FEDERAL RESERVE BANK of ATLANTA

January 13, 2010

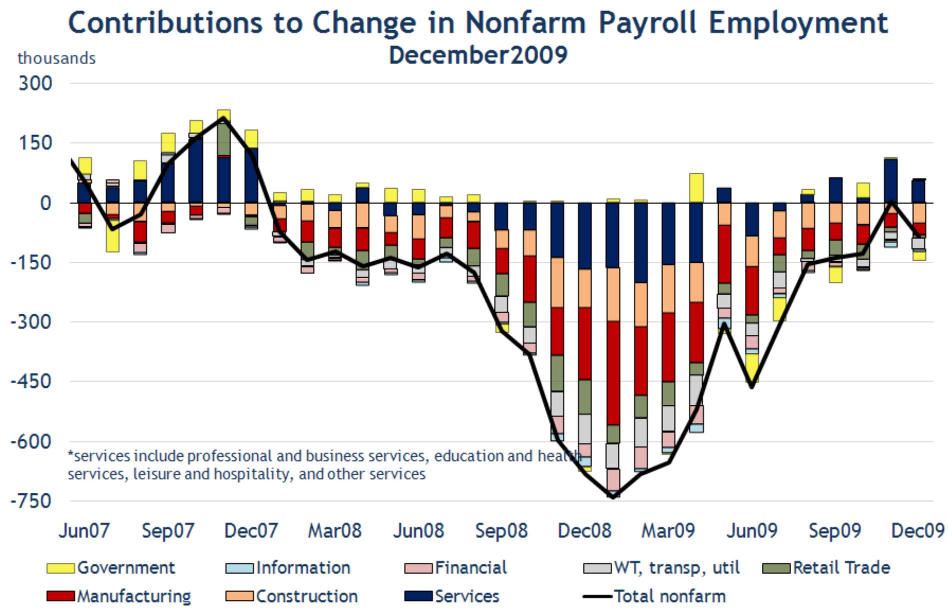
Economic Highlights

Employment

Summary

The nation lost 85,000 jobs in December, much greater losses than the Bloomberg market consensus of no change.

The unemployment rate remained at 10% in December.

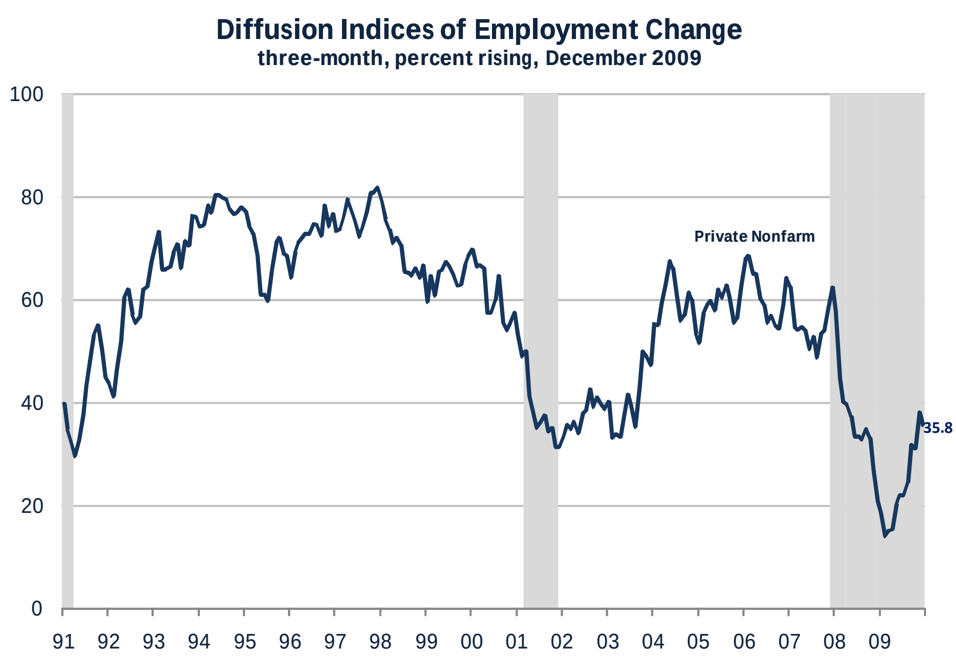


Source: Bureau of Labor Statistics

- The 85,000-job decline in payrolls in December brought the three-month average monthly decline to 69,000 compared to 85,000 in November.
- In December, the labor force lost 661,000 jobs as the unemployment rate remained at the highest level since June 1983.
- The labor force participation rate declined 0.3 percentage points to 64.6% in December.

