

## Economic Highlights

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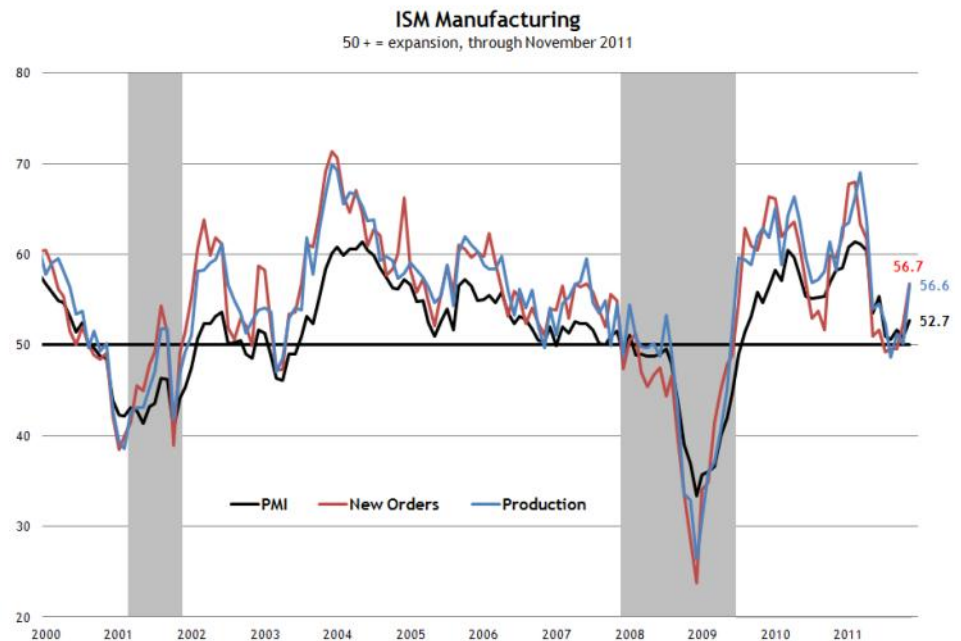
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# Manufacturing

## Summary

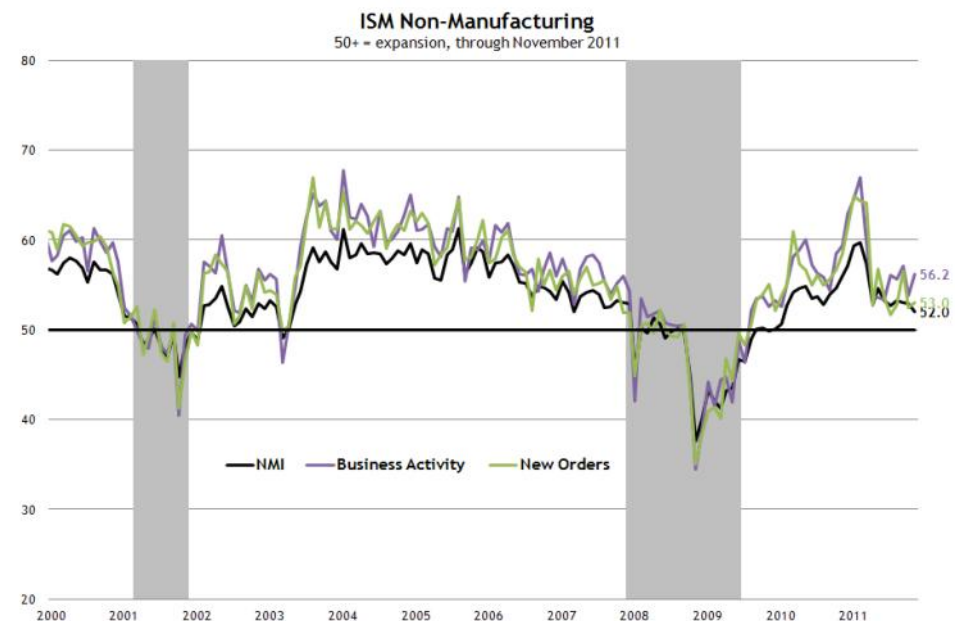
The Institute for Supply Management announced last week that the purchasing managers index (PMI) for the manufacturing sector increased 1.9 index points to reach 52.7 in November.



Source: Institute for Supply Management

- An increased proportion of manufacturers in the ISM survey said their level of new orders increased in November. The new orders index gained 4.3 index points to reach 56.7 points. Production levels were also reportedly up in the aggregate, with the production index adding 6.5 points to reach 56.6 points.
- Employment was the only component of the PMI that decreased in November. The employment index dropped 1.7 index points to reach 51.8 points, indicating slower employment growth in the manufacturing sector compared to October.
- More nonmanufacturers reported increased business activity and new orders over the month. Those indexes were up 2.4 index points and 0.6 index point, respectively. Like manufacturing respondents in November, nonmanufacturers also reported slower employment growth. The non-manufacturing employment index lost 4.4 index points in November to reach 48.9.

