

Economic Highlights

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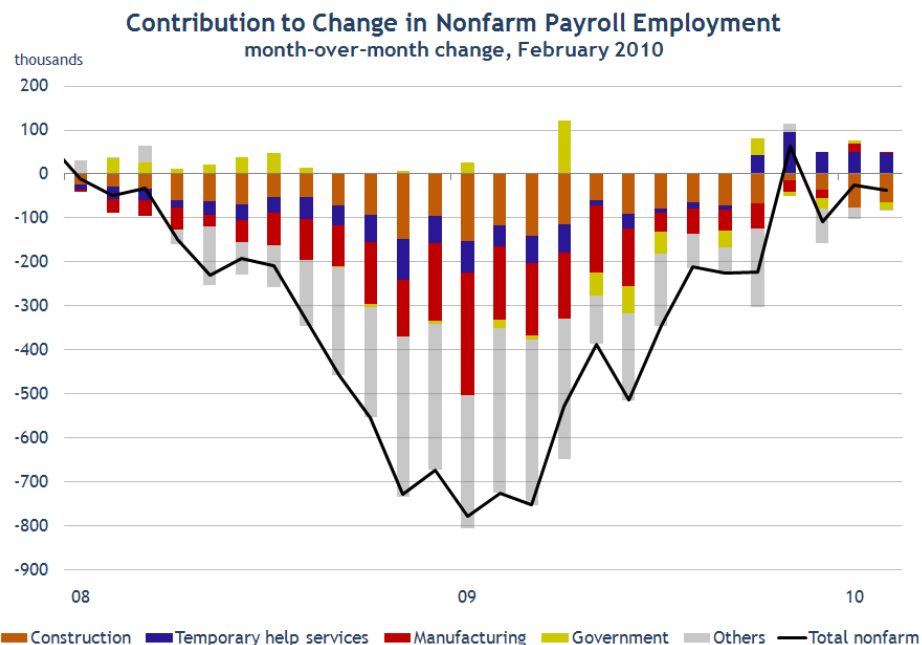
Employment

Summary

The February national employment report was stronger than most analysts expected.

Manufacturing added jobs for the second consecutive month, and temporary employment continued to gain jobs for the fifth consecutive month.

December and January employment figures were revised up a net 35,000 jobs.



- The nation lost 36,000 jobs in February, half in government payrolls and half in private payrolls. This report is stronger than the Bloomberg market expectation of a 68,000 decline in payrolls.
- **Construction** was the largest contributor to job losses, shedding 64,000 jobs in February compared to an average of 43,000 over the previous three months. The decline in February could be due in part to severe winter storms, but it is not possible to quantify this effect. More than half of the jobs lost were in nonresidential construction.
- **Manufacturing** added 1,000 jobs in February after adding 20,000 in January. Most manufacturing subsectors gained jobs except for **transportation equipment**, which shed 10,700 jobs. The manufacturing **diffusion index** gives an estimate of the percent of industries with increasing or unchanged employment over the month. This index increased 14 points to 54.9, the highest in two years.
- **Temporary hiring** added another 48,000 jobs in February for a total of 284,000 jobs added since October 2009.
- Even after a 15,000 boost in Census hiring, the **government** sector shed 18,000 jobs primarily because of job losses in local government. Local governments have been shedding an average 23,000 jobs a month over the past three months. These losses could be due to ongoing budget concerns.
- **Winter storms** were more likely a contributing factor to depressed earnings and hours worked, particularly in the manufacturing and construction sectors, which are more sensitive to weather.
- Average weekly hours for total private industries declined 0.1 percentage point to 33.8 hours. Hours for goods-producing industries declined 0.3 point to 38.8 hours.
- Average hourly earnings were up only 0.1% over the month.

