

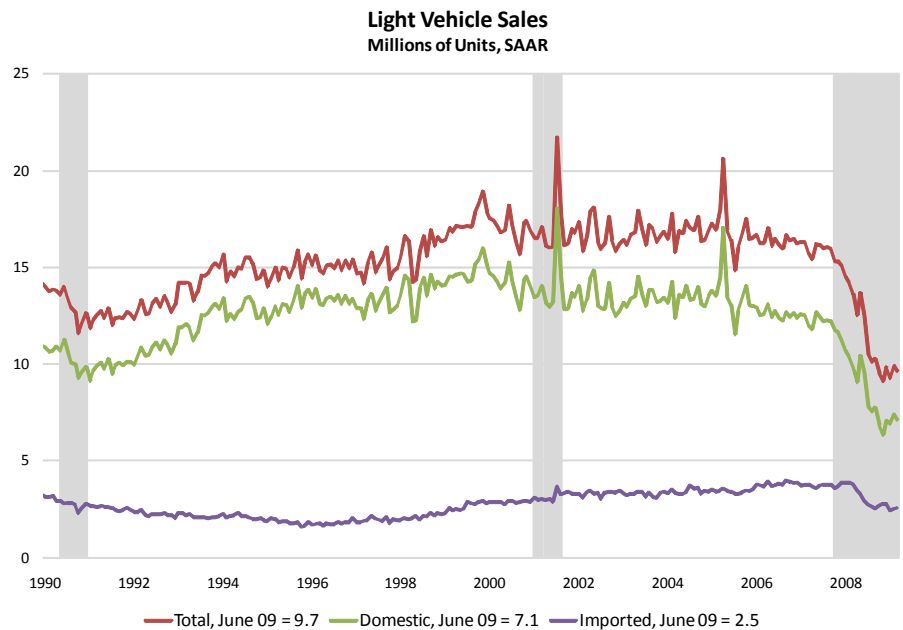
Economic Highlights

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Consumer Spending

Summary

June auto sales were not able to sustain May's small increase and fell from an annualized rate of 9.9 million to 9.7 million units.

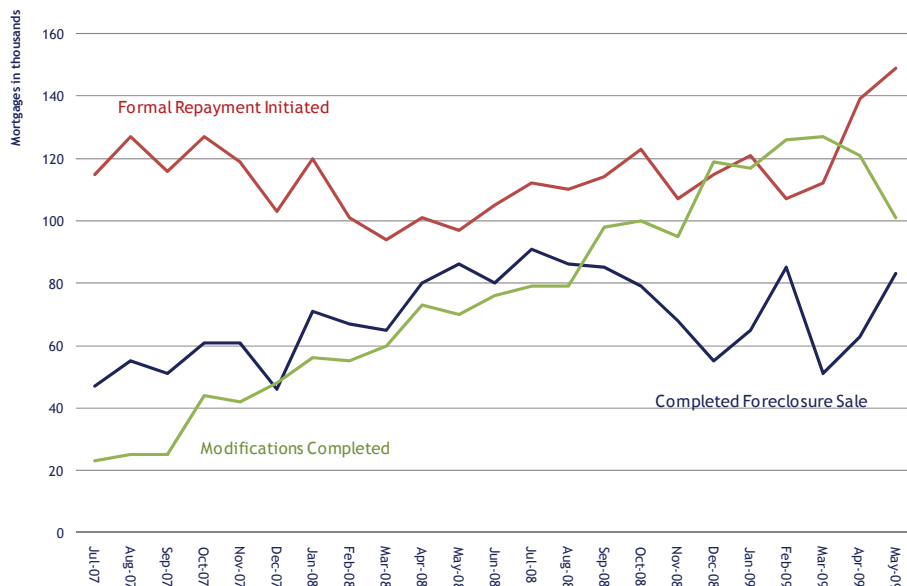


- Total light vehicle sales for June fell 2.4% from May to an annualized rate of 9.7 million units; Bloomberg's market consensus was 9.8 million units for June.
- Domestic vehicle sales fell 3.5% from May to 7.1 million units in June.
- Imported autos increased 0.6% over the month to 2.5 million units in June.
- There may be several catalysts for the fall in domestic auto sales in addition to the softening economy. Rising gas prices may have taken some of the demand away from prospective car buyers.
- Analysts from Dismal Scientist have speculated the bankruptcy of Chrysler and General Motors may be causing consumers to be less confident about their brands.
- Consumers may be waiting for the Car Allowance Rebate System (CARS) program to go into effect. One U.S. car retailer has indicated they expect their auto sales to increase 10% through year-end as a result of this program. CARS, which may be available in early August, provides consumers with vouchers up to \$4,500 toward the purchase of a new car that is more fuel efficient than their current car.

