

## Economic Highlights

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# Employment

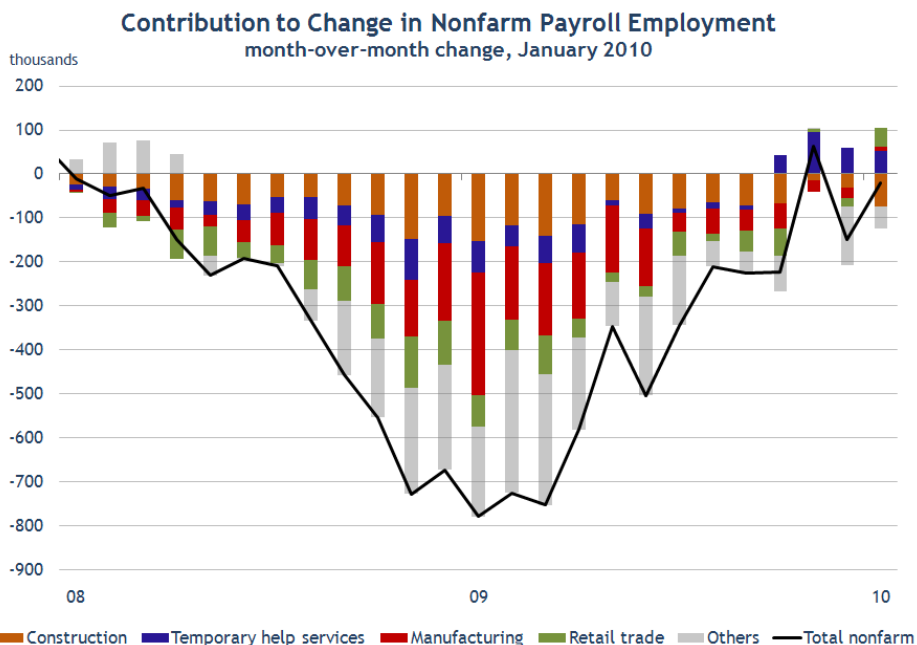
## Summary

The January national employment report was mixed.

Key industries such as temporary help services and manufacturing posted job gains. Hourly earning and hours also were strong.

However, gains in retail hiring were overstated by seasonal adjustment factors.

Except in November, job losses have been easing steadily since Q1 2009.



Source: U.S. Bureau of Labor Statistics

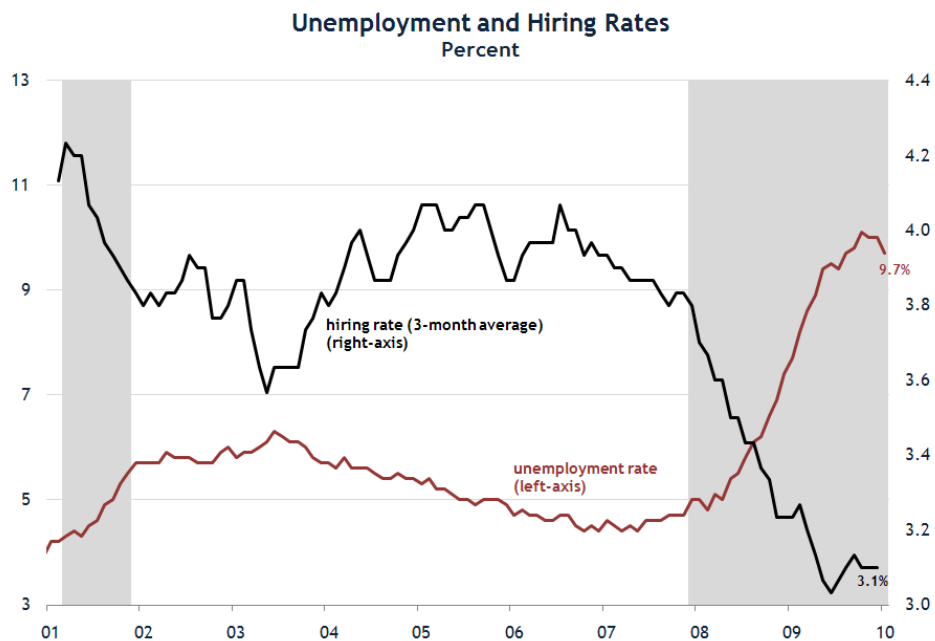
- The nation lost 20,000 jobs in January 2010, in contrast to Bloomberg's market consensus of a 15,000 gain. Much of this decline came from the **construction** sector, which shed 75,000 jobs, mostly in **nonresidential** construction.
- **Retail trade** added 42,000 jobs, likely biased up by seasonal factors, which expected a large amount of holiday layoffs this time of year. This year, however, there were fewer holiday hires compared to previous years.
- The **temporary help** sector, a leading employment indicator, continued to add jobs, gaining 52,000 jobs in January.
- The **manufacturing** sector added jobs for the first time in two years, up 11,000. This gain follows seven months of increases in average weekly and overtime manufacturing hours. While many manufacturers have been able to do more with less (both hours and productivity have increased significantly), the January employment gain is one indication that the pickup in manufacturing activity may lead to more hiring. However, some industry analysts are concerned that the increase in manufacturing jobs is tied to **inventory buildup** and thus is temporary.
- Average weekly **hours** for all employees increased to 33.9, and average hourly **earnings** rose 0.3% over the month, slightly more than Bloomberg expectations.
- November (+60,000) and December (-65,000) employment figures were revised significantly but in opposite directions, resulting in a net 5,000 downward revision to employment for the two months.