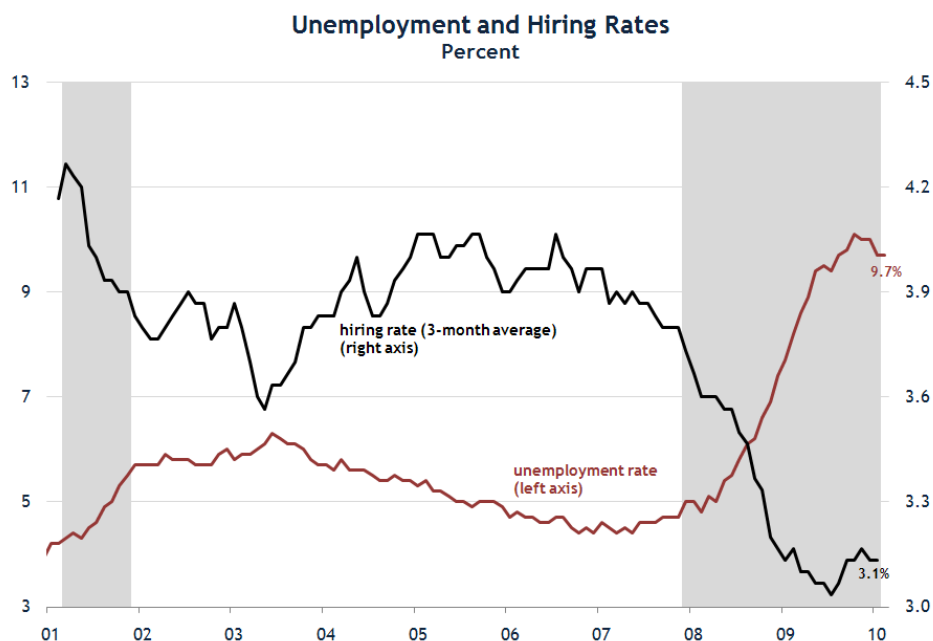
Employment

Summary

The unemployment rate remained at 9.7% in February.

The Job Openings and Labor Turnover Survey (JOLTS) reported that hiring remained unchanged at 3.1% in January.

However, the job openings rate increased to 2.1%.



Source: U.S. Bureau of Labor Statics (Current Population Survey and JOLTS) unemployment rate, February 2010; hiring rate Jan 2010

- The **9.7% unemployment rate** was an improvement over the Bloomberg market expectation of 9.8%.
- There was a sizable 342,000 increase in the **labor force**, resulting in a 0.1 percentage point uptick in the labor force participation rate to 64.8% in February.
- While the household survey tends to be more volatile than the establishment (payroll) survey, two consecutive months of notable gain in **household employment** are one indication that labor markets are in recovery. Household employment increased 308,000 in February after a 541,000 increase in January. Moreover, much of the February gain was led by men, who have disproportionately borne the bulk of job losses.
- Despite this favorable news, the number of people working part-time for economic reasons jumped 475,000 in February.
- The JOLTS report for January continued to show weak demand for labor. The **hiring rate*** remained at a weak 3.1%. The hiring rate has fluctuated between 3.1% and 3.2% since July 2009.
- The **job openings rate***, however, increased 0.2 points to 2.1% in January, the highest since January 2009.

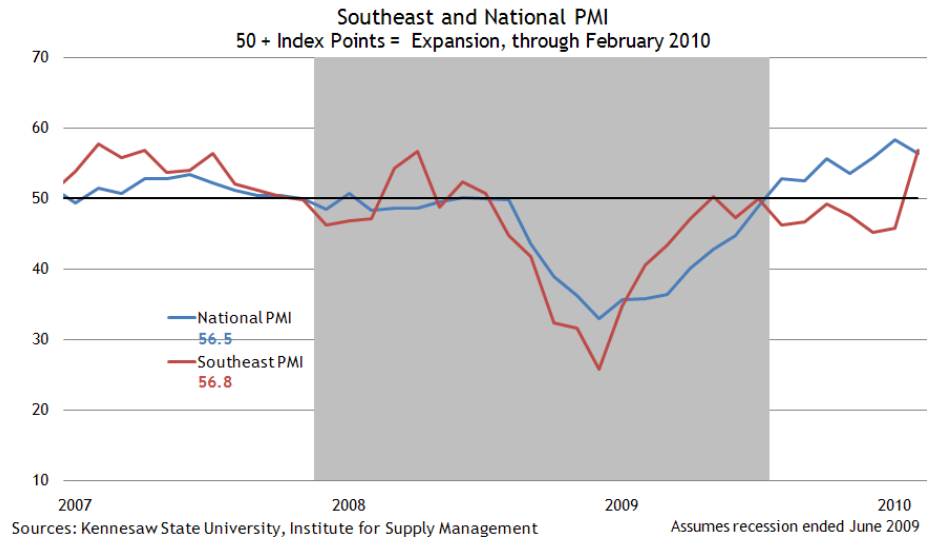
*Hiring rate: the hires level as a percent of total employment in a given month (flow measure).

