

Economic Highlights

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Employment

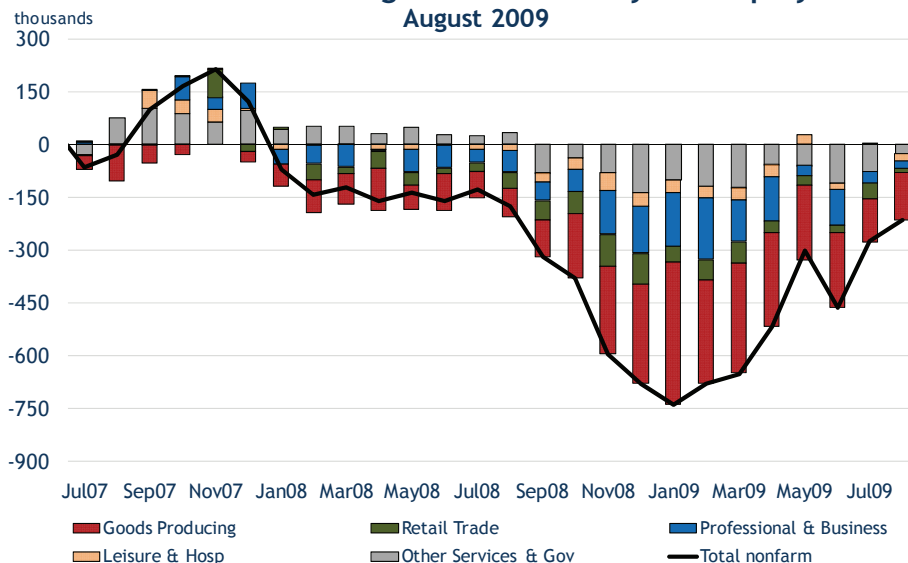
Summary

The August employment report continued to show a moderation in the pace of job losses.

Nonfarm payroll employment declined by 216,000 in August, slightly better than Bloomberg's market consensus of a 230,000 decline and the smallest decline since August 2008.

Much of the improvement was in service-providing jobs.

Contributions to Change in Nonfarm Payroll Employment August 2009



Source: U.S. Bureau of Labor Statistics

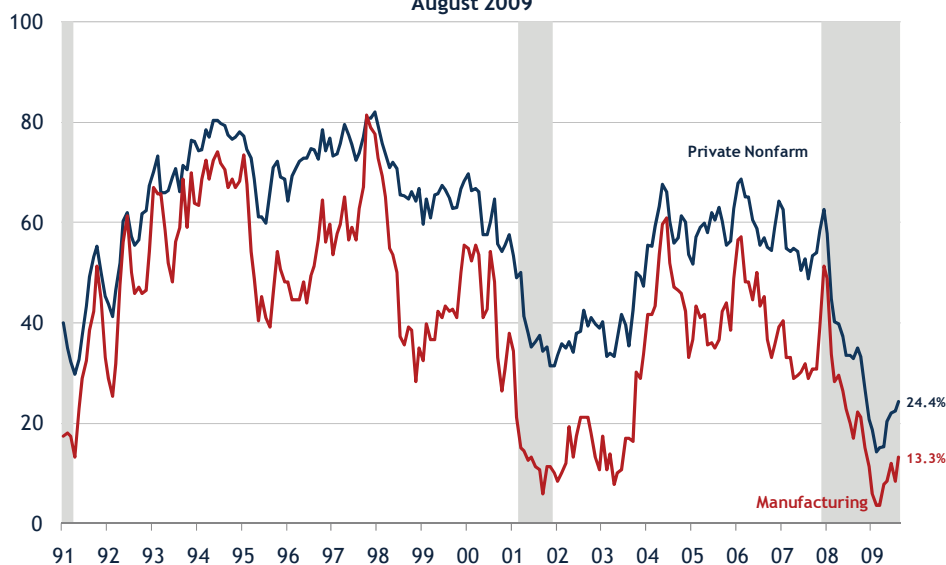
- **Goods-producing** industries shed 136,000 jobs in August compared to a loss of 122,000 in July. Much of the decline in job losses came from **service-providing** jobs, which shed 80,000 jobs in August compared to 154,000 in July.
- The **retail sector** lost 10,000 jobs in August compared to an average monthly decline of 30,000 over the previous three months.
- The **professional and business sector** lost 22,000 jobs, the least number of jobs lost since April 2008.
- After adding a net 9,000 jobs from May through July, the **leisure and hospitality sector** shed 21,000 jobs in August.

The three-month diffusion indices of private nonfarm and manufacturing employment show that job losses remain widespread across industries. However, the indices have picked up slightly since March 2009.

From June through August, roughly 75.6% of private nonfarm industries continued to lose jobs compared to 84.9% of industries in March 2009.

Similarly, roughly 86.7% of manufacturing industries continued to shed jobs June through August compared to 96.4% in March 2009.