The goods-producing sectors, particularly manufacturing and construction, accounted for the bulk of the jobs lost.

The three-month diffusion index of employment change decreased to 35.8% in December. In other words, roughly 35.8% of industries were either increasing or keeping employment levels the same.



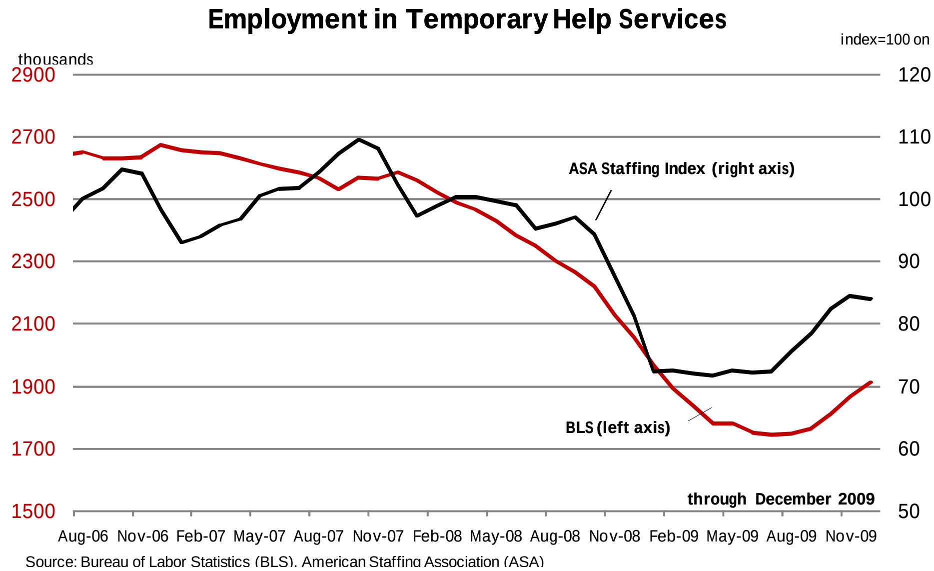
Source: U.S. Bureau of Labor Statistics

Employment

Summary

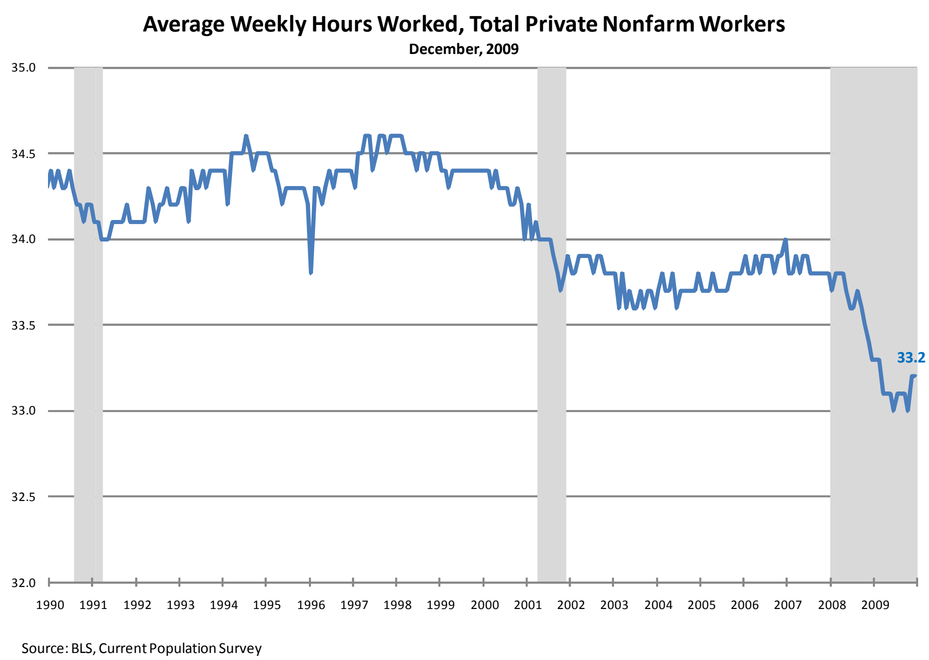
Temporary employment continued to show improvement in December, while weekly hours worked did not change from November.

