

Economic Highlights

Real Estate	
Southeast Home Sales	1
Southeast Home Sales Outlook	2
Southeast Existing Homes Sales and Median Price	3
International Trade	4
Employment	
Change in Nonfarm Payroll Employment	5
Manufacturing Employment Related to Motor Vehicles	5
Unemployment	6
Hiring and Layoffs	7
Manufacturing	
Wholesale and Manufacturing Inventories	8
Prices	
Productivity	9
Unit Labor Costs	10
Transportation	
Freight Volume Index and Industrial Production	11

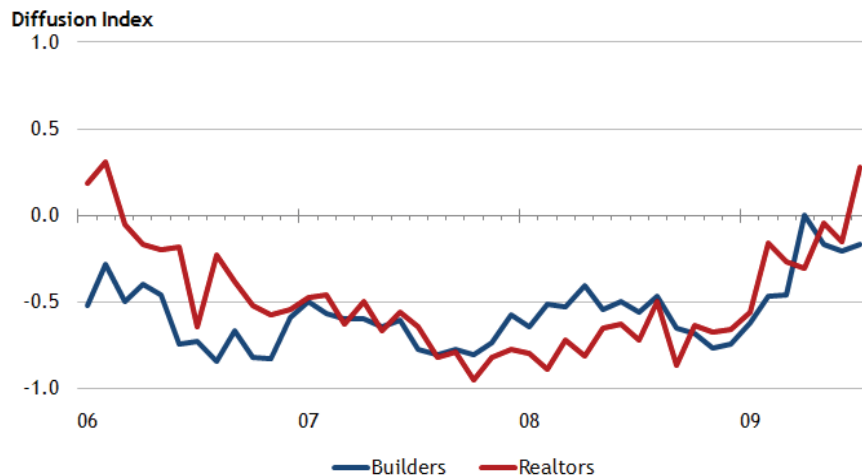
Summary

In our survey of Southeastern Realtors, July home sales improved notably, with the majority of contacts reporting that sales increased compared with a year earlier. Reports from homebuilders were more mixed with nearly a third reporting that July sales were even with a year earlier.

**The housing survey's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values of the index indicate increased activity among the majority of contacts while negative values indicate decreased activity.*

Southeastern Realtors reported that demand at the low end of the market remained positive; however, midpriced home demand strengthened as well. The majority of Realtors noted that midpriced home sales in July exceeded the year-earlier level for the first time since spring 2006.

Southeast Home Sales vs. a Year Earlier

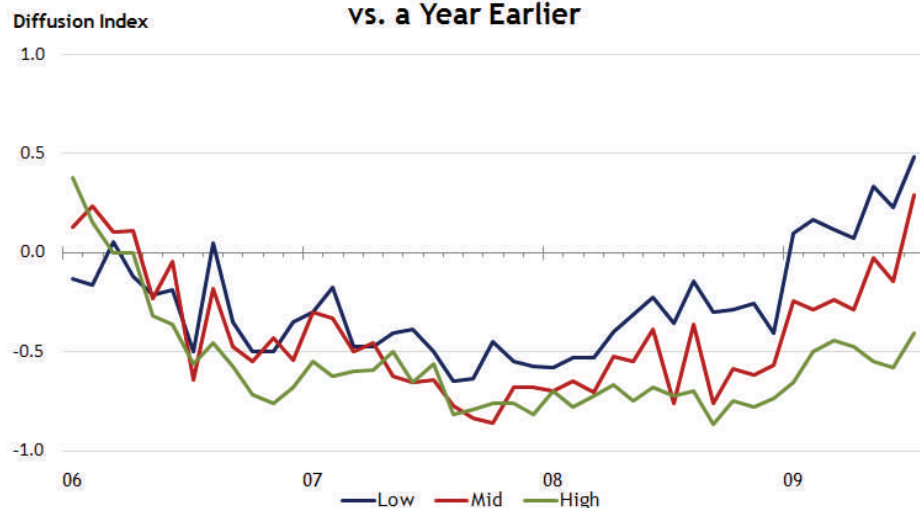


Source: FRBA business contact survey

Preliminary July survey results are based on responses from 62 Realtors and 50 homebuilders.

