

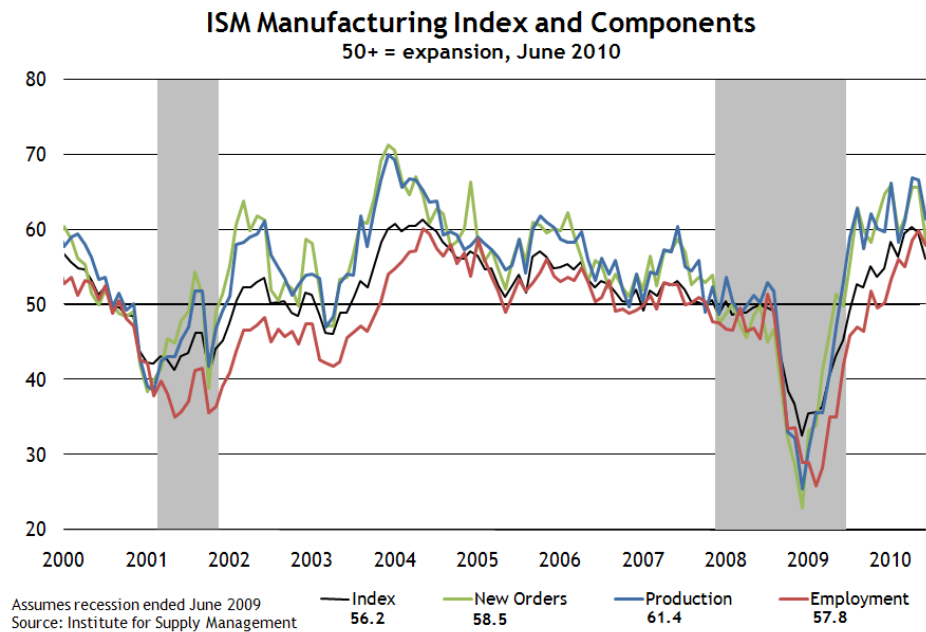
## Economic Highlights

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## Summary

The manufacturing sector grew at a slower pace in June as the Institute for Supply Management's purchasing managers index dropped 3.5 index points for the month. Despite two consecutive months of slower growth, the ISM says the sector is "solidly entrenched in the recovery."

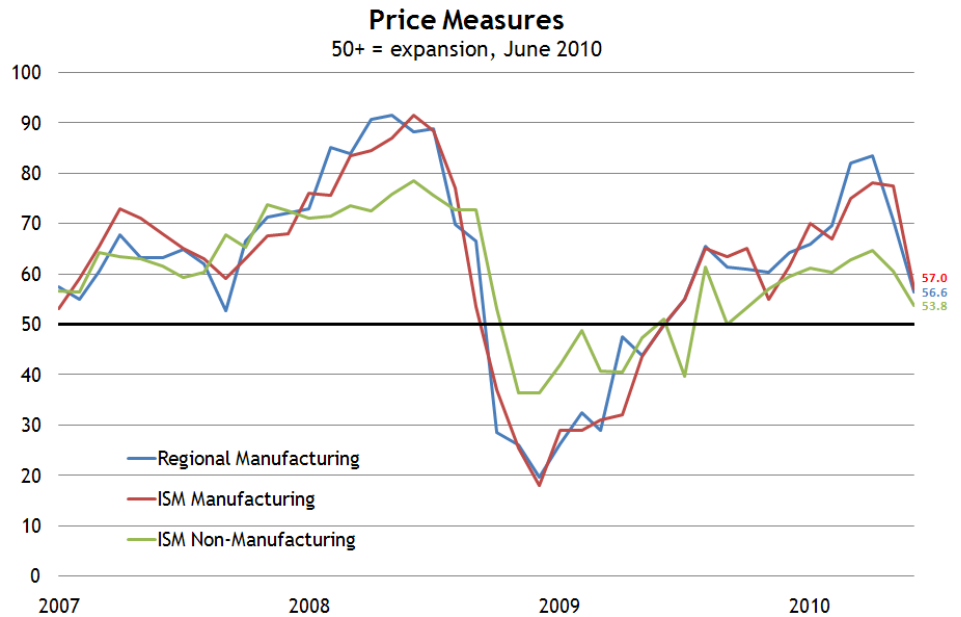


- The ISM's PMI indicates that the manufacturing sector expanded at a slower pace in June. The overall index **dropped 3.5 index points** to reach 56.2, faster than April's decline of 0.7 index points. The index is still above its 12-month average of 55.7.
- In June, the **new orders component of the PMI dropped 7.2 percentage points** to reach 58.5 as 36% of manufacturing executives questioned reported higher orders for the month compared with 50% reporting higher orders in May. However, 50% of respondents reported the same levels of orders in June as in May, which may exaggerate June's loss in the new orders component.
- The PMI's production component lost 5.2 percentage points to reach 61.4 in June. This reading marks the production component's 13th consecutive month above 50.
- Consistent with the [July 2 employment report](#), the ISM's manufacturing employment component remained in expansion territory in June but **lost 2 percentage points** as 26% of respondents reported higher levels of employment, 63% reported no change from May's employment levels, and 11% reported lower levels of employment.

