

Economic Highlights

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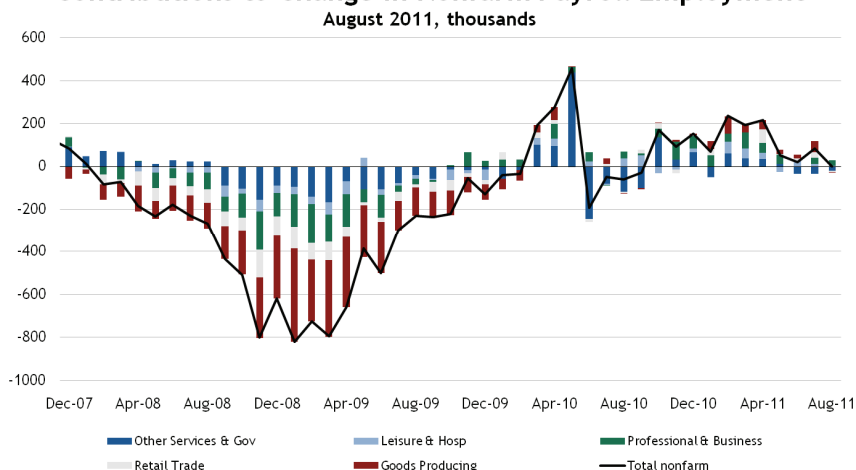
Employment

Summary

Payroll employment did not change in August, and July and June payrolls were revised down.

For the first time since September 2010, the economy failed to add jobs over the month.

Contributions to Change in Nonfarm Payroll Employment

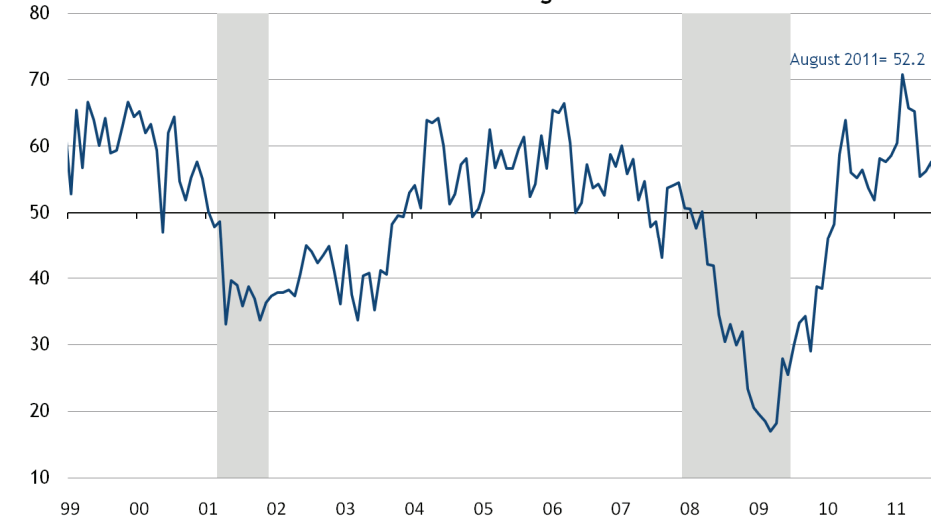


Source: U.S. Bureau of Labor Statistics

- **Nonfarm payroll employment** did not change in August. **Private payrolls** increased by 17,000 but fell well short of consensus expectations. June and July payrolls were revised down by 26,000 and 32,000, respectively.
- **Manufacturing** payrolls decreased by 3,000 in August; prior to last month, the manufacturing sector had not cut payrolls since October 2010.
- **Education & Health Services** added 34,000 payrolls over the month; however, it was only the **Health Care and Social Assistance** component that added all the jobs.
- The **Information** sector lost the most jobs in August, cutting 48,000 payrolls. However, a strike by Verizon employees accounted for most of this decrease, but they returned to work late last month.
- **Retail Trade** lost 7,800 jobs while **Wholesale Trade** added 1,600 jobs in August. **Leisure and Hospitality** only added 2,000 jobs over the month.
- **Financial Activities** increased payrolls by 3,000, a marginal increase after cutting payrolls for two consecutive months.
- **Construction** cut 5,000 jobs and hasn't experienced a significant change since February 2011.
- **Government** payrolls continued their declining trend in August, decreasing by 17,000. However, the rate of decrease has slowed down compared with June and July.