- Reports from Florida Realtors were the most upbeat. The majority reported that sales in July exceeded the year-earlier level. Similarly, Florida builder reports were more positive than those of other Southeastern builders; nearly 40% of builders said that July sales were even with a year earlier.
- The majority of Alabama and Tennessee Realtors reported that July sales exceeded year-earlier levels.
- Reports from Georgia homebuilders and Realtors were generally the weakest in the region.
- Contacts continued to note downward pressure on home prices from foreclosures.

Southeast Home Sales by Price Range vs. a Year Earlier

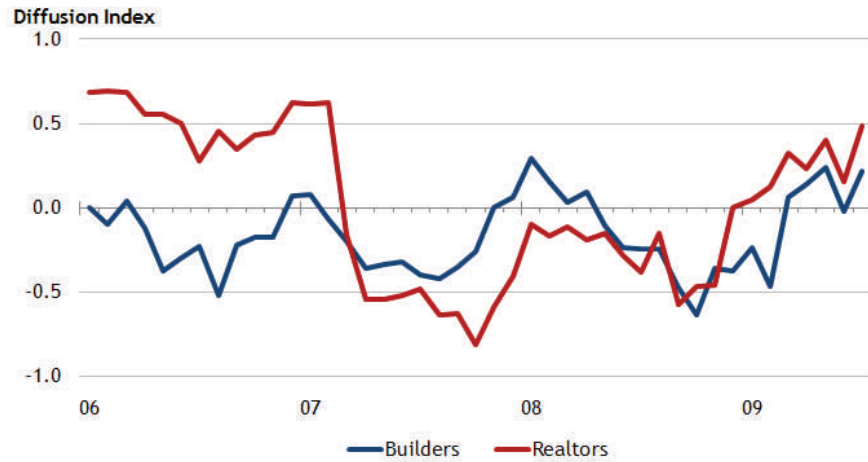


Source: FRBA business contact survey

Summary

The outlook for Southeastern sales in coming months rebounded notably among both Realtors and homebuilders.

Southeast Home Sales Outlook



Source: FRBA business contact survey

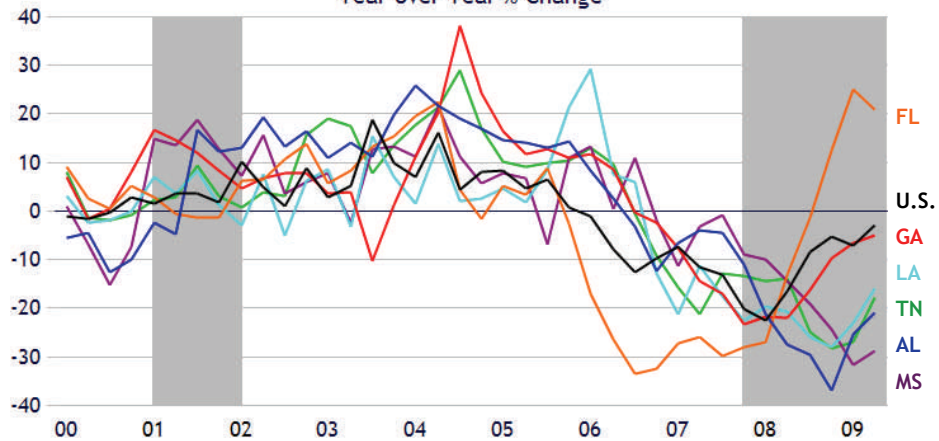
- The improved outlook was generally broad based across the Southeast.

Summary

The National Association of Realtors (NAR) reported that second quarter 2009 existing home sales declines on a year-over-year basis moderated across most of the Southeast.