Summary

The most recent Hope Now Alliance data indicated that completed foreclosure sales or additions to real-estate owned (REO) inventory continued to rise during May despite loan modification efforts.

The Hope Now Alliance Measures of Mortgage Mitigation

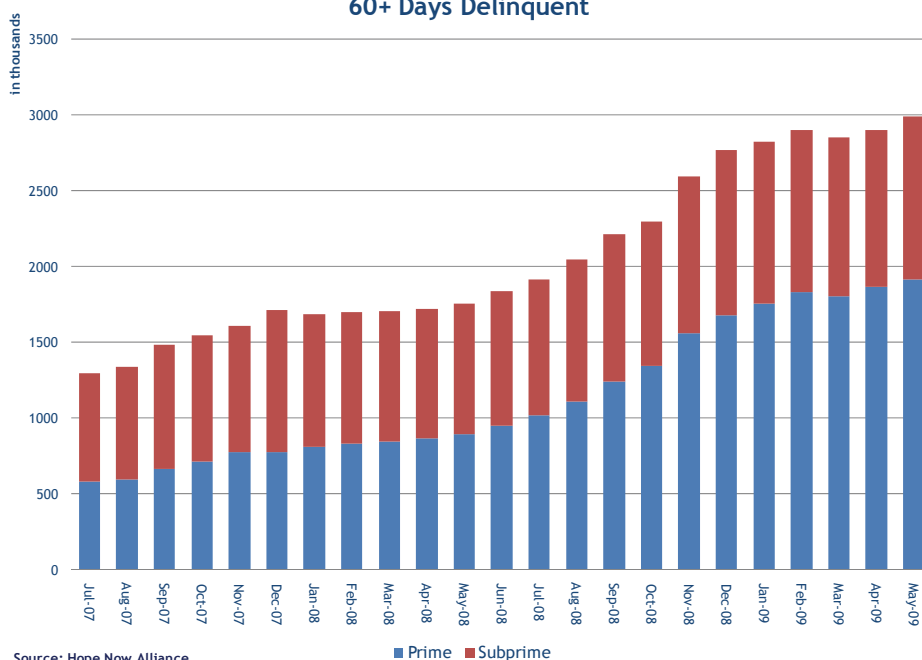


Source: Hope Now Alliance

- The number of completed loan modifications continued to taper off in May to 101,000 compared with 121,000 in April while those initiated continued to rise. The Hope Now Alliance attributed the drop in completed loan modifications to the implementation in March of the government's Home Affordable Mortgage Program, which subjects loans to a three-month trial period before the modification can be completed.

The number of loans delinquent 60 or more days rose again in May to its highest level after subsiding in recent months. Similarly, foreclosure starts increased from April to May.

60+ Days Delinquent

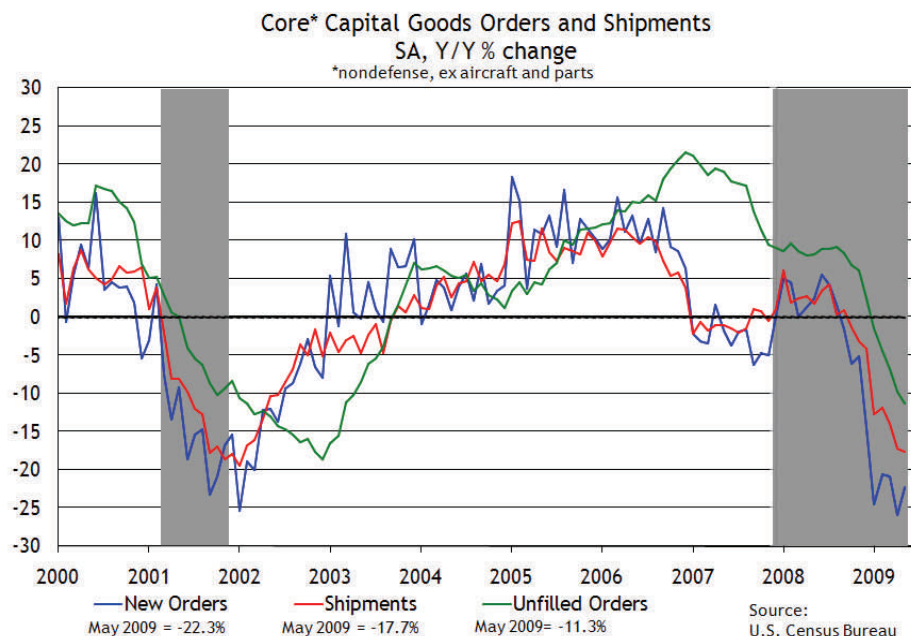


Source: Hope Now Alliance

Manufacturing

Summary

The May factory orders report was revised slightly lower than the advance report. Significant year-over-year declines remain, but month to month changes turned positive.