# Employment

## Summary

The unemployment rate declined to 9.7% in January from 10% in December.

Despite the 1.5 million people currently unemployed and an additional 1 million discouraged workers not in the labor force, the Job Openings and Labor Turnover Survey (JOLTS) reported that hiring and job openings remained very low in December 2009.



Source: U.S. Bureau of Labor Statics (Current Population Survey and JOLTS)

unemployment rate, Jan 2010; hiring rate Dec 2009

- The 0.3 percentage point decline in the unemployment rate in January was largely led by a 430,000 decline in the number of unemployed persons versus a modest 111,000 increase in the labor force.
- The labor force participation rate edged up 0.1 percentage point to 64.7% in January, the first increase since April 2009. The number of employed persons also had a notable gain in January, up 541,000 over the month.
- Despite the favorable news from the household survey, the JOLTS report for December 2009 was discouraging and further confirmed the mismatch between the supply and demand of labor. The hiring rate remained at a weak 3.1% for the fifth consecutive month. The job openings rate has also remained fairly stagnant since March 2009 at a series low of 1.8 to 1.9%.
- Thus, while layoffs continue to ease, the weak demand for workers suggests that it is unlikely many vacancies will open up in the near term for the unemployed to fill.

# Employment

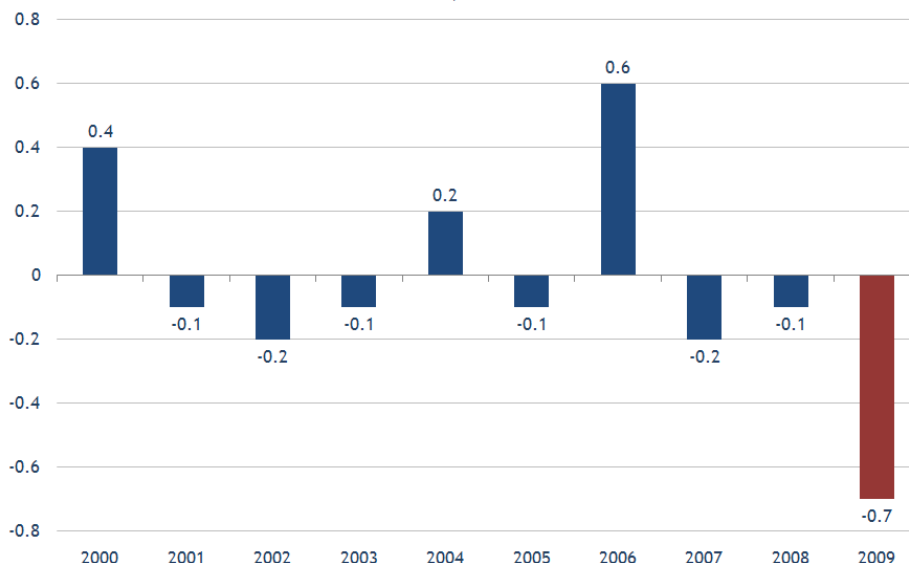
## Summary

In conjunction with the January 2010 employment report, the Bureau of Labor Statistics (BLS) released annual revisions to its establishment survey.