The ASA Staffing Index estimates weekly changes in the number of people employed in temporary and contract work. This index provides a current measure of staffing industry employment trends.



- According to the BLS, the temporary employment sector added 47,000 jobs in December after adding 52,000 jobs in November. The sector has added 164,000 jobs since August 2009.

In December, weekly hours worked remained at November's level, as expected by Bloomberg's market consensus.



- Total private nonfarm weekly hours remained at 33.2 hours, up to January 2009 levels.
- Weekly manufacturing hours remained 40.4 hours in December. Weekly overtime hours remained at 3.4 hours. Both overall and overtime manufacturing hours are back to October 2008 levels.

International Trade

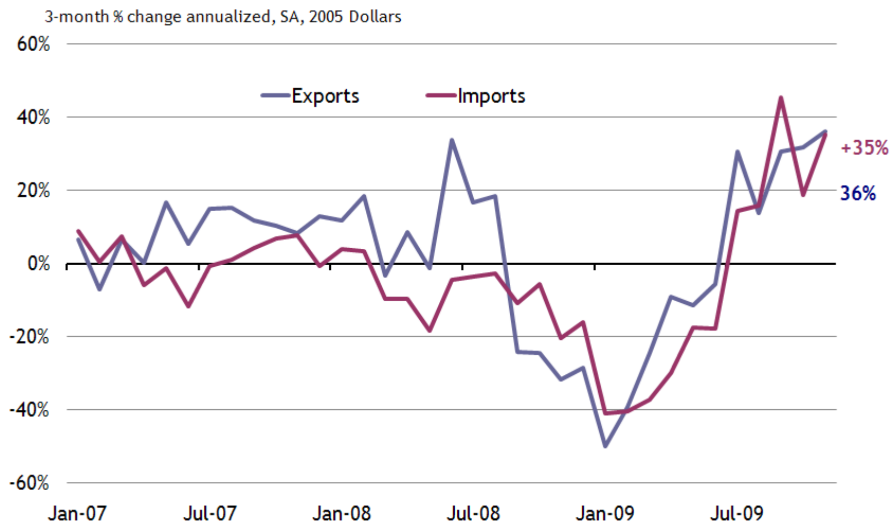
Summary

In November, the U.S. nominal international trade deficit widened to $36.4 billion, an increase greater than expected by the Bloomberg consensus forecast.

After two years of positive contribution, net exports subtracted from GDP growth in Q3 2009 as imports grew faster than exports.

For Q4 2009, private forecasters project a virtually zero contribution to GDP growth from net exports. Real merchandise imports and exports grew at nearly the same rate in three months through November.