The nonmanufacturing PMI dipped 0.9 index point in November to reach 52 points, but underlying components, including business activity and new orders, were somewhat stronger, with the notable exception of the employment index, which dropped in November.



Source: Institute for Supply Management

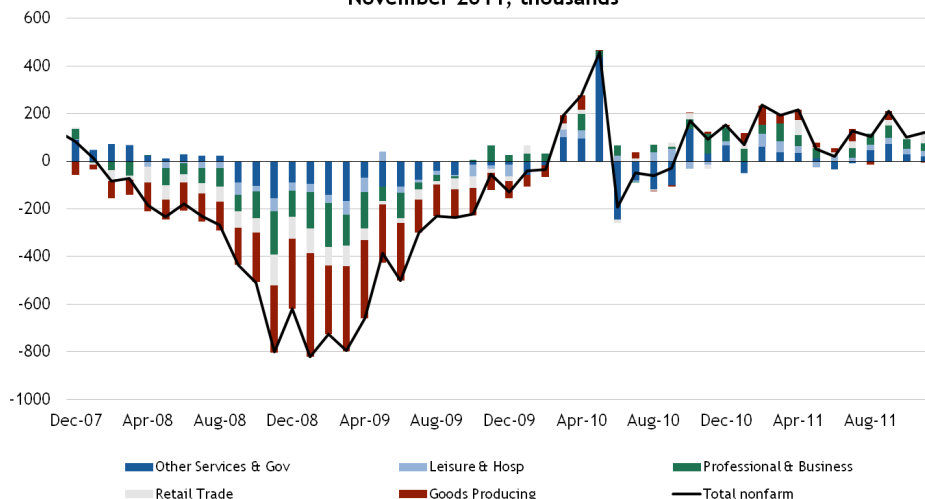
# Employment

## Summary

The November payroll employment report indicated that payrolls increased by 120,000 over the month.

## Contributions to Change in Nonfarm Payroll Employment

November 2011, thousands



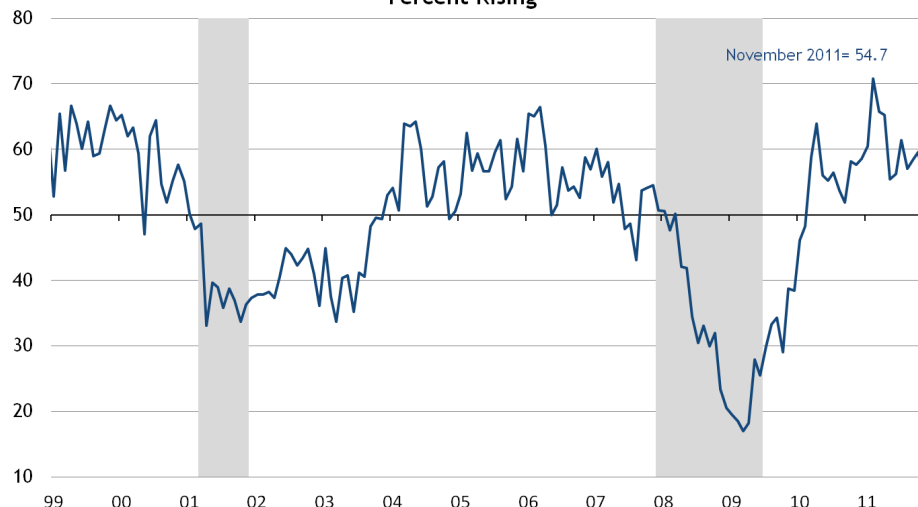
Source: U.S. Bureau of Labor Statistics

- **Nonfarm payroll employment** increased by 120,000 and **private payrolls** increased by 140,000 in November, close to consensus expectations of 125,000 and 150,000, respectively. September and October's payrolls got revised upwards by 52,000 and 20,000, respectively; September's revised payrolls total of 210,000 marks a monthly payrolls increase of over 200,000 for the first time since April 2011.
- Payrolls in **retail trade** had a robust increase of 49,800 in November. While this sector has added jobs since March 2011, the monthly increases have generally been only modest.
- **Professional and business services** experienced a monthly increase of 33,000 jobs. Most of the gain was accounted for by the **temporary help services** component, which added 22,300 jobs. Temporary help employment has picked up since July, but the gains diminished slightly on a year-over-year basis.
- Other sectors recording notable increases were **education and health services** (27,000) and **leisure and hospitality** (22,000). Job growth in most sectors remained tepid.
- Major over-the-month job losses were in **construction** and **government**; the former decreased employment by 12,000, and the latter shed 20,000 jobs. The decline in **government** employment has shown no signs of abating.