The 2009 benchmark revision resulted in a 902,000 (0.7%) downward revision to payroll employment between April 2008 and March 2009. This change is the largest benchmark revision in this decade.

Other annual revisions for the period after March 2009, such as new seasonal adjustment factors and new birth/death figures, brought the 2009 job loss total to 4.8 million jobs.

**Benchmark Revisions to Establishment Survey  
Percent, 2000-2009**



Source: U.S. Bureau of Labor Statistics

- The nation lost an additional 902,000 (0.7%) more jobs between April 2008 and March 2009 (the benchmark period) than was originally estimated. This revision is **significantly larger than in prior years**. (Note that the large 2006 revision was largely due to post-Katrina effects as well as the introduction of new collection methodology in the establishment survey.)
- According to the BLS, the majority of the error in estimating nonfarm payrolls was in the birth/death model. Because there is an unavoidable lag between a business opening up and it appearing in the sample of total employment, the birth/death model is used to estimate how many jobs were created by firms that were too new or too small to be included in the monthly nonfarm employment count. Because the relative contribution of the birth/death model to employment has remained stable for the past several years, the model ended up overstating job creation, particularly in Q4 2008 and Q1 2009, when the nation was shedding an average 700,000 jobs each month and job creation was on the decline.

The downward revision to payroll employment was widespread across industries. Every major sector except government experienced downward revisions.

Trade, transportation, and utilities had the largest downward revision. Industries with the largest decline in employment during the year were more likely to have the largest downward benchmark revision.

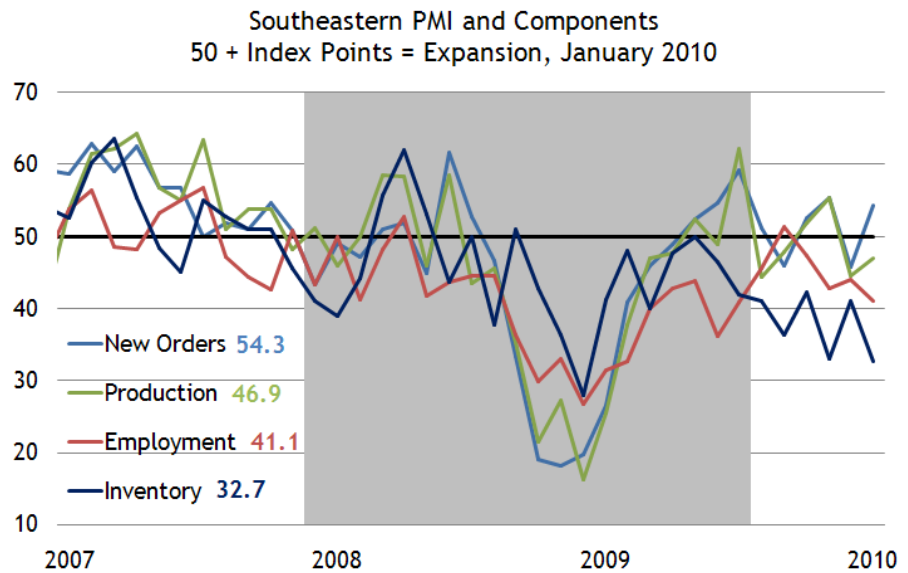
2009 Benchmark Revision by Industry (thousands)	
Industry	Level
Total nonfarm	-902
Mining and logging	-25
Construction	-171
Manufacturing	-84
Trade, transportation, and utilities	-300
Information	-42
Financial activities	-4
Professional and business services	-137
Education and health services	-56
Leisure and hospitality	-72
Other services	-42
Government	31

Source: U.S. Bureau of Labor Statistics

# Manufacturing

## Summary

Kennesaw State University's Southeast Purchasing Managers Index (PMI) gained 0.6 index point in January to reach 45.8.