November U.S. International Merchandise Trade



Source: U.S. Bureau of the Census

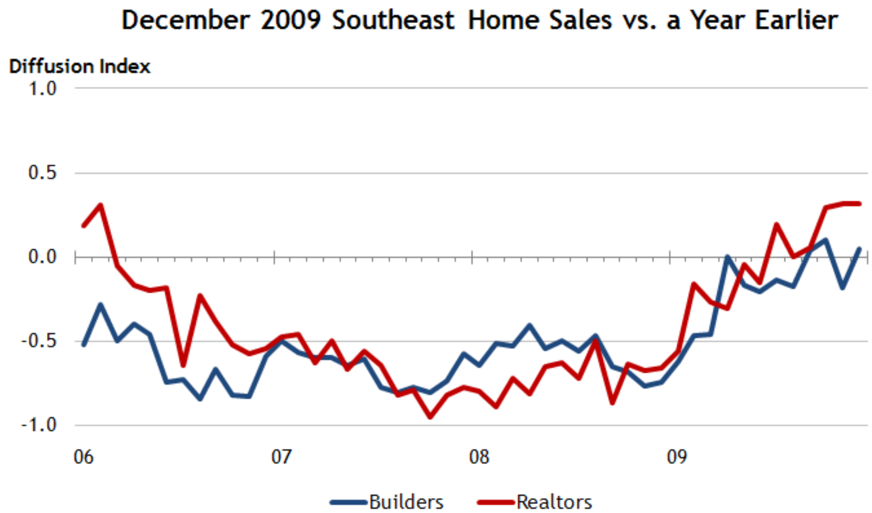
- The U.S. nominal trade deficit widened more than expected in November to $36.4 billion. The Bloomberg consensus expected an increase in the deficit to $34.6 billion. Exports rose 0.9% in November, while imports grew by a larger 2.6%.
- In dollar terms, total exports increased by $1.2 billion. Exports of soybeans jumped nearly $1 billion, boosted to some extent by drought in Argentina. This gain was in part offset by a considerable decline in the high-value and volatile civilian aircraft category.
- Imports rose $4.4 billion. Import growth was relatively broad based in November, with substantial gains in consumer and capital goods and a large price-related increase in crude oil imports.
- In real terms, the merchandise deficit also widened. For most of 2007 and 2008, net exports were a positive contributor to GDP as import growth was mostly negative, while exports largely maintained their solid growth pace. A considerable contraction in U.S. and foreign economies that started at the end of 2008 led to a drop in U.S. imports that was even larger than a sharp decline in exports. As trade flows began to recover, net exports subtracted from growth in Q3 2009, when imports grew faster than exports.

Real Estate

Summary

December home sales exceeded home sales a year earlier, according to our surveys of Southeastern Realtors and homebuilders.

Note: The housing survey's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity while negative values indicate decreased activity.

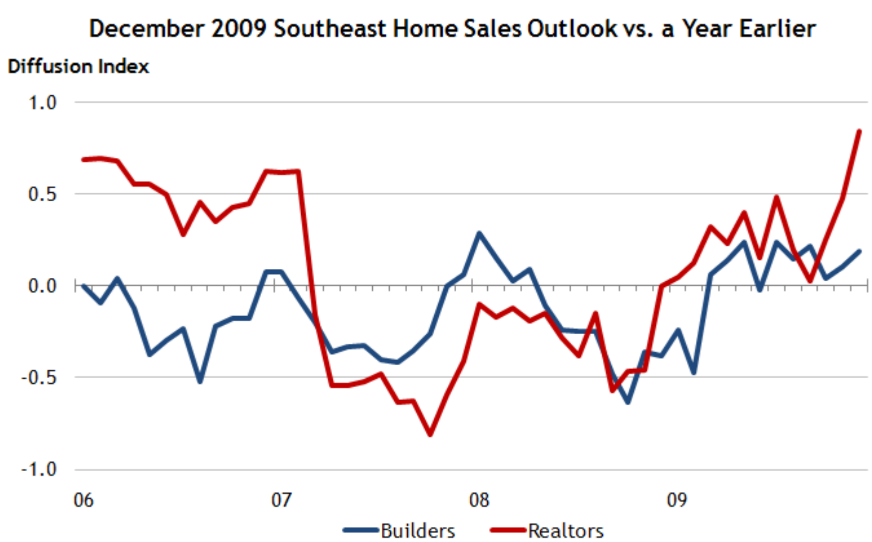


Source: FRBA business contact survey

Note: December survey results are based on responses from 82 Realtors and 48 homebuilders and were collected January 4–13.