*Job openings rate: the job openings level as a percent of total employment plus job openings level (stock measure).

Manufacturing

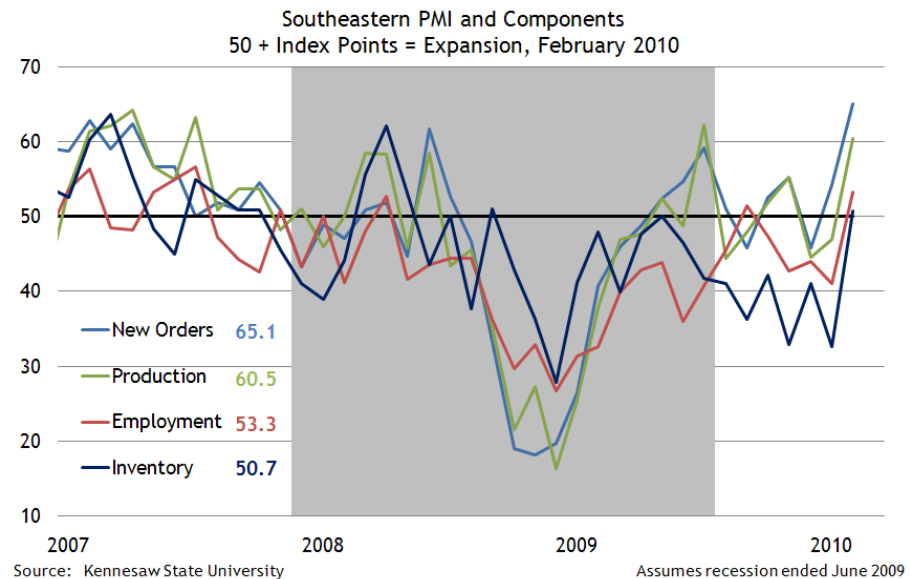
Summary

Kennesaw State University's Southeast Purchasing Managers Index (PMI) added a strong 11 index points in February, catching up with the national Institute for Supply Management's PMI. The Southeast PMI had its strongest month since April 2007.



- KSU's Southeast Purchasing Managers Index experienced significant gains in February, with the headline figure surging 11 index points to 56.8. This gain could be evidence that Southeastern manufacturing is catching up with national manufacturing trends, as February's ISM manufacturing index was 56.5.

All components of the Southeast PMI witnessed sizable gains in February's survey. The largest gain was in the finished inventory category, which jumped 17.9 index points.