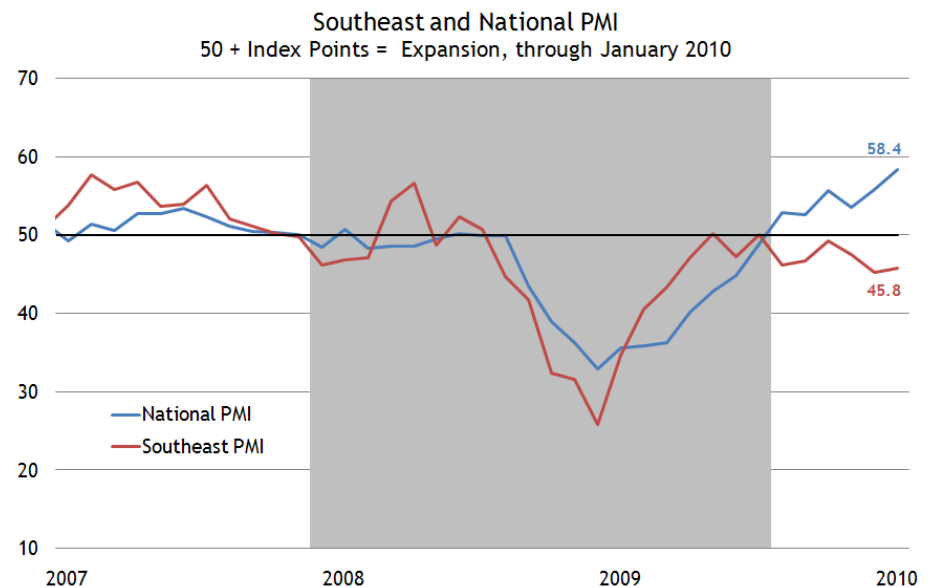


Source: Kennesaw State University

Assumes recession ended June 2009

- KSU's Southeast Purchasing Managers Index gained 0.6 index point in January to reach 45.8. This reading continues to lag the national Institute for Supply Management PMI by a substantial margin of 12.6 index points. For more on this difference, see the [February 10 post](#) in SouthPoint, the Atlanta Fed's regional blog.
- The new orders component was a large driver for the Southeast PMI in January. Approximately 40% of respondents in the Southeast reported higher new orders in January, resulting in an 8.5 index point gain for the new orders component.
- The production component of the Southeast PMI gained 2.3 index points in January, but at 46.9 it still fell short of the 50-point benchmark indicative of growth. In the national ISM PMI, production, at 66.2, continues to be a driver for the index.

While the national PMI is clearly in expansion territory, the southeast PMI continues to lag.



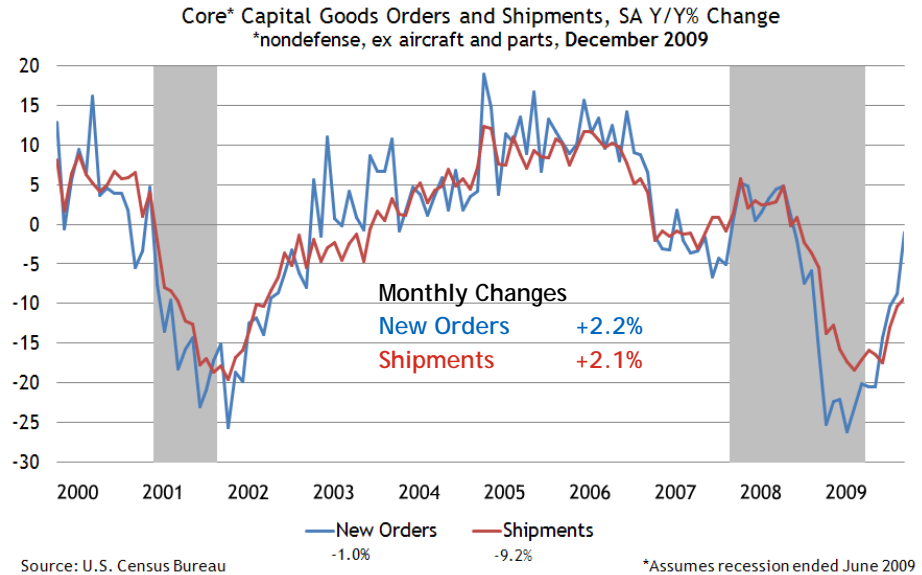
Sources: Kennesaw State University, Institute for Supply Management

Assumes recession ended June 2009

# Manufacturing

## Summary

New orders for core capital goods in December were revised upward to 2.2% in the factory orders report. New orders for overall manufactured goods rose 1% in December. New orders for overall manufactured goods have been increasing eight out of the past nine months.