The spread of job growth across industries decreased in November. The index dropped by 4.9 percentage points over the month, to 54.7 percent.

## Diffusion Index of Private Nonfarm Payrolls

Percent Rising

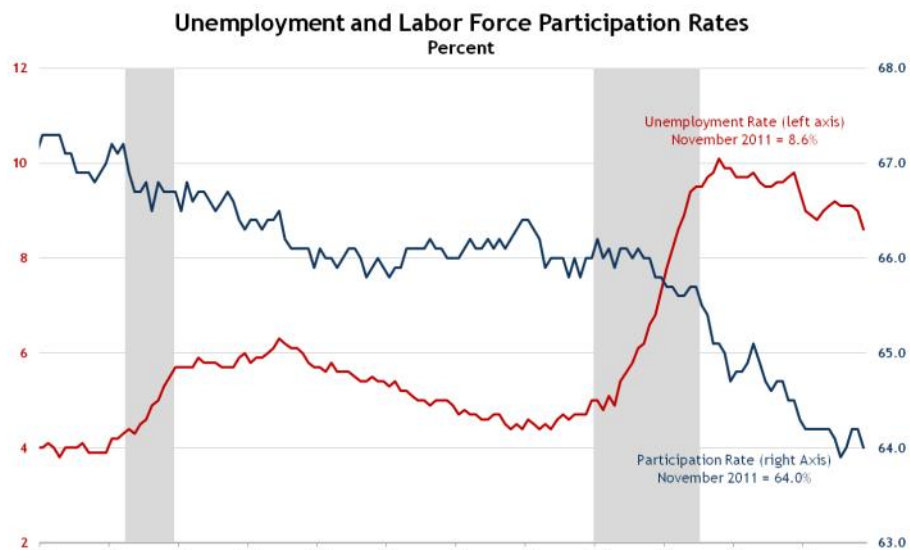


Source: U.S. Bureau of Labor Statistics

# Employment

## Summary

Perhaps the most intriguing aspect of the November employment report was the unemployment rate dropping to 8.6 percent.

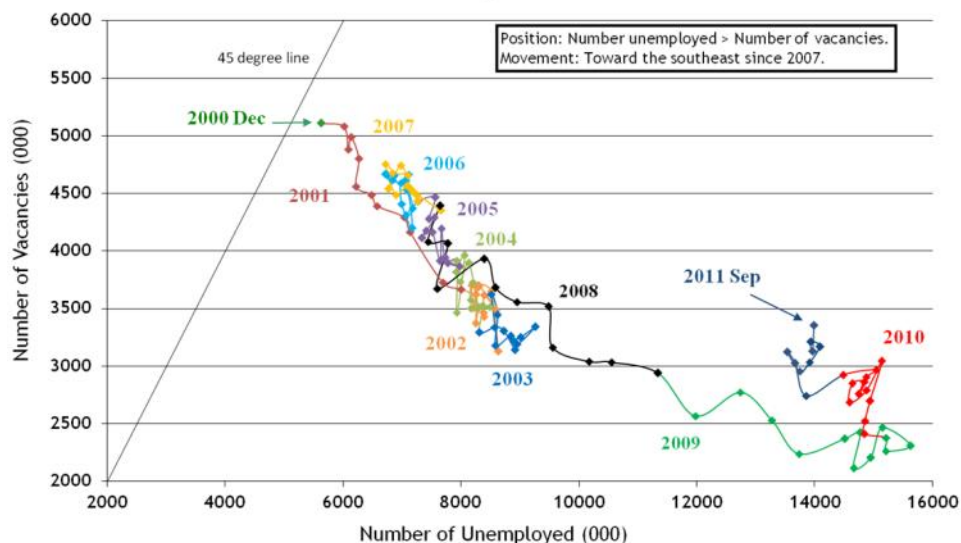


Source: U.S. Bureau of Labor Statistics

- The unemployment rate decreased by 0.4 percentage point over the month, to a level of 8.6 percent (9 percent was expected), a remarkable drop over one month. However, recognizing that the unemployment rate dropped by the same magnitude in December 2010 puts this decline in perspective.
- The labor force participation rate decreased by 0.2 percentage points, to a level of 64 percent. This level is only slightly higher than its decade low of 63.9 percent in July 2011.
- The labor force decreased by 315,000 in November. Employed women leaving the labor force accounted for some of the decrease, but a significant portion of the decrease came from unemployed people leaving the labor force.

Job vacancies are not being filled easily, even though a large pool of unemployed people is available.