# Manufacturing

## Summary

Price measures from the Institute of Supply Management and Kennesaw State University reveal sharp drops in indices measuring prices paid for manufacturers and nonmanufacturers both nationally and in the Southeast.



Assumes recession ended June 2009

Sources: Kennesaw State University, Institute for Supply Management

- Both ISM price measures fell sharply in June but remained in growth territory. The ISM manufacturing price measure dropped 20.5 index points from 77.5 to 57, indicating prices paid by manufacturers expanded at a slower pace in June than in May. The dip in the ISM nonmanufacturing price index was milder: the index lost 6.8 index points to reach 53.8, indicating slower price growth for nonmanufacturing sectors as well.
- Kennesaw State University's monthly survey of manufacturers across the Southeast revealed a sharp drop in prices paid by Southeastern manufacturers. In May, the measure was at 71 index points; in June, this measure dropped 14.4 index points to reach 56.6.

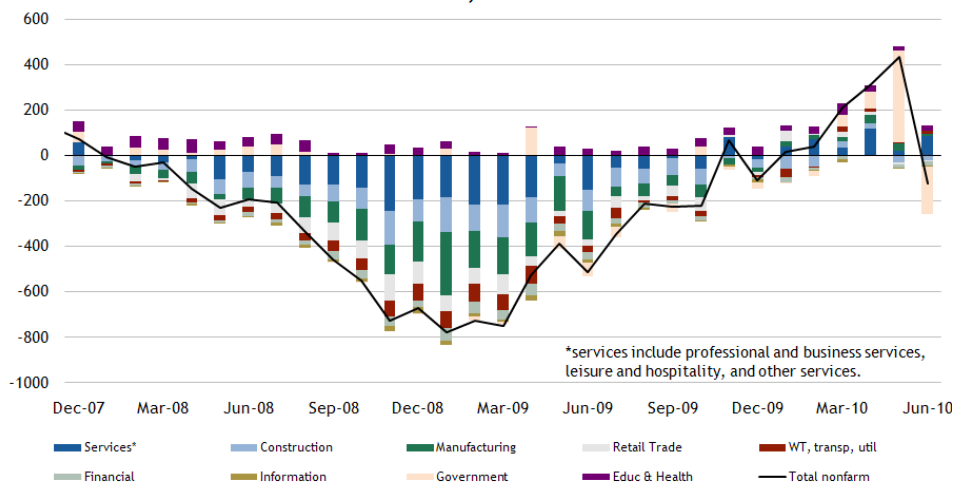
# Employment

## Summary

Payroll employment fell by 125,000 in June largely because of the release of Census workers.

Outside of the government sector, private payrolls continued to add jobs but at a slow pace.

## Contributions to Change in Nonfarm Payroll Employment June 2010, thousands

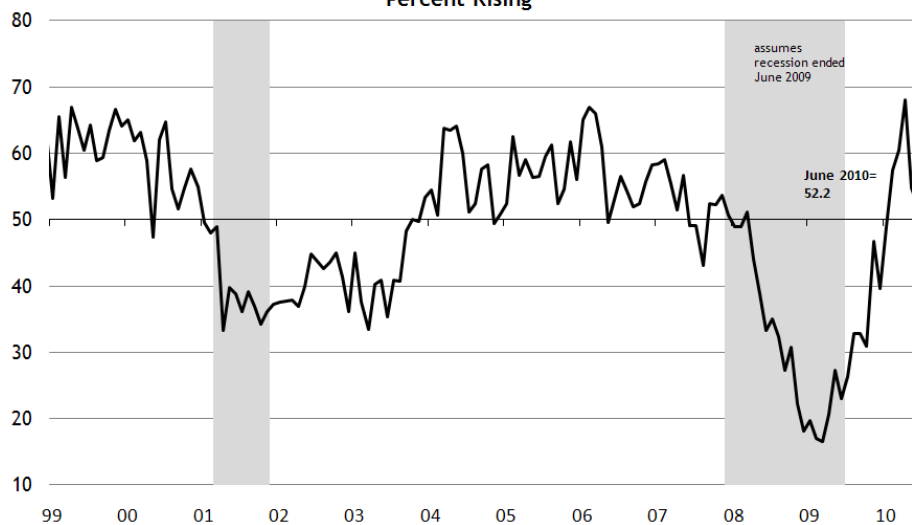


Source: U.S. Bureau of Labor Statistics

- Nonfarm payroll employment declined by 125,000 in June. Much of the decline came from the 225,000 temporary jobs released for Census work. Private payrolls rose only 83,000, much less than the 110,000 expected.
- The **manufacturing** sector experienced job gains for the sixth consecutive month, although June's gain, of just 9,000, was the smallest yet; a gain of 25,000 was expected.
- Temporary help payrolls increased 20,500 in June, the smallest gain since last fall.