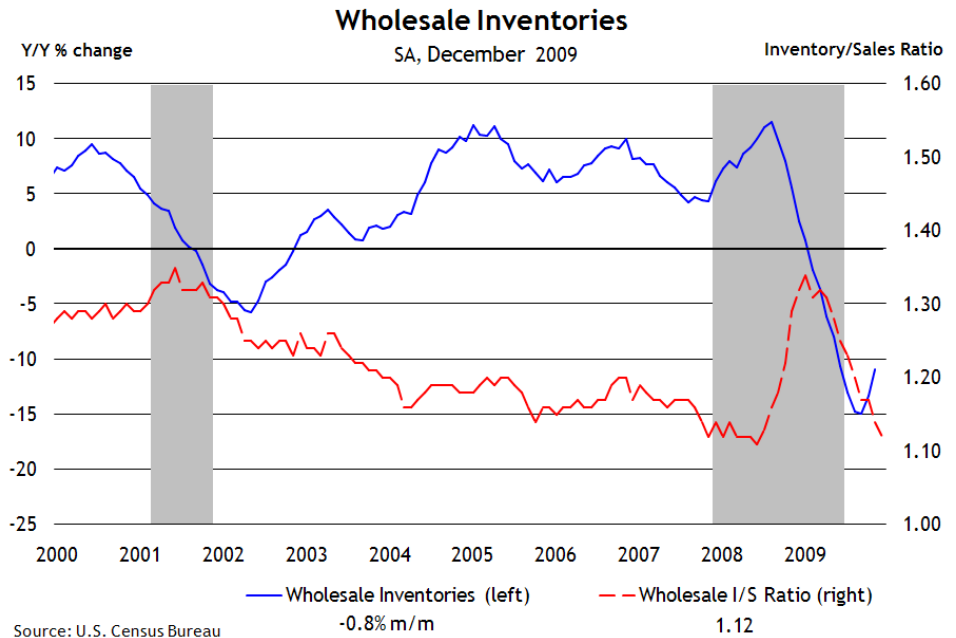


- The Factory Orders Report revised core capital numbers from December's Durable Goods Report slightly higher. Most notably, new orders for core capital goods were revised higher to 2.2% from 1.3% in December.
- Among the greater detail provided by the Factory Orders Report was insight into the gains in orders for machinery, which was revised 0.6% higher to 6.6%. Construction machinery rose 17.2% in December while turbines, generators, and other power-generating machinery added 19.6%. Mining and oil field machinery was up 7.2% while metalworking machinery gained 14.8%. Industrial machinery had the largest drop in orders, losing 4.8%.
- New orders for computers were up 0.7% in December. Nondefense communications equipment also added 1.9%.
- Shipments of core capital goods increased 2.1% in December.

# Manufacturing

## Summary

Wholesale inventories were down 0.8% from the previous month and 10.2% from year-earlier levels. The I/S ratio for merchant wholesalers was 1.12 in December 2009 compared to December 2008's I/S ratio of 1.32.