Southeast Existing Home Sales

Year over Year % Change

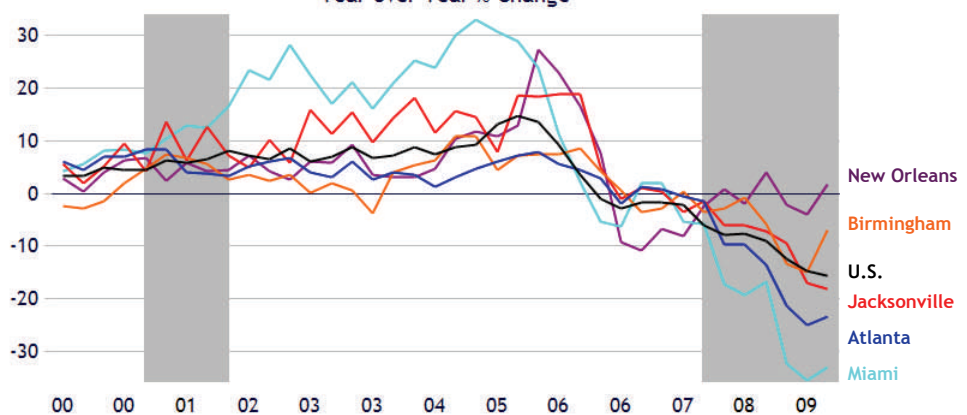


Source: National Association of Realtors

Southeastern NAR second quarter median home price data indicate home prices declines have begun to moderate in most parts of the region.

Southeast Single-family Existing Median Home Price

Year over Year % Change



Source: National Association of Realtors

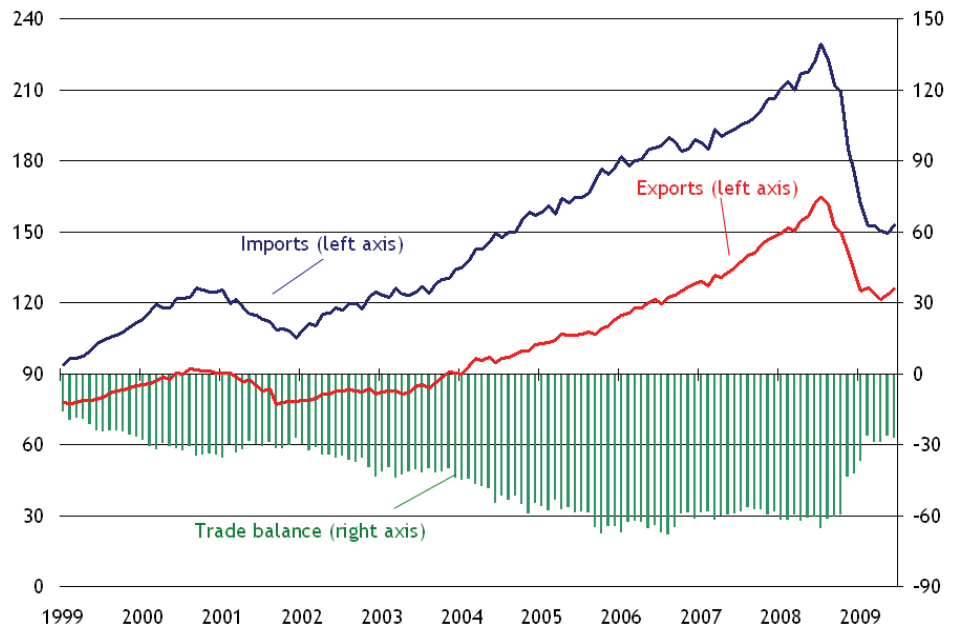
International Trade

Summary

The U.S. nominal trade deficit widened slightly in June to \$27 billion as imports increased faster than exports. Exports of goods were above the BEA's assumptions for export growth at the time of the advance GDP report.

U.S. International Trade

billions of dollars



Source: U.S. Bureau of the Census

Merchandise trade volume rose in June for the first time since October 2008, in line with a rebound in the global economy.

- The U.S. **nominal trade deficit widened** in June to \$27 billion from \$26 billion in May as imports increased at a faster pace than exports. Adjusted for prices, the real merchandise deficit narrowed in June to \$35.9 billion—the lowest level since December 1999.
- **Nominal exports** increased 2% in June, the second consecutive monthly gain. Export gains were broad based across major categories except consumer goods (which were unchanged). Real merchandise exports also increased for two consecutive months.
- **Nominal imports** rose 2.3% in June. Oil imports accounted for more than 70% of the increase as both the price and volume of imported petroleum rose in June. The price of imported oil increased by nearly \$8 per barrel in June to \$59.17 per barrel, the highest level since November 2008. The June **nonpetroleum deficit** (\$20 billion) was the lowest since January 1999.
- **Merchandise trade volume** (exports plus imports) rose in June for the first time since October 2008, consistent with recent improvements in the global economic outlook. **Foreign economic growth** appears to have turned slightly positive in the second quarter following a steep decline in the first three months of the year. The second quarter pickup in foreign growth apparently was led by strong economic performance in China and a rebound elsewhere in emerging Asia. Although developed economies continued to contract in the second quarter, the pace of declines seems to have slowed.