Job gains were less broad based in June than in previous months.

## Diffusion Index of Private Nonfarm Payrolls Percent Rising



Source: U.S. Bureau of Labor Statistics

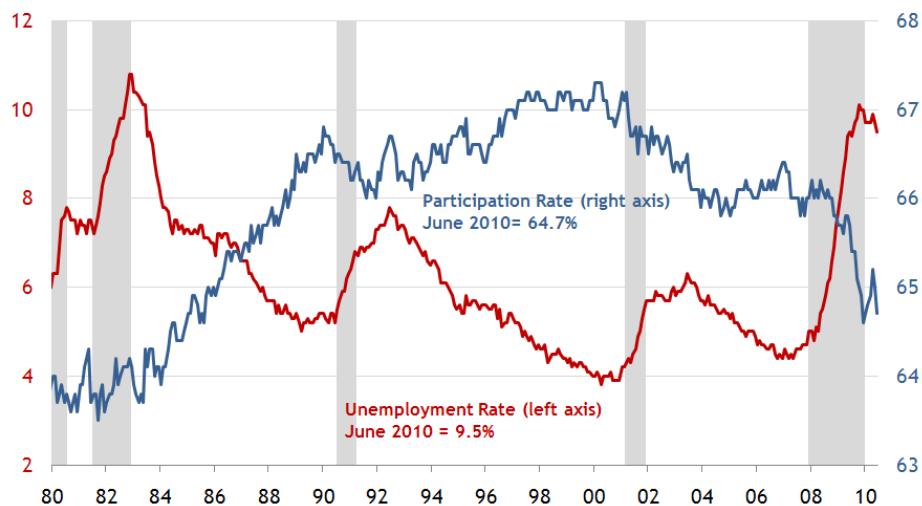
- The diffusion index, which measures the fraction of industries that are holding steady or increasing payrolls, decreased from 54.8 in May to 52.2 in June.

# Employment

## Summary

In the household survey, the unemployment rate fell to 9.5%, better than the expected 9.8%, as a result of a contraction in the labor force.

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

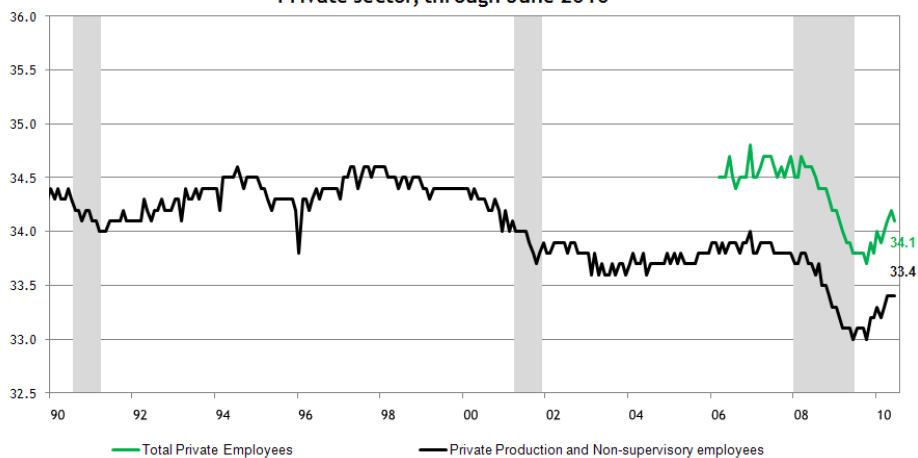


Source: U.S. Bureau of Labor Statistics

- The unemployment rate decreased from 9.7% to 9.5% (less than Bloomberg consensus expectations of 9.8%) as the labor force participation rate decreased from 65% in May to 64.7% in June.
- The average duration of unemployment rose again to a new record, 35.2 weeks, in June. The share of long-duration unemployment (27 weeks or more) is 45.5%.

Average weekly hours and average hourly earnings decreased in June. These declines do not bode well for labor income growth.