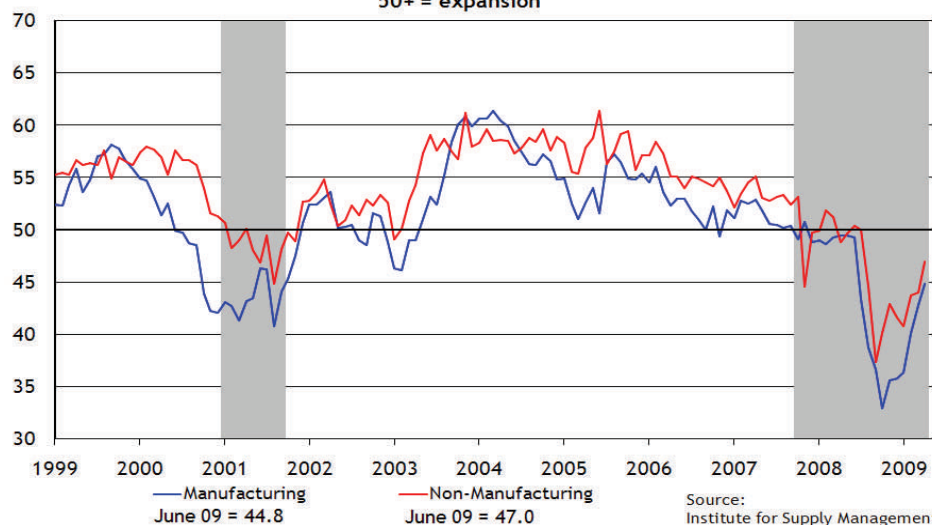
- **New orders and shipments** remain low, with year-over-year declines in **new orders** (down 22.3%), **shipments** (down 17.7%), and **unfilled orders** (down 11.3%).
- However, there is a bright spot in a bleak landscape: When comparing May data to April's, **new orders** were up 1.2%, with new orders for durable and nondurable manufactured goods rising 1.8% and 0.7%, respectively. This increase was fueled by a hefty 10% surge (4.7% excluding aircraft) in orders for nondefense capital goods.
- **Shipments** were down 0.9% month over month.
- **Inventories** continued their month-over-month decline with a 0.6% decrease in May, but this decline was smaller than those in the past four months. This lesser decline was the result of a jump in petroleum inventories.

Manufacturing

Summary

Both Institute for Supply Management (ISM) indices continued their upward climb toward the 50-point mark, with some components reaching or exceeding it.

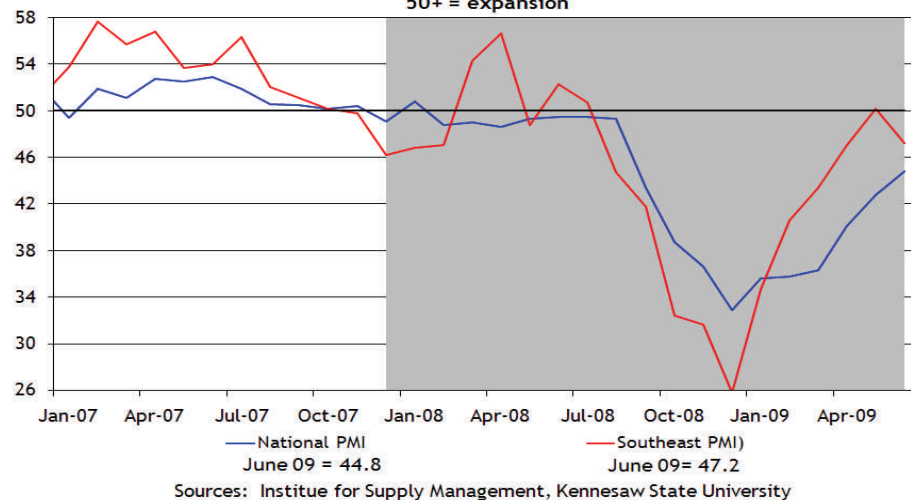
ISM Activity Indexes
50+ = expansion



- The non-manufacturing ISM Purchasing Managers' Index (PMI) showed an overall index of 47.0 for June, beating JP Morgan's expectation of 46.0 and up from May's reading of 44.0.
- Other notable components of the non-manufacturing ISM release were **business activity**, up 7.4 points from May to a reading of 49.8; **new orders**, up 4.2 points; and **prices**, up 6.8 points to a reading of 53.7.
- Non-manufacturing inventories saw a 2.1 point decline, mirroring the 2.0 point decline in manufacturing inventories, bringing manufacturing inventories to their lowest levels in the ISM data set since the recession of the early 1980s.