- Realtors' responses reveal that home sales growth softened somewhat in December. The majority of contacts reported that sales increased on year-over-year basis in December, however; the larger share reported that sales increased slightly compared with a year earlier, while in November the larger share reported that sales increased significantly.
- A slight improvement in new home sales growth was noted in builders' December reports. Nearly half reported that sales were flat to slightly up compared with a year earlier during December. In November almost half reported that sales were flat to slightly down compared with a year earlier.
- Contact reports indicate that unsold home inventories edged down slightly from November to December.

The outlook for sales growth over the next several months improved notably among Southeast Realtors surveyed, but builders anticipate more modest gains.



Source: FRBA business contact survey

Manufacturing and Trade

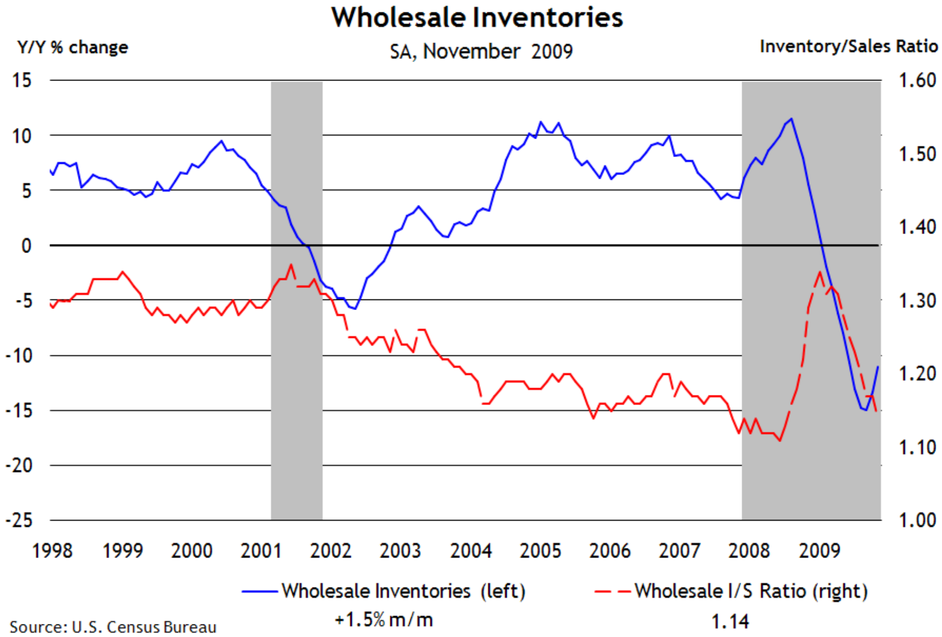
Summary

Wholesale inventories accounted for 29% of total business inventories in October. Wholesale inventories added 1.5% from October to November.

The slowdown of inventory reductions has caused many leading economists to revise their forecast for Q4 GDP growth upward.

The wholesale inventory-to-sales (I/S) ratio dropped to 1.14 in November.

Merchant wholesalers added 3.3% in total sales from October to November.