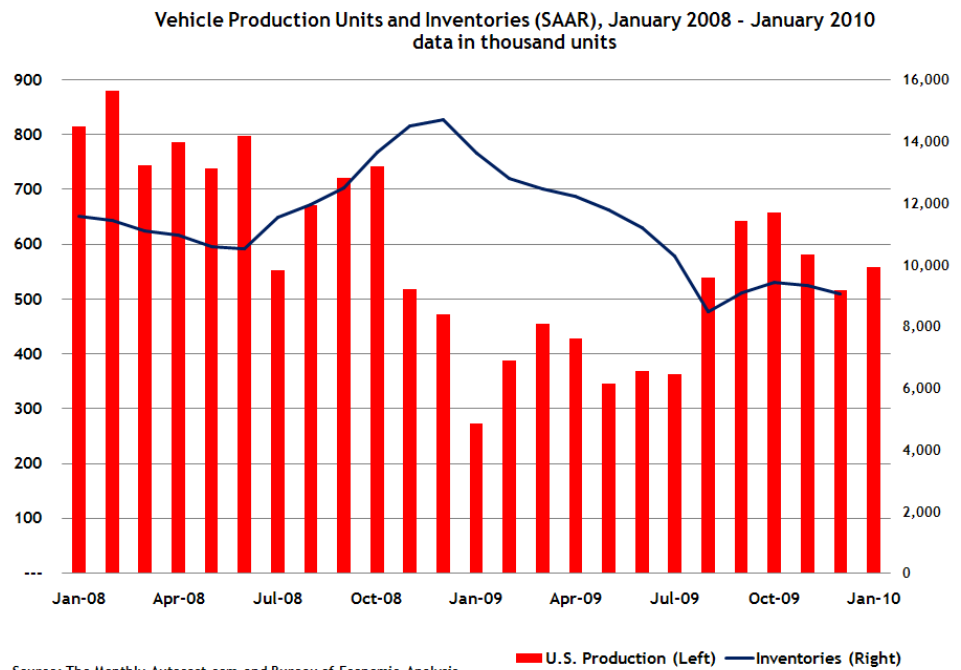
- Wholesale inventories lost 0.8% in December.
- Wholesale inventories of durable goods dropped 1.1% while wholesale inventories of nondurable goods decreased 0.3%.
- The wholesale I/S ratio dipped to 1.12.
- The I/S ratio for wholesale durable goods was 1.49 while the I/S ratio for wholesale nondurables was 0.83.

# Auto Production

## Summary

U.S. vehicle production in January 2010 was 8% higher than in December, well ahead of January 2009 but 28% lower than in early 2008.

U.S automakers are carefully managing vehicle production and inventories to match consumer demand.



Source: The Monthly Autocast.com and Bureau of Economic Analysis

- According to January 2010 data, U.S automakers produced 8% more vehicles than in December 2009 and twice as much as the depressed levels in January 2009.
- However, current production levels were 28% lower than in January 2008. According to industry contacts, automakers are currently reluctant to hike production even in the face of low stocks and better-than-expected sales.
- The rebound of vehicle sales in December to 11.2 million SAAR was followed by a slowdown to 10.7 million in January 2010. Despite a strong pickup in fleet sales, automakers are careful not to push vehicle production plans ahead of demand.
- According to industry contacts, inventory levels at the end of January were still 25% below historical levels for this time of year, indicating that stocks are somewhat constrained.
- Recently, *Automotive News* reported that the Detroit 3 automakers entered 2010 with the lowest inventory levels on record. (*Automotive News* has been reporting inventory data since 1992.) In addition, by the end of January 2010, Ward's Automotive Group reported that the U.S. vehicle inventory (days' supply) was 73% lower than in January 2009.

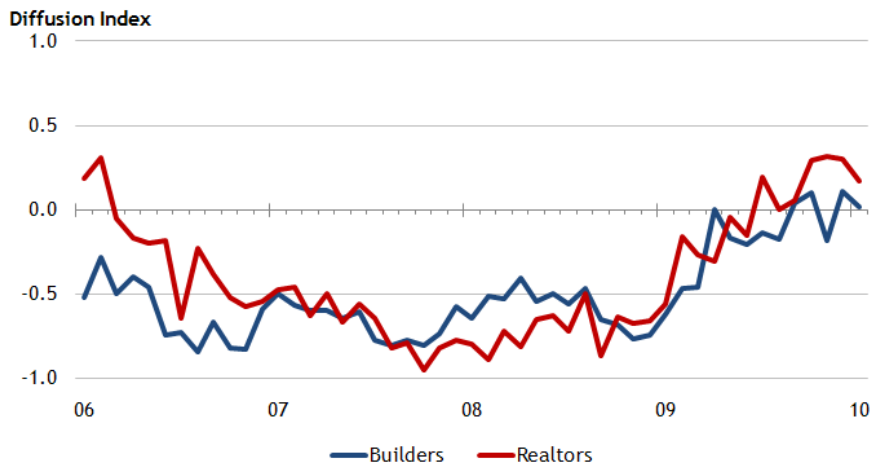


## Summary

Home sales growth softened somewhat compared with a year earlier, according to the Atlanta Fed's 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.*