Employment

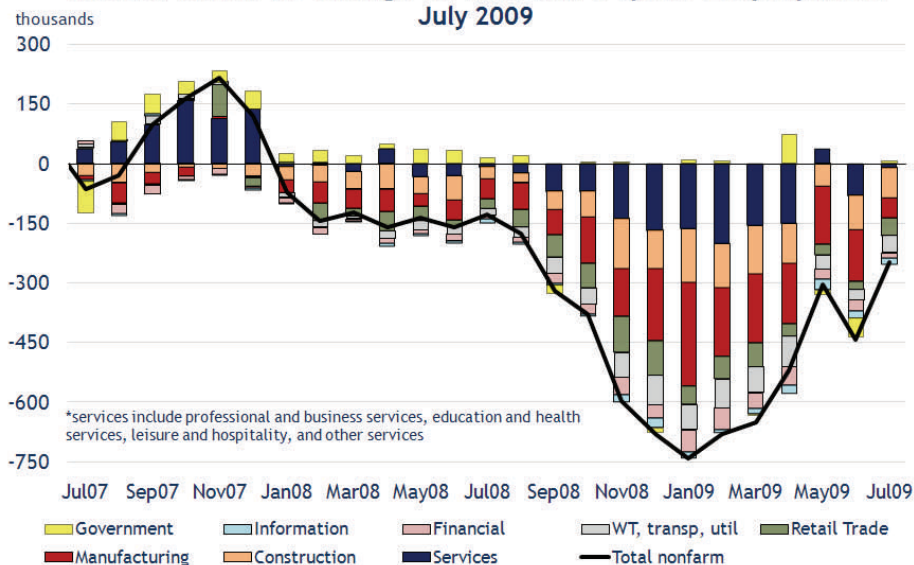
Summary

The July employment report continued to show a moderation in the pace of layoffs.

Nonfarm payroll employment declined by 247,000 in July, better than Bloomberg's market consensus of a 325,000 decline and the smallest decline since August 2008.

However, seasonal distortions in auto manufacturing account for some of the optimism in the report.

Contributions to Change in Nonfarm Payroll Employment July 2009



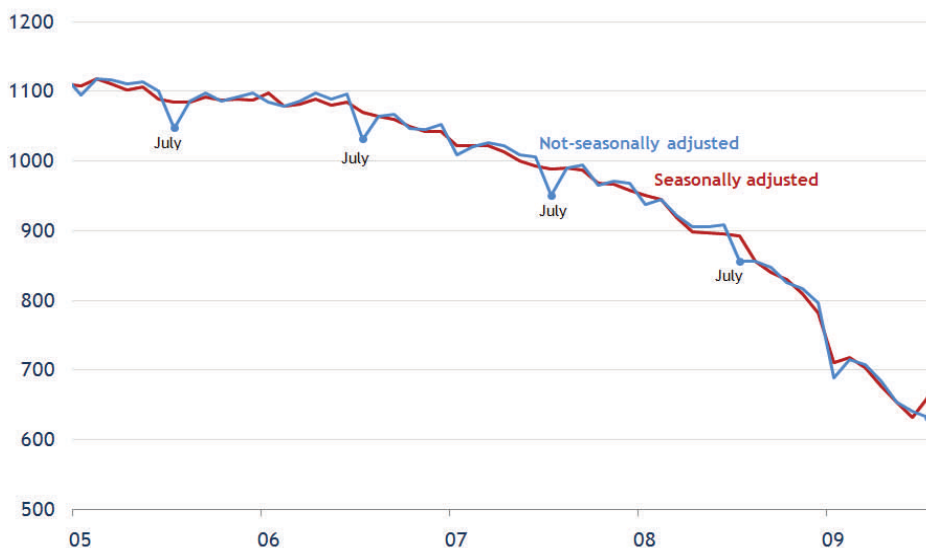
Source: Bureau of Labor Statistics

- The professional and business services sector lost 38,000 jobs in July compared to an average monthly decline of 95,000 over the previous four months. Much of this improvement was in temporary employment.
- Leisure and hospitality added 9,000 jobs in July compared to an average monthly decline of 15,000 jobs over the previous four months.
- The construction sector continues to post large job losses.