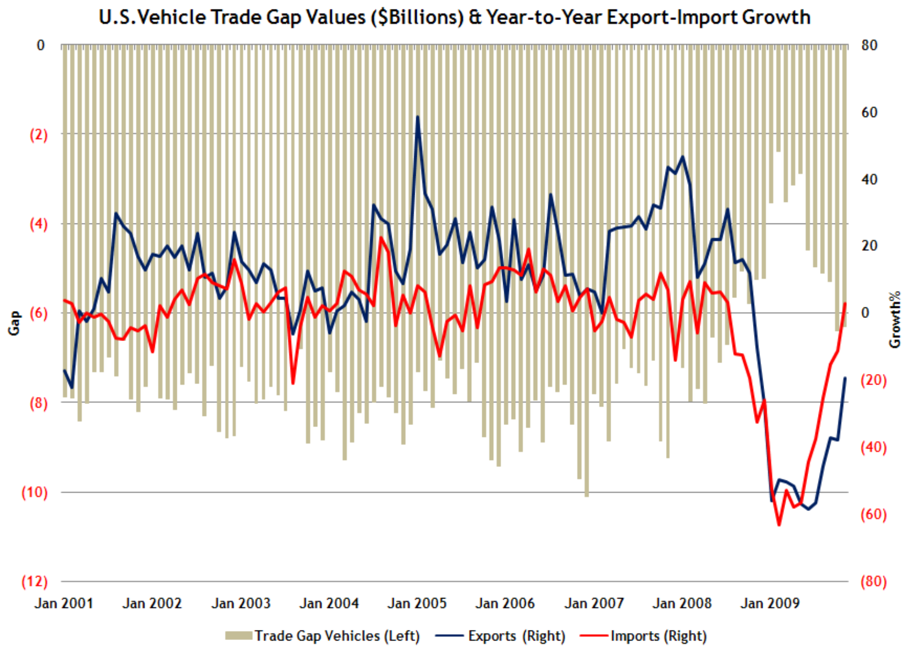


- **Wholesale inventories rose 1.5% from October to November** but are down 11% from year-earlier levels.
- **Wholesale inventories of durable goods shrank 0.3% in November.** Within this category, inventories of machinery, equipment, and supplies dropped 1.4%, while inventories of furniture dropped 1.3%. Wholesale inventories of computers and computer equipment gained 2.2% in November, while wholesale inventories of metals added 0.8%.
- **Wholesale inventories of nondurable goods added a sizable 4.2% in November.** By far the largest contribution to wholesale inventory growth of nondurables was farm products, up 29.8% from October. Wholesale inventories of petroleum were up 7%, and wholesale inventories of alcohol were up 1.3% in November.
- **The November 2009 wholesale I/S ratio was 1.14**, down from November 2008's ratio of 1.28. The wholesale I/S ratio peaked in January 2009 at 1.34.
- **Merchant wholesalers posted a 3.3% increase in total sales from October to November.**
- **Wholesale sales of durable goods increased 1.9% for the month.** Among the increases in sales were lumber, up 1.9%; machinery, up 1.6%; and automotives, up 1.3%.
- **Wholesale sales of nondurable goods were up 4.4% in November.** Drivers for the jump in nondurable wholesale sales were the same as the drivers for nondurable wholesale inventory: Wholesale sales of farm products jumped 29.6% in November, while sales of petroleum added 7.5%. Wholesale sales of alcohol and chemicals added 3.5% and 2.6%, respectively, from October.

Manufacturing and Trade

Summary

The November U.S. trade gap in passenger motor vehicles climbed to $6.3 billion, up $1 billion from November 2008. Imports improved faster than exports as U.S. demand for parts and foreign-brand vehicles climbed at midyear.



Source: U.S. Bureau of the Census

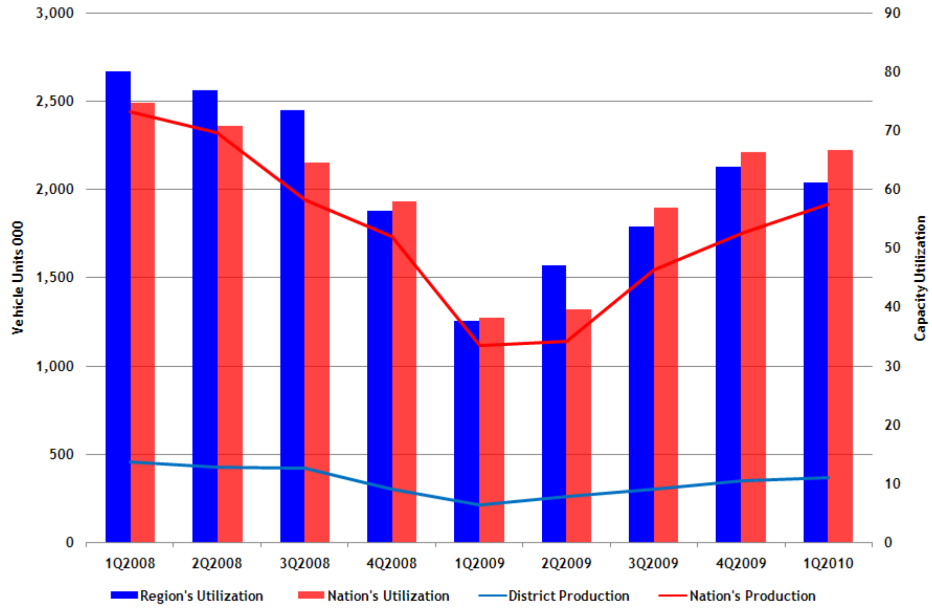
- The U.S. trade gap for passenger motor vehicles reached $6 billion in November 2009, led by a surge in the value of imports of motor vehicle and parts that surpassed comparable exports' pace.
- The pace of vehicle exports declined less than in previous months as vehicle demand from major export markets like Canada, Mexico, and Germany were still weaker than a year earlier. On the bright side, motor vehicle exports to small countries in Asia and the Middle East climbed nicely over the year.
- Future exports to Germany will benefit from Mercedes Benz USA's recent decision to move production of the C-class sedan to its Vance, Alabama, plant. The plant currently produces three other models, some of which are being shipped back to Europe.