The Kennesaw State University (KSU) Purchasing Managers' Index (PMI) for the Southeast showed a three-point decline in June, whereas the national ISM PMI showed a two-point increase. KSU's Southeastern PMI covers the same area as the Sixth Federal Reserve District.

National and Southeast PMI
50+ = expansion



- Still up 13 points from January 2009, the **KSU Southeastern PMI** declined in June, with each component declining except new orders (up 2.2 points) and commodity prices (up 6.1 points). The Southeastern PMI is still 2.4 points above the national PMI.
- Some district states fared better than others: Georgia, Florida, Alabama, and Tennessee were below 50 points, while Louisiana and Mississippi reached 55.8 and 52.3, respectively.
- Next month's release will show if this decline was merely the result of a data set more volatile than the national PMI or if Southeastern manufacturing is indeed losing some of its above-national-average steam.

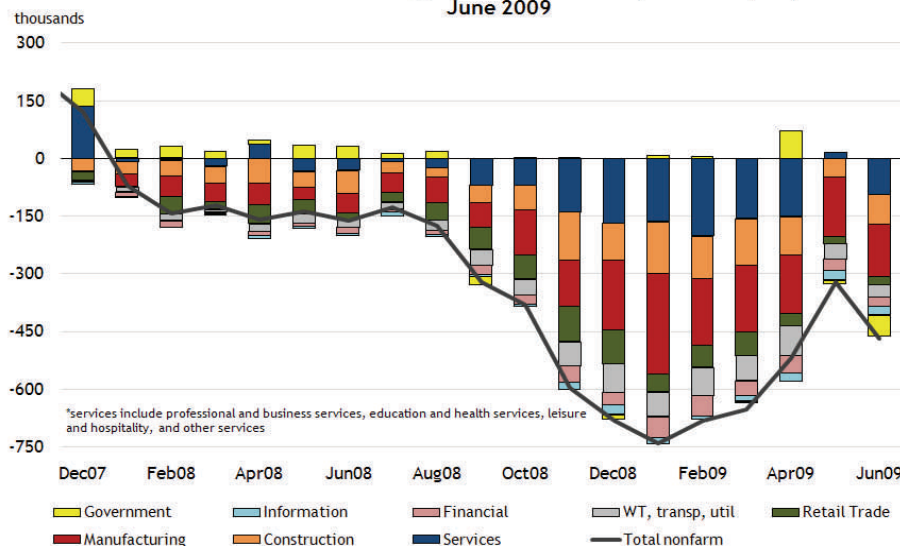
Employment

Summary

Nonfarm payroll employment declined by 467,000 in June, worse than Bloomberg's market consensus of a 367,000 decline.

The federal government shed 49,000 jobs as temporary Census workers hired in April were laid off.

Contributions to Change in Nonfarm Payroll Employment June 2009



Source: Bureau of Labor Statistics

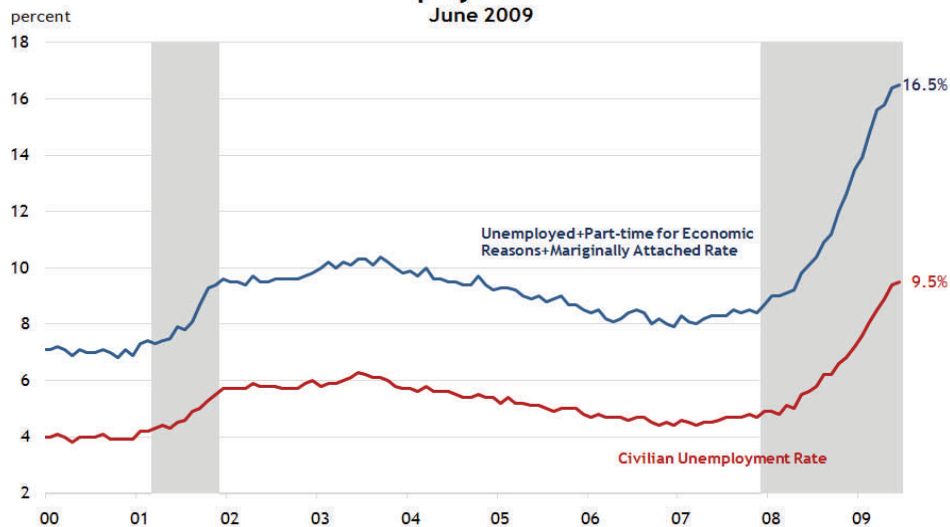
- Although jobs losses remained widespread in June, **service providing sectors** deteriorated considerably more compared to May. In particular, the professional and business sector lost 118,000 jobs in June compared to 48,000 in May. The leisure and hospitality sector shed 18,000 jobs in June compared to a gain of 18,000 in May.
- In June, hourly earnings remained the same, and weekly hours declined.