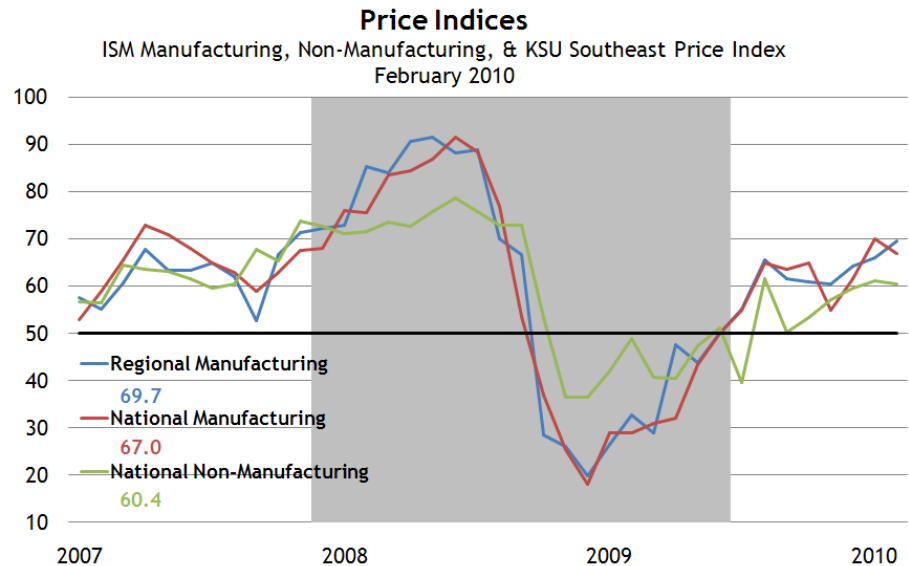


- New orders in the KSU PMI jumped up 10.8 index points to 65.1. This uptick is a result of 48.7% of contacts reporting higher orders in February than in January and 32.9% of contacts reporting similar levels month over month. This reading is a series high for the new orders component, which began in August 2006.
- Production skyrocketed 13.6 index points to reach 60.5 in February. Nearly 40% of contacts reported higher levels of production in February over January levels.
- The employment component climbed 11.9 index points in February to 53.3.
- Levels of finished inventory saw the largest gain in the index, rising 17.3 index points to 50.7, the first time this inventory component has been above 50 since September 2008.

Manufacturing

Summary

While both ISM price indices and the KSU price index are above 50, both the ISM manufacturing and nonmanufacturing price index dropped in February. The KSU Southeast price index gained 3.7 index points.



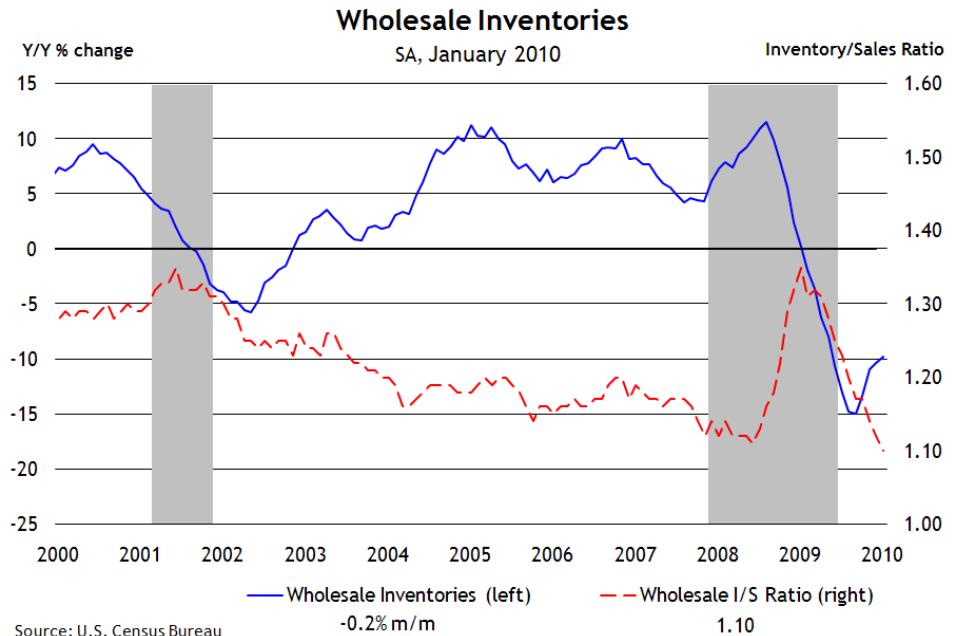
Sources: Kennesaw State University, Institute for Supply Management
Assumes Recession ended June 2009

- KSU's Southeast price index gained 3.7 index points in February to reach 69.7. This increase was a result of 43% of respondents reporting higher prices paid in February than in January. Roughly 53% of respondents reported paying similar prices month over month.
- The Institute for Supply Management's manufacturing price index was down by 3 index points to reach 67 in February. This decline was a result of 39% of respondents reporting higher prices than in the previous month, down from 44% reporting paying higher prices in January.
- The ISM's nonmanufacturing price index slipped 0.8 percentage point to 60.4 in February, a result of 21% of respondents reporting higher prices than the previous month, down from 27% in January.