The manufacturing sector shed 52,000 jobs in July, roughly 50,000 less than the Bloomberg consensus and 100,000 less than the average monthly decline over the previous three months.

In July, automakers typically idle workers for retooling. Seasonal adjustments, which are computed at the beginning of the year, thus anticipate a jump in layoffs. Because of auto plant closings in May and June, seasonal layoffs in the auto industry were unusually small.

Employment in Manufacturing of Motor Vehicles and Parts Thousands



Source: Bureau of Labor Statistics

- The motor vehicles and parts sector added 28,000 jobs in July after seasonal adjustments. Not seasonally adjusted, the sector shed 9,000 jobs.

Employment

Summary

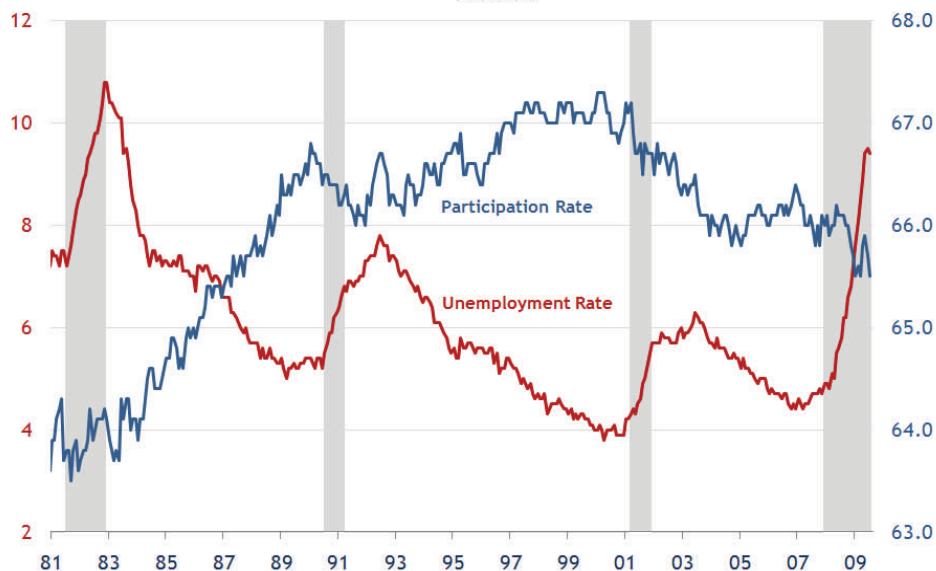
The unemployment rate declined to 9.4% in July from 9.5% in June.

However, the labor force participation rate declined by 0.2 percentage points, to 65.5%.

Because of possible seasonal distortions, July unemployment figures should be interpreted with caution.

Unemployment and Labor Force Participation Rates

Percent



Source: Bureau of Labor Statistics

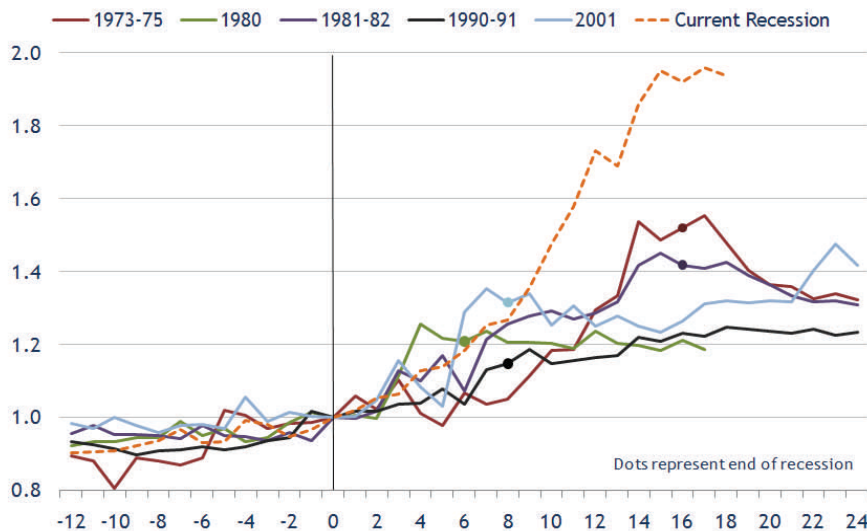
- The unemployment rate is near the highest since 1983. The rate has increased 4.5 percentage points during the current recession, compared to a 3.6 percentage point increase during the 1981-82 recession.
- In July, the number of unemployed persons declined for the first time in 14 months, although non-seasonally adjusted the number continued to increase.