The unemployment rate inched up to 9.5% in June from 9.4% in May. This was a smaller increase than in previous months partly because of a decline in civilian labor force participation.

The official unemployment rate of 9.5% includes only unemployed workers that are actively seeking a job. An alternative measure of unemployment, which includes part-time for economic reasons and marginally* attached workers, also rose 0.1 percentage points to 16.5% in June.

**Note: Marginally attached workers include persons who currently are neither working or looking for work but indicate that they want and are available for work and have looked for work sometime in the past 12 months. This category includes workers who have been discouraged by job prospects.*

Unemployment Rates June 2009



Source: Bureau of Labor Statistics

- The official unemployment rate counts only persons who want to work, are available for work, and are actively seeking work. During periods of economic weakness, this measure may **understate the amount of labor market distress** as some people may have been discouraged by job prospects or may be working only part-time. The **gap** between the two measures of unemployment shown in the chart above has widened by roughly 3.2 percentage points from the onset of the recession through June compared to only a 1 percentage point increase during the last recession.

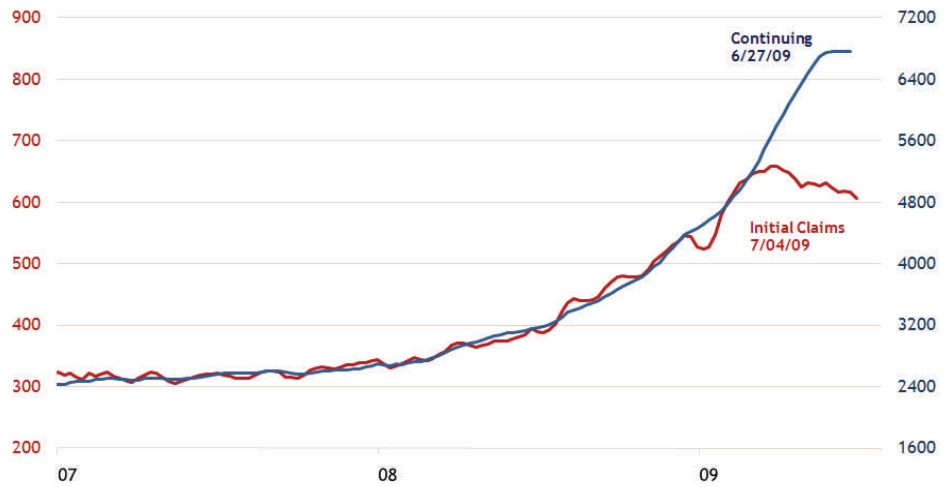
Employment

Summary

Although initial unemployment claims have leveled off since peaking in early April, claims remain elevated.

The rise in continuing claims eased slightly in June. In late May and early June, the number of people filing for emergency unemployment compensation rose more than in previous months. This larger increase suggests that benefit exhaustions could account for some of this easing, but to what extent is unclear.

Unemployment Insurance Claims 4-Week Moving Average, Thousands



Source: U.S. Department of Labor

- The four-week average for initial claims has declined by 53,000 since peaking in early April. Note, however, that for the week ending July 4, the drop in initial claims was inflated by seasonal distortions. Auto plant closings in May and June altered the timing of layoffs that typically occur this time of year, when auto plants idle workers for retooling.

Year-over-Year Percentage Change in Total Private Hiring and Layoffs (JOLTS) 3-month-moving average, May 2009



Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

The Job Opening and Labor Turnover Survey (JOLTS) for May continued to report weak hiring but slight leveling off in the increase in layoffs.