Manufacturing

Summary

Wholesale inventories were down 0.2% in January from the previous month and 9.7% from year-earlier levels. The inventory-to-sales (I/S) ratio for merchant wholesalers was 1.10 in January 2010 compared to 1.35 in January 2009.



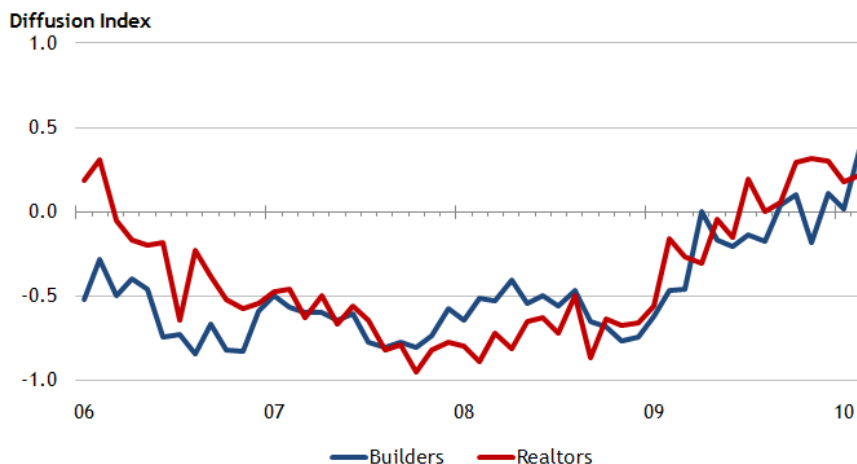
- Wholesale inventories lost 0.2% in January.
- Wholesale inventories of durable goods dropped 0.5%, driven largely by declines in inventories of machinery, equipment, and supplies, with each of these categories losing 1.8% from December levels.
- Wholesale inventories of nondurable goods added 0.3%, largely the result of increases in inventories of petroleum and petroleum products, which gained 4.5% in January.
- The wholesale I/S ratio dipped to 1.10.

Summary

Home sales growth improved in February compared with 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.

February 2010 Southeast Home Sales vs. a Year Earlier



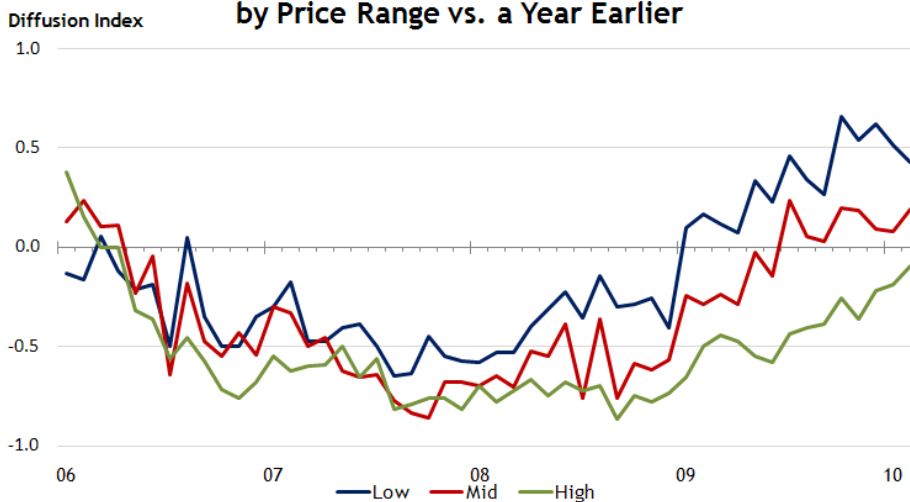
Source: FRBA business contact survey

Note: February survey results are based on responses from 53 Realtors and 44 homebuilders and were collected March 1-10.

- Once again, nearly 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 improved notably in February on a year-over-year basis. More than half of builders reported gains in February compared to a little more than a third in January.

Reports from Realtors indicated that high-end home sales growth remained weak but continued to improve while the low end of the market continued to soften.