The spread of job growth across industries decreased sharply in August. The index has displayed a decreasing trend since February 2011.

Diffusion Index of Private Nonfarm Payrolls



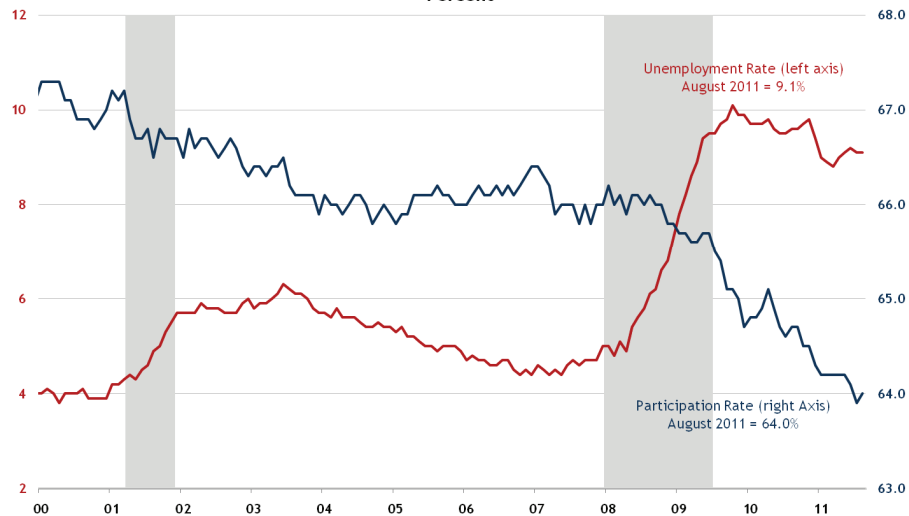
Source: U.S. Bureau of Labor Statistics

Employment

Summary

The unemployment rate remained at 9.1 percent in August.

Unemployment and Labor Force Participation Rates
Percent



Source: U.S. Bureau of Labor Statistics

- The unemployment rate remained at 9.1 percent for the second consecutive month.
- The labor force participation rate increased by 0.1 percentage point in August to a level of 64 percent, the first time it has increased since July 2010.
- In the last few months, decreases in the labor force participation rate have been accompanied by increases in the unemployment rate. Conventional wisdom dictates that if the labor force participation rate decreases, the unemployment rate should decrease because discouraged workers leave the labor force. This recent trend is particularly perplexing as it perhaps hints at the idea that while discouraged workers are leaving the labor force, there continues to be a significant number of people moving from employment to unemployment, causing the unemployment rate to rise.

The average duration of unemployment is at an unprecedented high.