The increase in people working part-time for economic reasons is considerably higher than in past recessions.

Although the increase in these involuntary part-time workers has moderated since March 2009, 8.8 million people continue to work part-time for economic reasons.

Part-Time for Economic Reasons

Indexed to Start of Recession=1



Source: Bureau of Labor Statistics

Employment

Summary

The Job Openings and Labor Turnover Survey (JOLTS) for June 2009 showed continued moderation in layoffs but weak hiring.

The hiring rate declined to another low of 2.9%.

Total Private Hiring and Layoffs (JOLTS)
3-month-moving average of Y/Y Percent Change, June 2009

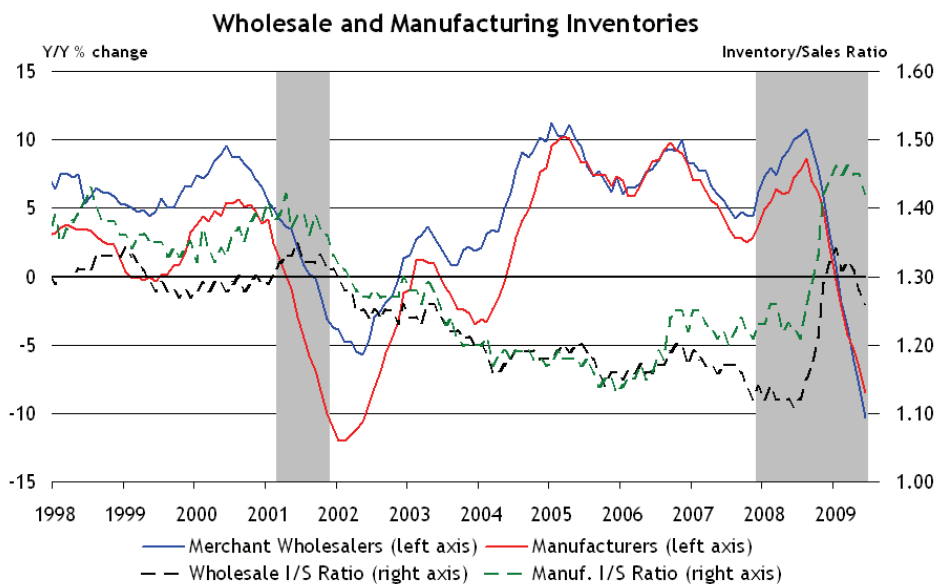


Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

- Consistent with the payroll and household surveys, layoffs continued to ease in June. However, layoffs were up roughly 30% compared to a year earlier.
- The 2.9% hiring rate in June is the lowest since the series began in December 2000. Hiring is down 17.6% compared to a year earlier. The weak hiring rate indicates continued distress in the labor market and employers' uncertainty about the future of the economy.
- According to the Federal Reserve's July Beige Book, Southeastern business contacts reported that most businesses, except those in the health care and defense and aerospace sectors, do not plan to increase hours or workforce in the near term.

Summary

June's wholesale inventories report was a key factor in lowering the GDP estimate for the second quarter.