### Average Weekly Hours Private sector, through June 2010



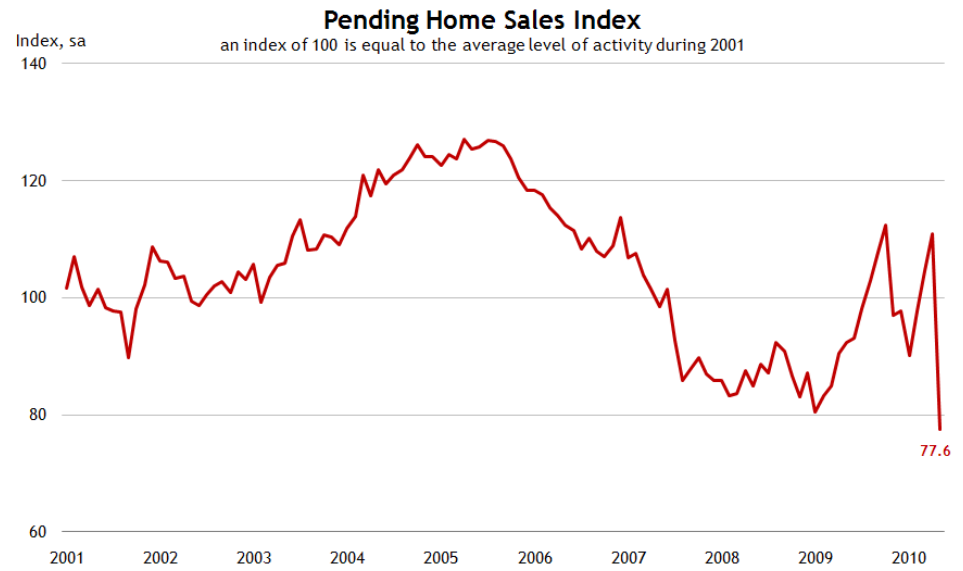
Source: U.S. Bureau of Labor Statistics

Assumes recession ended June 2009

- Average weekly hours for all private employees declined by 0.1 to 34.1 in June after months of increases.
- Average hourly earnings decreased 0.09% over the month and are up 1.7% over the year.

## Summary

The National Association of Realtors noted a sharp drop-off in pending home sales in May, down 30% from April and down 16% from a year earlier.

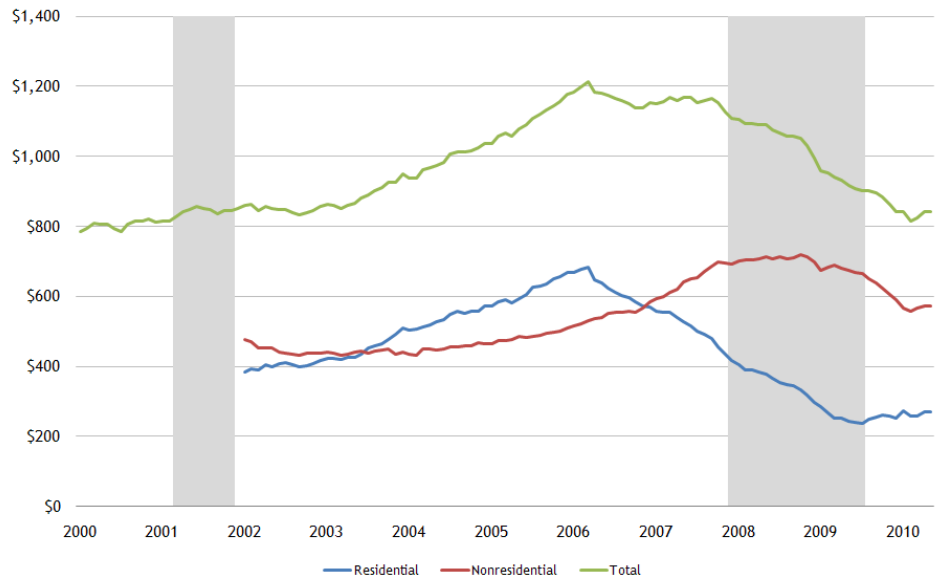


Source: National Association of Realtors

## Summary

The U.S. Census reported that construction spending was little changed in May, down less than 1% from April.

## U.S. Construction Spending May 2010



Source: U.S. Census Bureau

### May 2010 Construction Spending Put in Place

	millions, SAAR	y/y change	m/m change
Total	\$842	-8.0%	-0.2%
Total nonresidential	\$572	-15.2%	-0.1%
Private nonresidential	\$276	-24.8%	-0.6%
Public nonresidential	\$296	-3.7%	0.4%
Total residential	\$270	11.9%	-0.4%
Private residential	\$261	11.2%	-0.4%