Average Duration of Unemployment (Weeks)
SA, through August



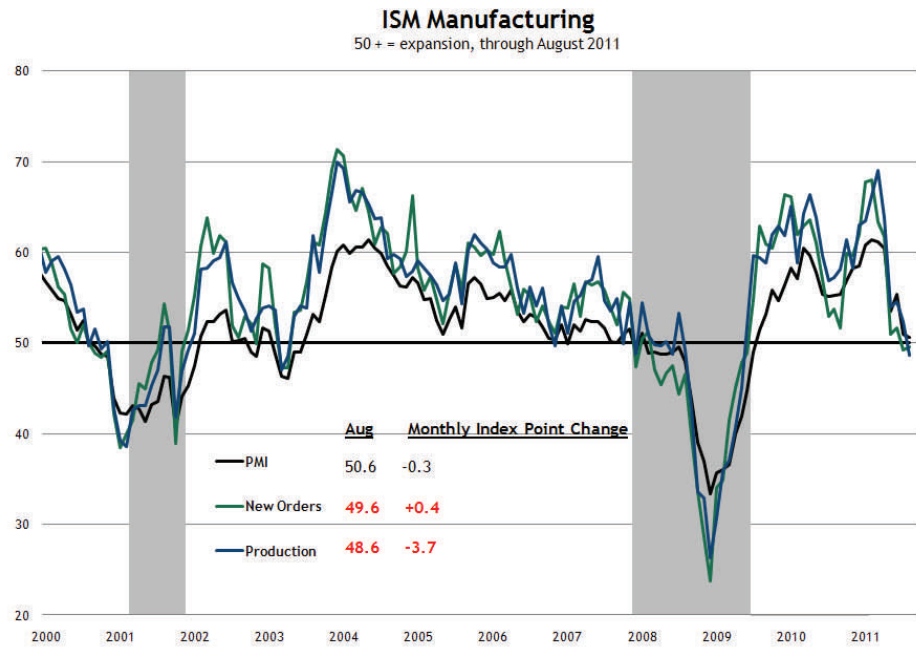
Source: BLS Household Survey

- The average duration of unemployment reached a level of 40.3 weeks in August.
- Average duration of unemployment peaked at 40.4 weeks in July, by far the highest level it has reached since data on this statistic started being collected in the U.S.
- The median duration of unemployment was 21.8 weeks in August.
- The average duration of unemployment is incredibly high currently partly as a result of a change in how the U.S. Bureau of Labor Statistics collects the relevant data; starting in January 2011, unemployed people were allowed to report unemployment durations up to five years. Prior to that, the upper limit was two years, and anything above that was censored to two years. The data series prior to January 2011 has not been revised, so the disparity in historical magnitudes appears greater than it should actually be.

Manufacturing

Summary

The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers Index (PMI) declined 0.3 index points in August to reach 50.6 points.



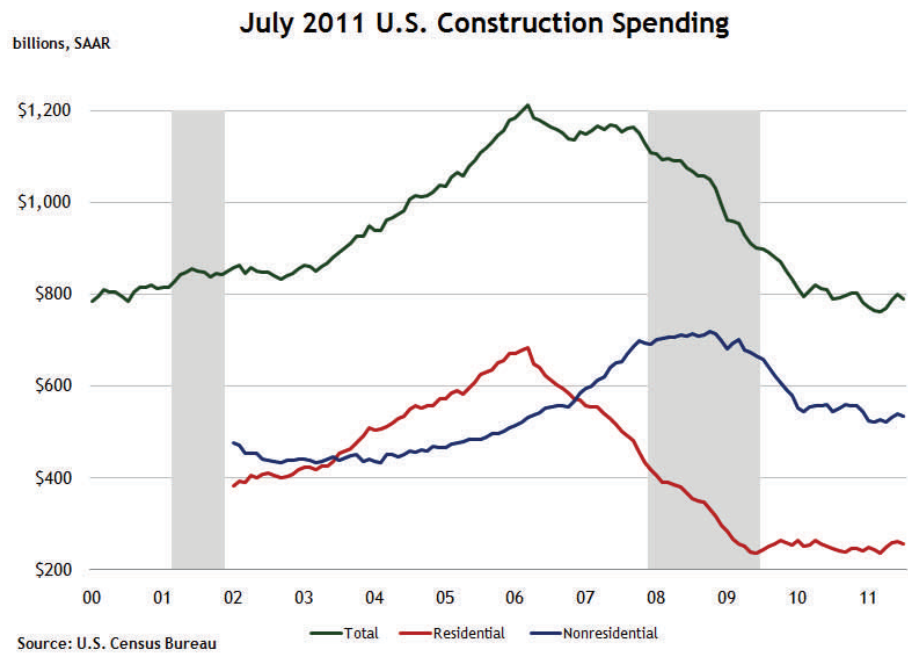
- The Institute for Supply Management's Manufacturing Purchasing Managers Index (PMI) for August dipped 0.3 index points to reach 50.6 points.
- The new orders component of the PMI added 0.4 index points in August but at 49.6 points is still below the benchmark indicating growth. This level is the new order component's second month below 50 points in the index.
- Manufacturers reported that overall production levels fell over the month of August. The ISM PMI's production component fell 3.7 index points, falling below the benchmark for growth to reach 48.6 points. This level is the production component's first month below 50 points in the index.

Global Manufacturing PMIs, 50+ = growth			
	June	July	August
U.S.	55.3	50.9	50.6
E.U.	53.3	50.8	49.0
China	50.9	50.7	50.9
Japan	50.7	52.1	51.9

Source: Wall Street Journal

Summary

The U.S. Census Bureau reported that construction spending edged down from June to July.



July 2011 Construction Spending Put in Place

	billions, SAAR	yr/yr change	mo/mo change
Total:	789.5	0.1%	-1.3%
Total Private:	514.5	5.5%	-0.9%
Total Public:	275.0	-8.8%	-2.1%
Total Nonresidential:	533.7	-1.7%	-1.1%
Private Nonresidential:	266.4	5.7%	-0.4%
Public Nonresidential:	267.4	-8.2%	-1.9%
Total Residential:	255.8	4.1%	-1.6%
Private Residential:	248.1	5.3%	-1.4%