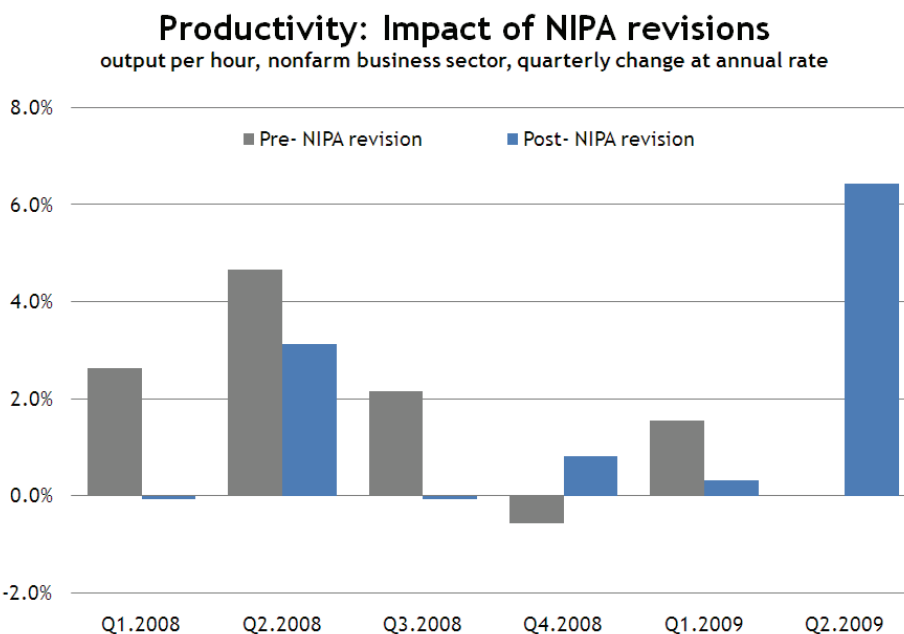


Source: U.S. Census Bureau

- Eyes are on inventories with increasing intensity recently because inventories are generally bellwether indicators for business cycle changes.
- **Total inventories for merchant wholesalers were down 1.7% from May to June.** Month over month, inventories of durable goods were down 1.5%, inventories of nondurable goods were down 2.0%, and **manufacturing inventories were down 0.8%.**
- Compared with June 2008, wholesalers' inventories for June 2009 are down 10.3% while manufacturing inventories are down 8.5%.
- The **wholesale inventory-to-sales (I/S) ratio was 1.26 in June**, slightly lower than May's reading of 1.28. The **manufacturing I/S ratio was 1.42**, down from May's reading of 1.45.

Summary

The July 31 benchmark revision to the national income and product accounts (NIPA) resulted in a lower productivity growth over the current recession than had previously been reported.



Source: U.S. Bureau of Labor Statistics

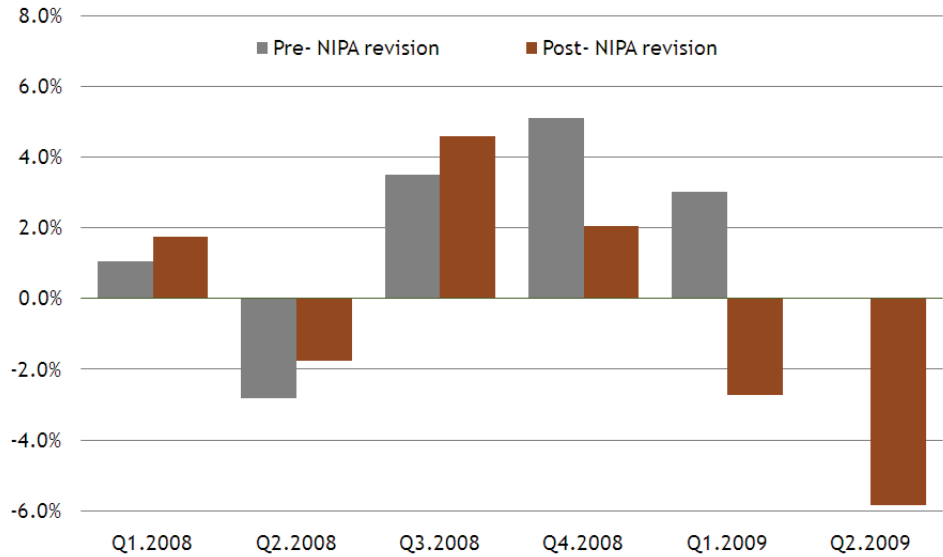
- The preliminary report for second quarter productivity and costs showed nonfarm business productivity surging 6.4% at an annual rate from the previous quarter, the largest gain since third quarter 2003; declines in hours worked outpaced declines in output.
- Although the productivity series tends to be relatively volatile and often subject to substantial revisions, the most recent numbers indicate a large uptick in productivity growth from last quarter, a development often seen at the onset of recovery. One unusual feature, however, is that the recent spike in productivity is coming from a decline in hours worked, not an increase in output.
- Analysts had been puzzling over the seeming strength of productivity during the current recession until the recent NIPA benchmark revision revised away much of that strength. Productivity growth was revised down for every quarter of the current recession except fourth quarter 2008, amounting to an average productivity growth rate of 0.8% for first quarter 2008 through first quarter 2009, substantially below the 2.1% estimated before the revision.