### January 2010 Southeast Home Sales vs. a Year Earlier



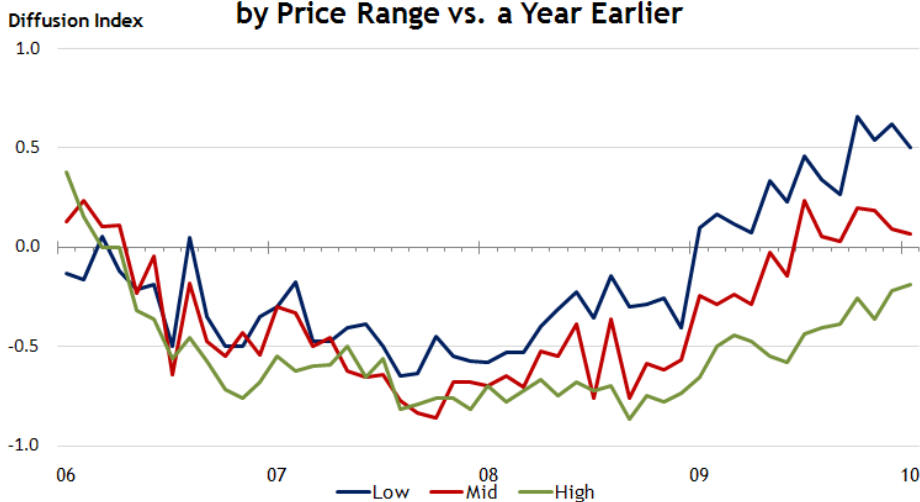
Source: FRBA business contact survey

Note: January survey results are based on responses from 79 Realtors and 53 homebuilders and were collected February 1-10.

- About half of Realtors reported that sales increased on a year-over-year basis, with the largest share reporting only modest increases.
- Reports from homebuilders indicated that new home sales were similar to weak levels last year. Nearly a third reported that sales rose slightly, and a quarter reported that sales were even with a year earlier.

Reports from Realtors indicated that high-end home sales growth remained weak but continued to improve while low to midpriced home sales growth softened.

### January 2010 Southeast Home Sales by Price Range vs. a Year Earlier

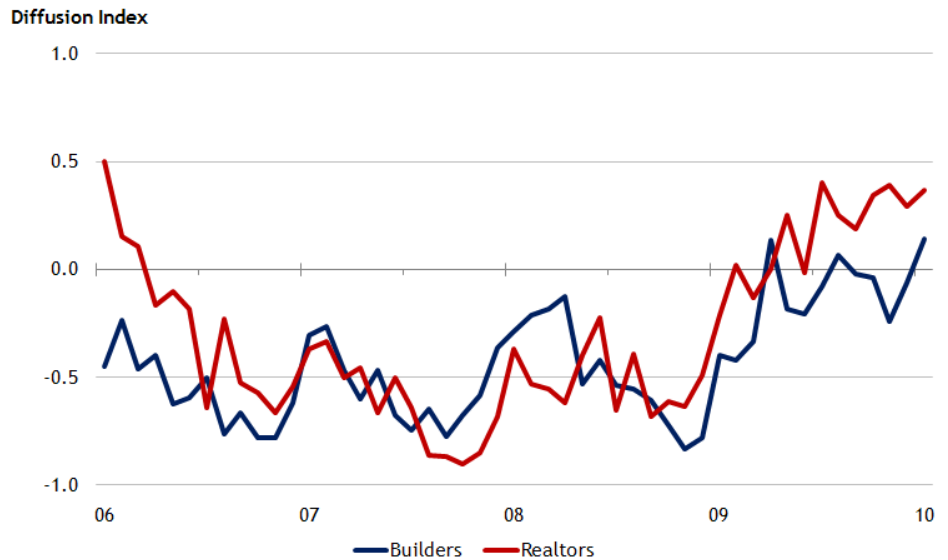


Note: Low, mid, and high are Realtor defined  
Source: FRBA business contact survey

## Summary

Both Southeast builders and Realtors reported improved buyer traffic during January.