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

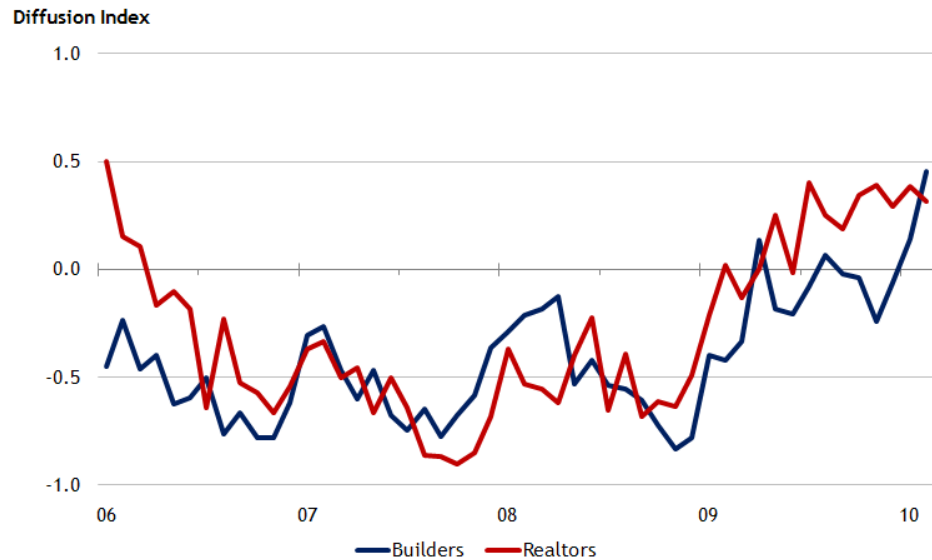


Note: Low, mid, and high are Realtor defined
Source: FRBA business contact survey

Summary

Reports on Southeast buyer traffic were a bit mixed but remained positive.

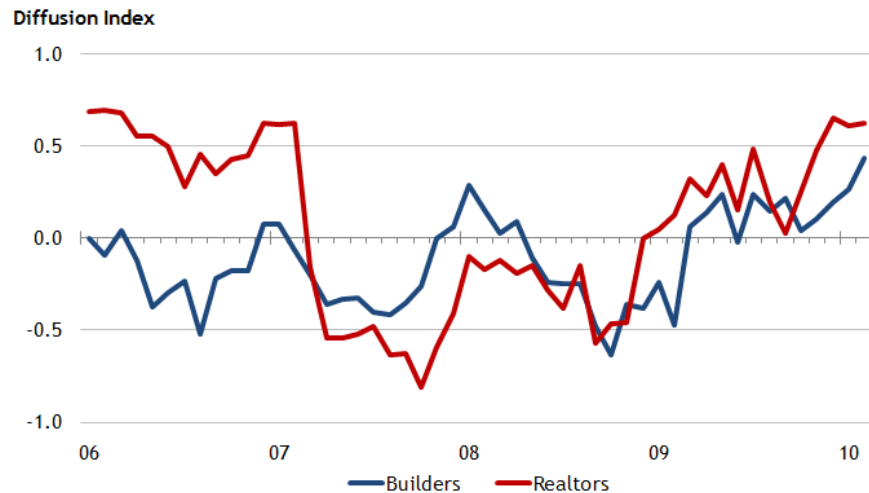
February 2010 Southeast Buyer Traffic vs. a Year Earlier



Source: FRBA business contacts survey

The outlook for sales growth over the next several months was steady among Southeast Realtors while continuing to improve among builders.

