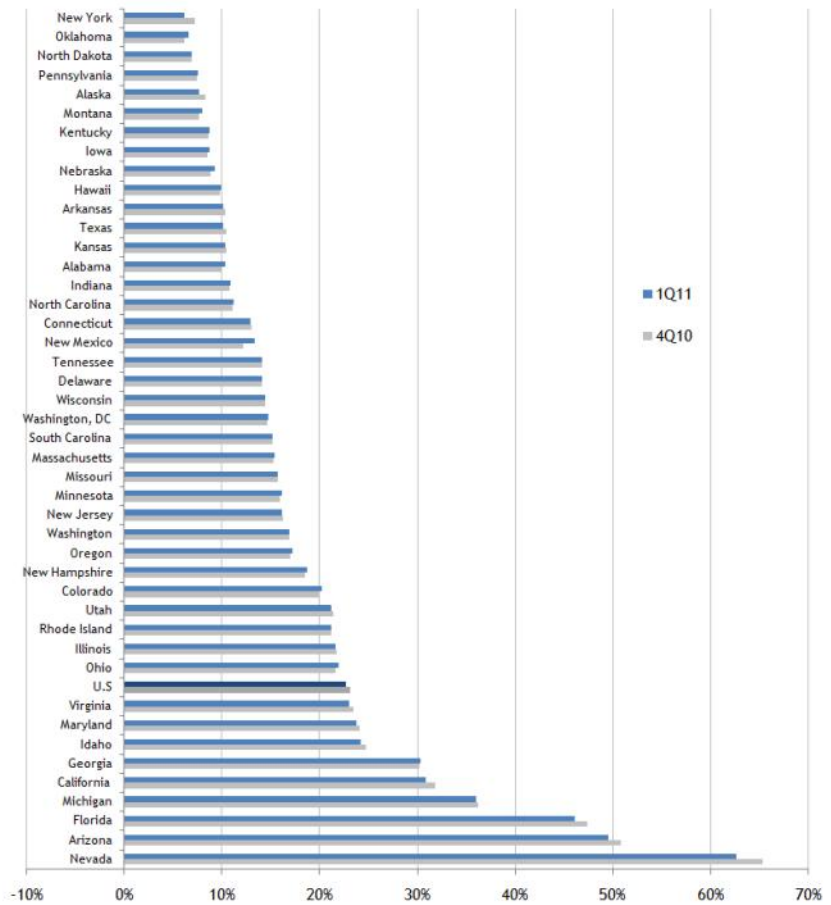
CoreLogic reported that its Home Price Index (HPI), including distressed sales, rose slightly in April, up 0.7% from March. This increase was the first one since June 2010. However, the HPI continued to weaken on a year-over-year basis, down 7.5%.



Summary

CoreLogic reported that mortgagees who owe more on their home than what they are worth (negative equity) edged down slightly by the end of the first quarter of 2011 to 22.7% compared with 23.1% at the end of the fourth quarter of 2010.

CoreLogic® Negative Equity Share



Source: CoreLogic®

Manufacturing

Summary

The Institute for Supply Management's (ISM) nonmanufacturing survey index, the NMI, added 1.8 index points to reach 54.6 in May.



Source: Institute for Supply Management

- The Institute for Supply Management's NMI for nonmanufacturing sectors added 1.8 index points in May to reach 54.6. The NMI fared far better than its manufacturing counterpart, which lost 6.9 index points in May.
- The new orders index, a forward-looking component, added 4.1 index points to reach 56.8.
- The MNI's business activity component slipped 0.1 points in May to reach 53.6.
- The NMI's employment index added 2.1 points in May to reach 54.