

## Economic Highlights

---

### Employment

Contributions to Nonfarm Payroll Employment	1
Unemployment and Labor Force Participation Rates	2

### Auto Production

Wholesale Vehicle Prices	3
--------------------------	---

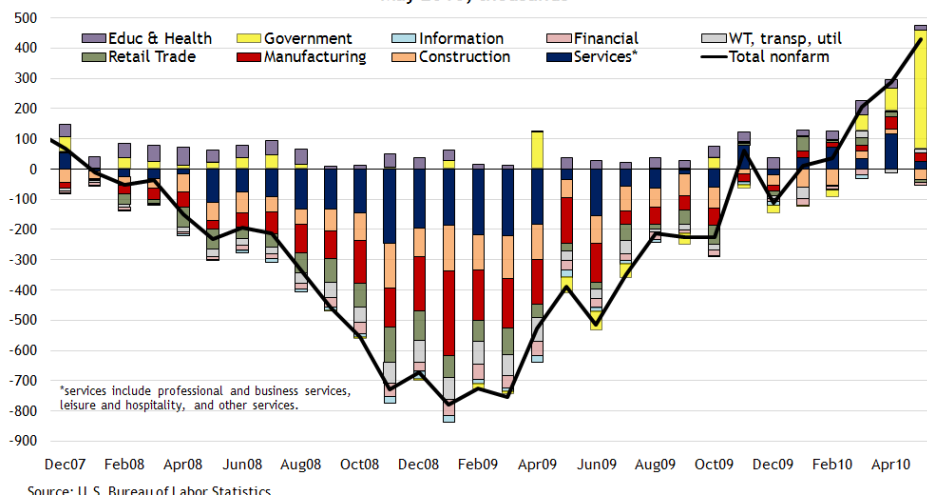
# Employment

## Summary

The May employment report was weaker compared with the improvement seen in recent months.

Payroll employment increased by 431 thousand but largely because of Census hiring. Outside of the government sector, private payrolls added only 41 thousand jobs in May.

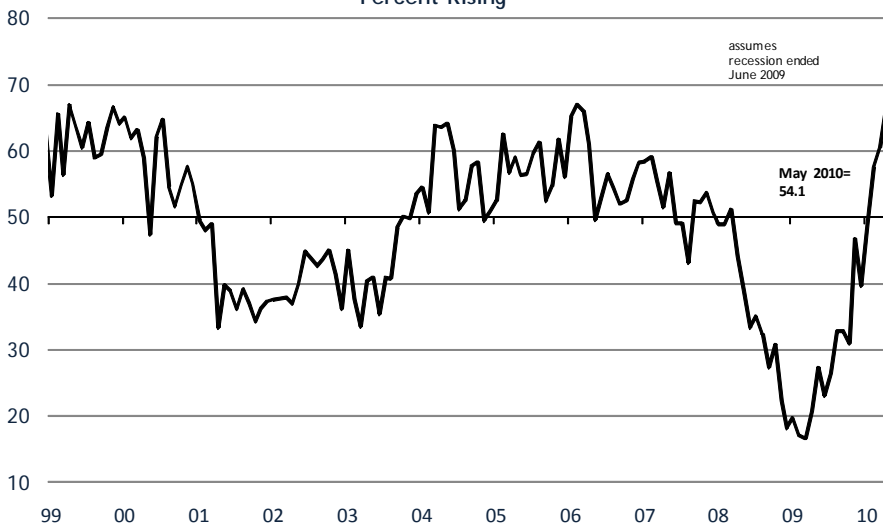
**Contributions to Change in Nonfarm Payroll Employment**  
May 2010, thousands



- Payroll employment increased by 431,000 in May, less than the Bloomberg median consensus expectations of 536,000. Much of the increase came from the 411,000 temporary jobs added for Census work. Private payrolls rose only 41,000, much less than the 180,000 expected, after increasing an average 188,000 over the previous two months.
- Private service sectors posted a 37,000 payroll gain, mostly led by the increase in temporary help services, which increased 31,000 over the month. The average job gain in private services was 188,000 over the previous two months.
- The manufacturing sector posted job gains for the fifth consecutive month. The industry added 29,000 jobs in May and 126,000 jobs in 2010 thus far.
- Construction and retail payrolls weakened considerably after gains in recent months.

The weakness in job growth was widespread across most industries. The diffusion index of employment change weakened considerably in May.

**Diffusion Index of Private Nonfarm Payrolls**  
Percent Rising



- The diffusion index, which measures the fraction of industries that are holding steady or increasing payrolls, decreased from 64.3 in April to 54.1 in May.