February 2010 Southeast Home Sales Outlook vs. a Year Earlier



Source: FRBA business contact survey

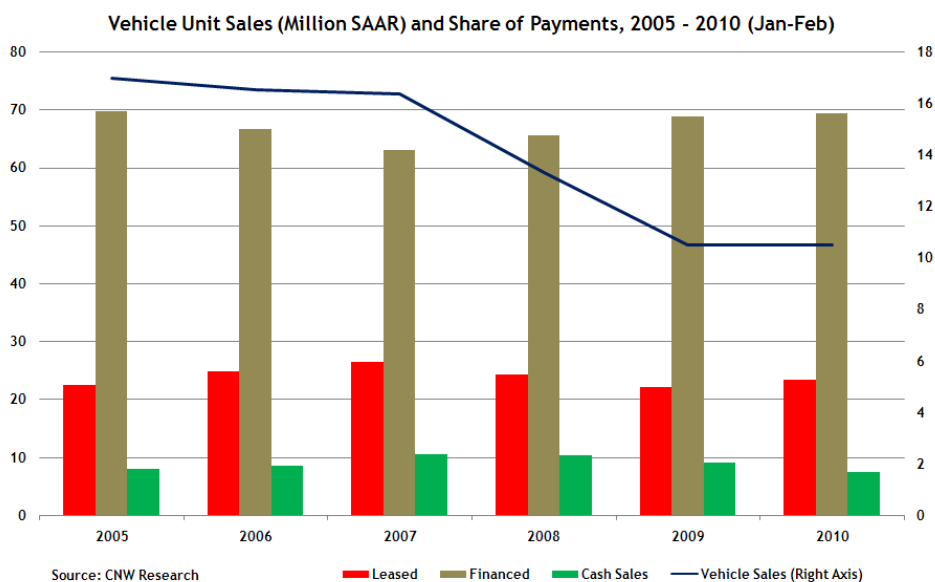
- The outlook for construction among Southeast builders also improved. In February more than two-thirds of builders, compared to nearly half in January, anticipate an increase in construction activity on a year-over-year basis.

Auto Sales

Summary

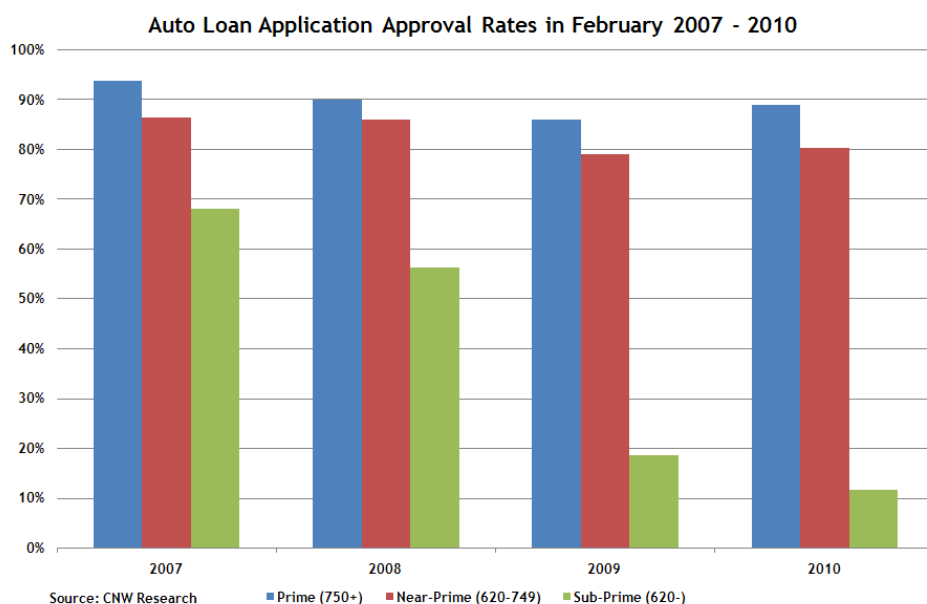
February's 10.3 million (SAAR) vehicle sales were about even with low 2009 levels but down sharply from peak levels in 2005-2007.

The share of vehicle leasing improved slightly from 2009 levels. But the dramatic drop in vehicle sales can be partly explained by weak loan approval rates to nonprime buyers.



- Leasing has come back as an important financing alternative to drive automakers' vehicle sales in early 2010. Leasing as a share of sales rose to 23.3% in February 2010 from 22% a year earlier. Typically, lease sales are promoted as a viable alternative to keep monthly payments as low as possible and lure consumers to afford high-value vehicles.
- However, according to CNW Marketing data, financing is still a major source of vehicle sales, holding about 70% of all sales transactions in early 2010.

CNW reports that car loan approvals in early 2010 were still troubled by below-average credit conditions for some auto buyers.



- In February 2010, loan approval rates for subprime borrowers were down to 11%, far below loan approval rates in earlier years.
- CNW data also show that loan approval rates for top credit customers were down slightly when compared to rates in February 2007.