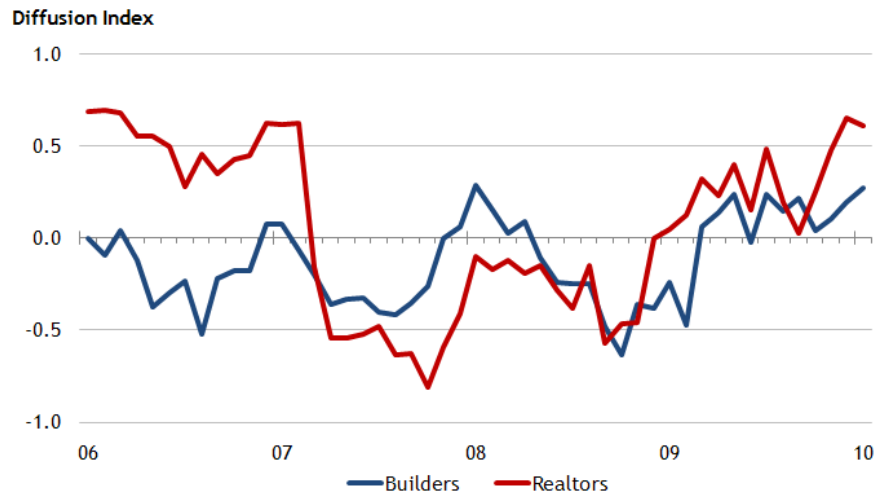
### January 2010 Southeast Buyer Traffic vs. a Year Earlier



Source: FRBA business contacts survey

However, despite improvements in buyer traffic, the outlook for sales growth over the next several months softened somewhat among Southeast Realtors while continuing to improve modestly among builders.

### January 2010 Southeast Home Sales Outlook vs. a Year Earlier



Source: FRBA business contact survey

# International Trade

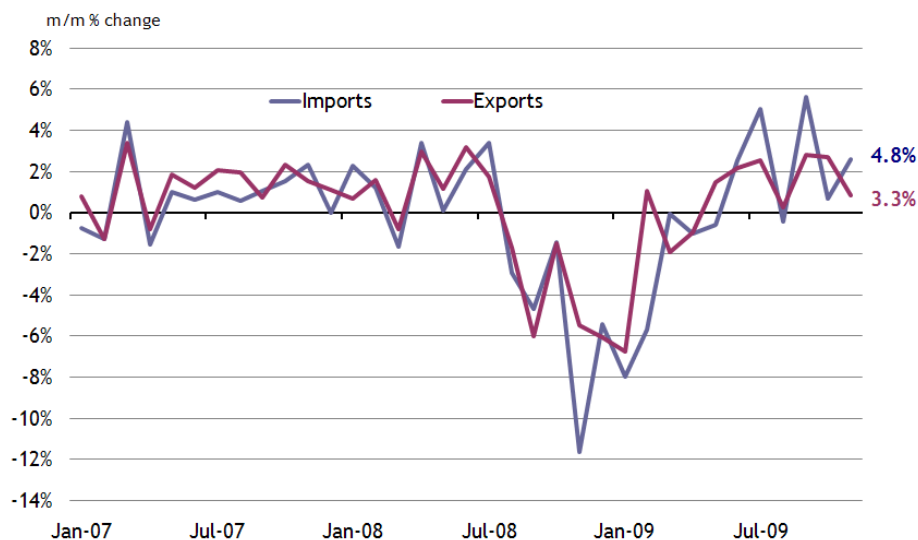
## Summary

The U.S. nominal international trade deficit widened in December to \$40.2 billion, contrary to the Bloomberg consensus projection of a decline in the deficit.

The December data imply a smaller contribution to Q4 GDP growth from net exports.

Both exports and imports were stronger in Q4 than previously estimated, in line with continued improvement in global economic activity.

## December U.S. International Trade



Source: U.S. Bureau of the Census

- The U.S. nominal trade deficit unexpectedly widened in December to \$40.2 billion. The Bloomberg consensus anticipated a narrowing in the deficit to \$35.8 billion. Exports rose 3.3% in December while imports grew 4.8%.
- Exports increased in December for the eighth consecutive month to the highest level since October 2008. December's export growth was broad based across major merchandise categories, led by capital goods and industrial supplies and materials.
- Petroleum imports accounted for most of the December import growth as both the volume and price of imported petroleum increased compared to the previous month. Imports of automotive and capital goods were also strong in December while consumer goods were virtually unchanged.
- Both imports and exports were stronger in December compared to the BEA's assumptions in the advance Q4 GDP release. The December balance, however, suggests a smaller contribution to GDP growth from net exports in Q4 (import growth outpaced export growth by more than the BEA estimate).