## Beveridge Curve



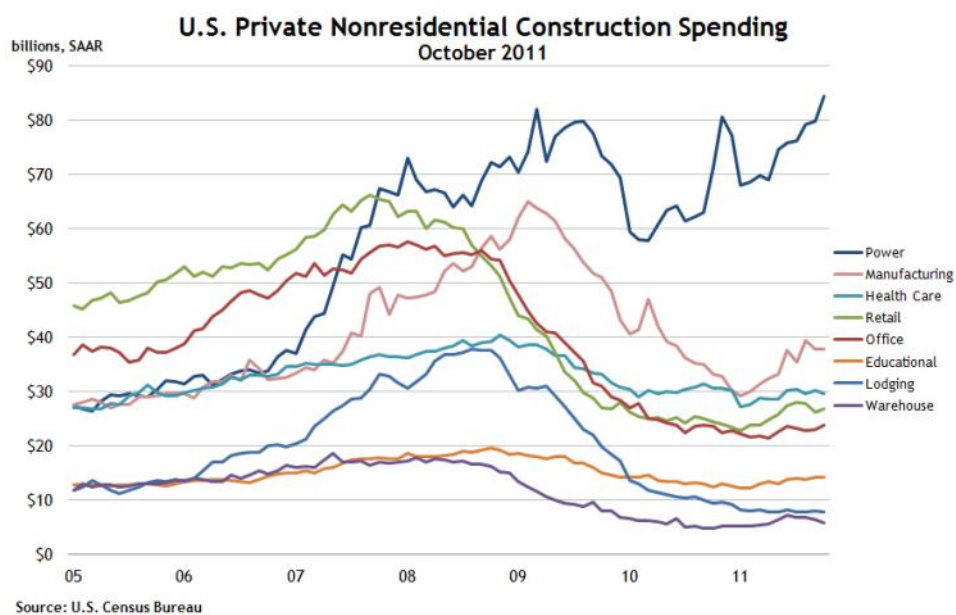
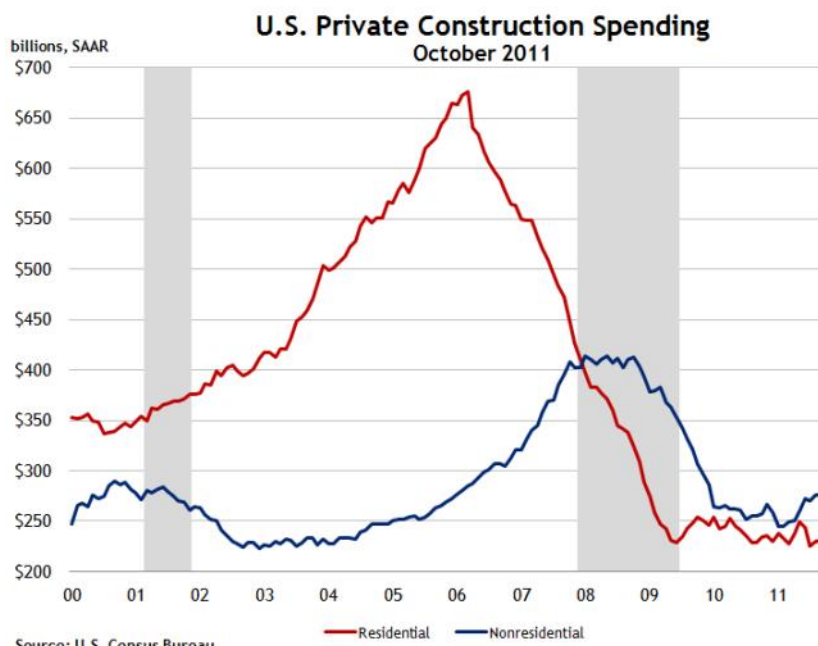
Source: BLS, Job Openings and Labor Turnover Survey and Current Population Survey

- The Beveridge curve plots the number of unemployed people versus the number of job openings. The data are lagged by two months, making September the most recent data point.
- While the recent movement of the curve is heavily debated, it increasingly appears to be the case that the curve has shifted out. Possible explanations for this movement could include skill mismatch between candidates and the available positions, disparate wage expectations between employers and employees, or “ghost” openings (i.e., employers leaving job postings open for a position that might not exist in the hope that an ideal candidate might apply).

## Summary

The U.S. Census Bureau reported that private construction spending increased 2.3 percent from September to October. Private nonresidential construction spending continued to recover from recent lows.

The U.S. Census Bureau report indicated that gains in private nonresidential construction from September to October were largely driven by improvements in the power sector, which was up 6 percent.



### October 2011 Construction Spending Put in Place

	billions, SAAR	yr/yr change	mo/mo change
Total:	798.5	-0.4%	0.8%
Total Private:	518.6	5.2%	2.3%
Total Public:	279.9	-9.4%	-1.8%
Total Nonresidential:	551.2	-0.9%	-0.2%
Private Nonresidential:	279.6	8.4%	1.3%
Public Nonresidential:	271.6	-8.9%	-1.8%
Total Residential:	247.3	0.6%	3.2%
Private Residential:	239.0	1.7%	3.4%