Summary

Though lower productivity is ordinarily associated with greater cost pressures, the NIPA revisions showed an even larger downward revision to hourly compensation. As a result, unit labor costs are indicating less inflationary pressure than had been reported before the revision, with a 0.8% average gain over the recession (through first quarter 2009) compared with 2.0% reported prerevision.

Unit labor costs fell a reported 5.8% annualized in the second quarter, the largest decline in eight years.

Unit Labor Costs: Impact of NIPA revisions
nonfarm business sector, quarterly change at annual rate



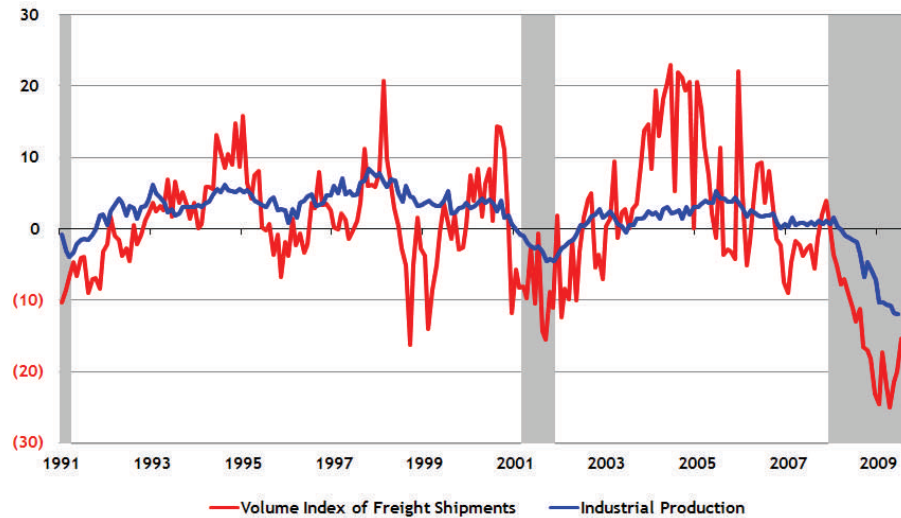
Source: U.S. Bureau of Labor Statistics

Transportation

Summary

The Cass Freight index (CFI) for July 2009 shows freight shipments stopping the free-fall pace reported since the start of the recession.

CASS Freight Volume Index and Industrial Production Trends through July 2009
Year-Year % Growth



Source: Federal Reserve Board and Cass Information Systems/MEDC

- The CASS freight volume index (CFI) is a more complete freight indicator than the ATA Trucking Tonnage Index (previously reported in the July 29 Economic Highlights). Collected by the Cass Company from payment and transactions volumes processed from shippers across the United States, this index covers both trucking and rail shipments.
- Year-to-year changes in the CFI and industrial production (IP) series are highly correlated, and simple statistical tests suggest that CASS trucking volume can help predict some future movements in IP.
- The July 2009 CFI shows that shipments fell only 15% from July 2008 following a 20% year-over-year drop in June 2009. The less deteriorating yearly July performance is another encouraging sign suggesting that the worst of the transportation shipping sector may be behind us and may be a positive sign for industrial activity more generally.
- A consensus of business economists anticipate that IP in July (released on Friday) will post its first increase in nine months, in line with CFI's turnaround pace.