Manufacturing and Trade

Summary

The nation's vehicle production and utilization rates recovered in Q4 2009 from depressed levels in early 2009. However, according to industry estimates, Q1 production and utilization rates for national and regional plants are likely to moderate.

Vehicle Production and Utilization Rates, District and Nation

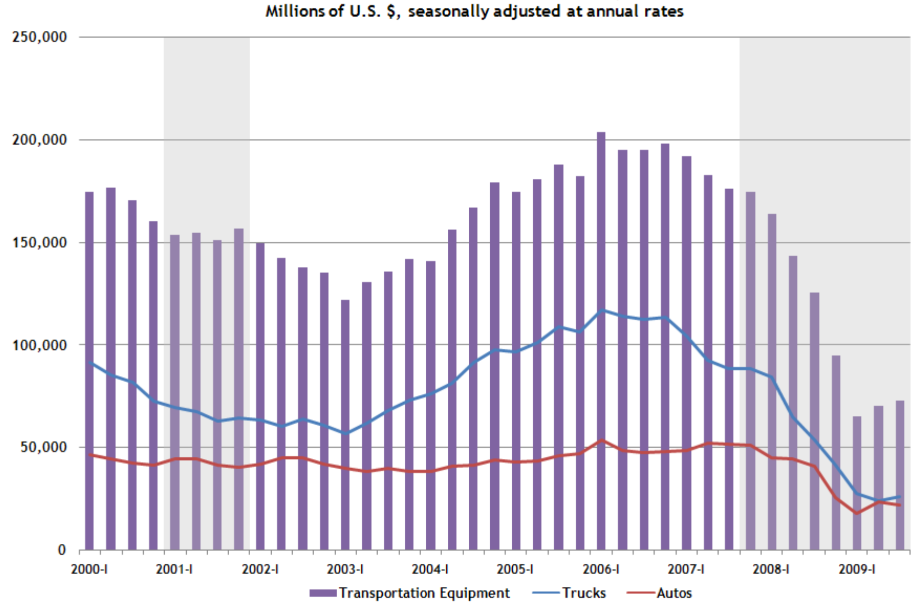


Source: Monthly Autocast.com

- National and Southeastern plants' utilization rates, defined as the share of production volumes to plants' capacity, improved in Q4 2009 as automakers rebuilt vehicle stocks depleted by the "cash-for-clunkers" program.
- Industry contacts noted that capacity levels are still anemic as automakers are more cautious about overbuilding in these uncertain retail vehicle markets.

According to recent BEA data, U.S. private investments in transportation equipment stopped declining in late 2009. Recent new national initiatives reported for the production of fuel-efficient autos are encouraging signs for continued recovery of investments in private transportation equipment.

Private Fixed Investment in Motor Vehicles, 1Q2000 - 3Q2009
Millions of U.S. $, seasonally adjusted at annual rates



Source: Bureau of Economic Analysis

- Q3 investments on autos have recovered well from early 2009.
- Improved fuel-efficiency technologies are already in the driver's seat of several U.S. automakers. Recently Ford and Nissan began investing millions in new hybrid and electric vehicle technologies to reduce dependence on imported oil and meet future environmental