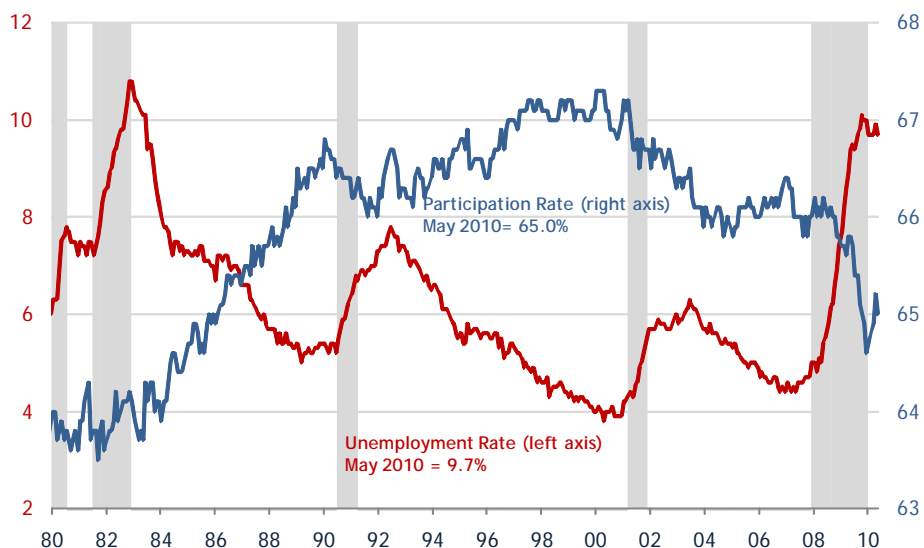
# Employment

## Summary

The unemployment rate fell to 9.7% in May, the same rate as in the first three months of 2010.

However, the decrease was largely due to an easing in labor force participation, reversing the increase seen in April.

## Unemployment and Labor Force Participation Rates Percent, May 2010

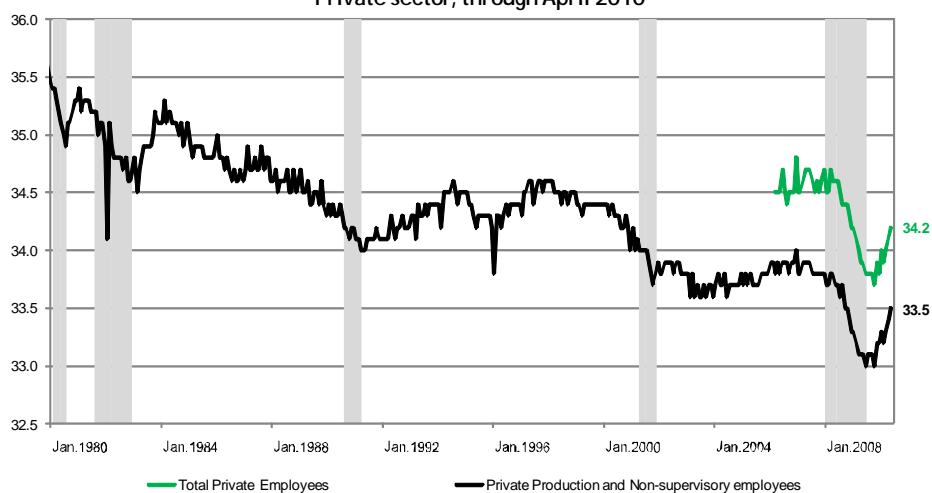


Source: U.S. Bureau of Labor Statistics

- The unemployment rate decreased as the labor force participation rate eased from 65.2 in April to 65% in May.
- The decline in labor force participation was largely due to a drop in the number of unemployed people, which was led by a roughly 8% decline in labor force re-entrants. Furthermore, the decline in labor force participation was prominent among males aged 16-24, whose participation dropped more than 1 percentage point.
- The average duration of unemployment rose in May to 34.4 weeks, a new high. Long-duration unemployment (27 weeks and over) is 46% of all unemployment.

On a positive note, average weekly hours continued to rise and average hourly earnings rose in May, giving support to labor income.

## Average Weekly Hours Private sector, through April 2010



Source: U.S. Bureau of Labor Statistics

Assumes recession ended June 2009

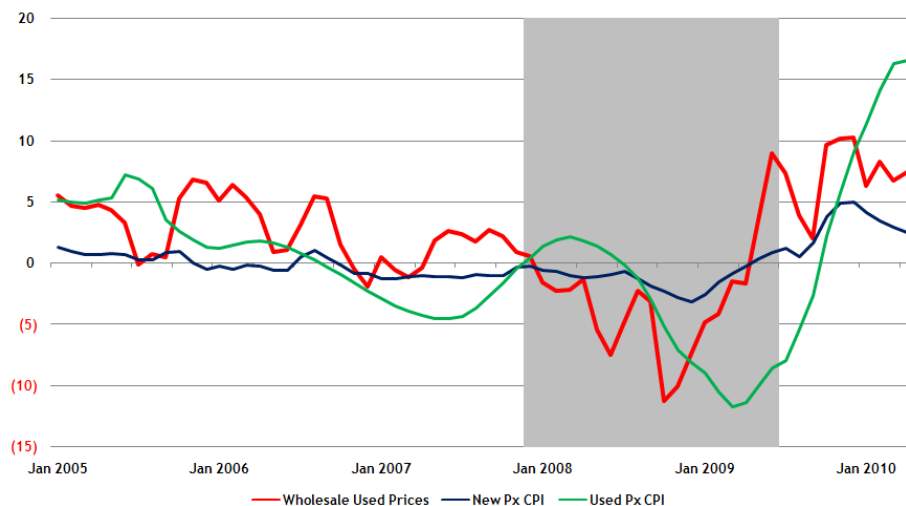
- Average weekly hours for all private employees increased for the third consecutive month to 34.2 in May.
- Average hourly earnings rose 0.3% over the month, the largest increase since January. Average hourly earnings are up 1.9% over the year.

# Auto Production

## Summary

The pace of wholesale vehicle price increases in April moderated from recent months.

ADESA Wholesale Vehicle Prices vs CPI



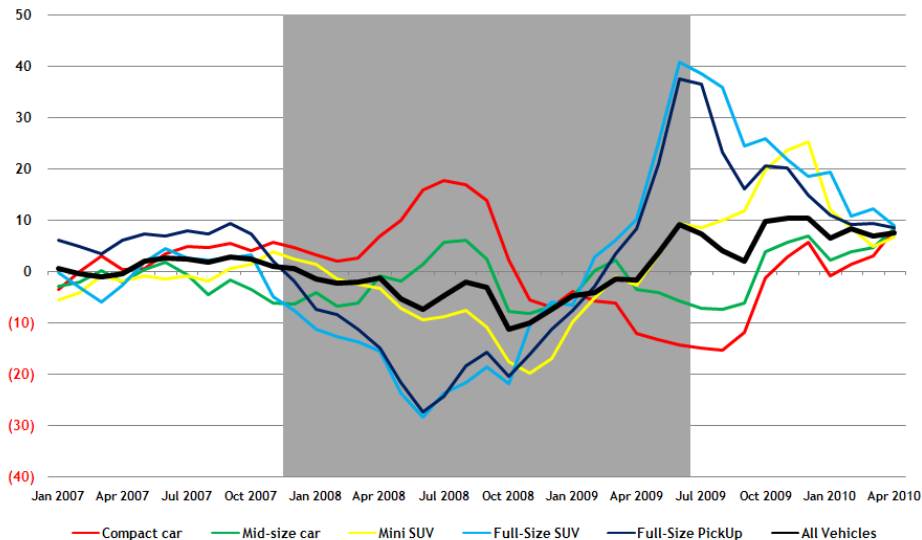
Source: ADESA Analytical Services and BLS

- The Auto Dealers Exchange Services Auction (ADESA) wholesale vehicle prices in April 2010 were 7.5% higher than a year earlier but nearly flat when compared with March 2010. Since September 2009, wholesale used vehicle prices have been rising at an average pace of 8% per month. Higher prices were driven by tight supply of used vehicles after the “cash for clunkers” program and competitive prices from some new vehicle makes.
- According to ADESA economists, the moderation in the April pace could be partly due to used vehicle prices reaching levels that are becoming less attractive relative to prices for new vehicles.

The recession and changing gasoline prices shaped wholesale prices across vehicle segments.

In April, prices for most segments were moving with the overall trend. However, the pace for mini and full-size SUVs have been weakening in recent months because of rising gasoline prices and competitive promotions for new vehicles.

ADESA Wholesale Vehicle Prices by Selected Vehicle Segments Y-Y%



Source: ADESA Analytical Services

- Prices for full-size pickups and SUVs dropped dramatically in early 2008 as the recession and double-digit gains in gas prices dropped values nearly 30%.
- As gas prices plunged between late 2008 and mid-2009, prices for full-size pickups and large SUVs recovered nicely. By April 2010, the pace for mini and full-size SUVs weakened in recent months because of rising gasoline prices and generous vehicle incentives offered by new car dealers.