Diffusion Indices of Employment Change three-month, percent rising August 2009



Source: U.S. Bureau of Labor Statistics

Employment

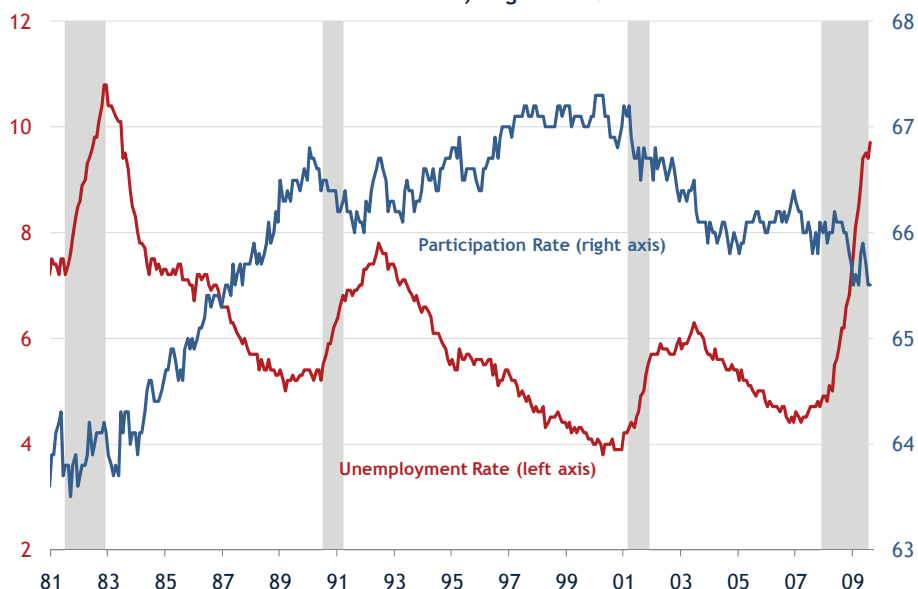
Summary

The unemployment rate increased to 9.7% in August from 9.4% in July.

Much of the rise in the unemployment rate came from an increase in the number of unemployed persons rather than labor force participation.

Unemployment and Labor Force Participation Rates

Percent, August 2009



Source: U.S. Bureau of Labor Statistics

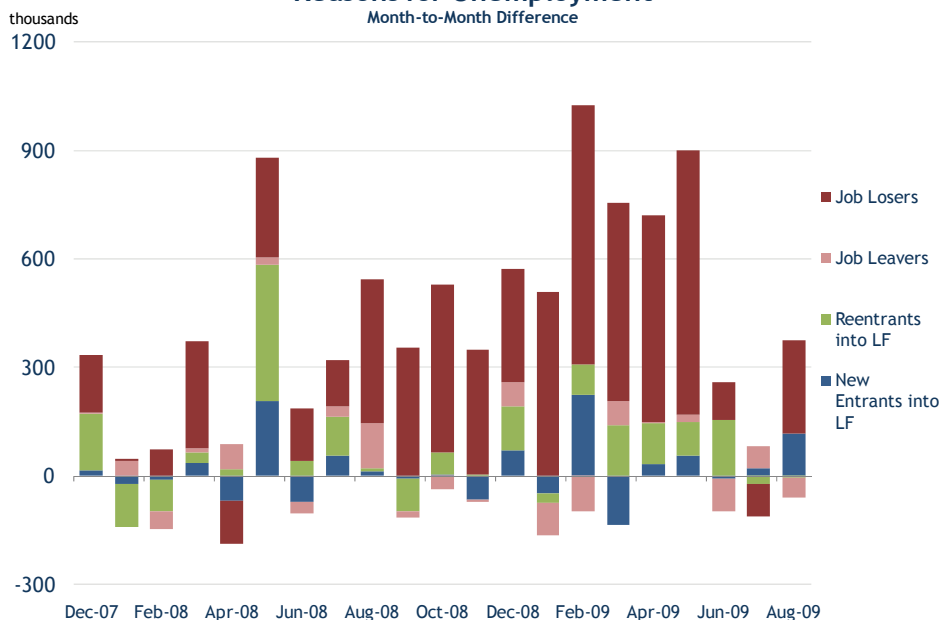
- The number of unemployed workers increased by 466,000 in August, about 3% more than in July. However, on net, the labor force increased by 73,000 in August, only a 0.05% increase over July. The labor force participation rate remained at 65.5%.
- The unemployment rate has increased 4.8 percentage points since the onset of the recession and is the highest since June 1983.

Although a sizable number of people joined the labor force in August, the largest contributors to unemployed persons were job losers. In August 258,000 more people lost their jobs.

Fewer people quit their jobs in August compared to July.

Reasons for Unemployment

Month-to-Month Difference



Source: U.S. Bureau of Labor Statistics

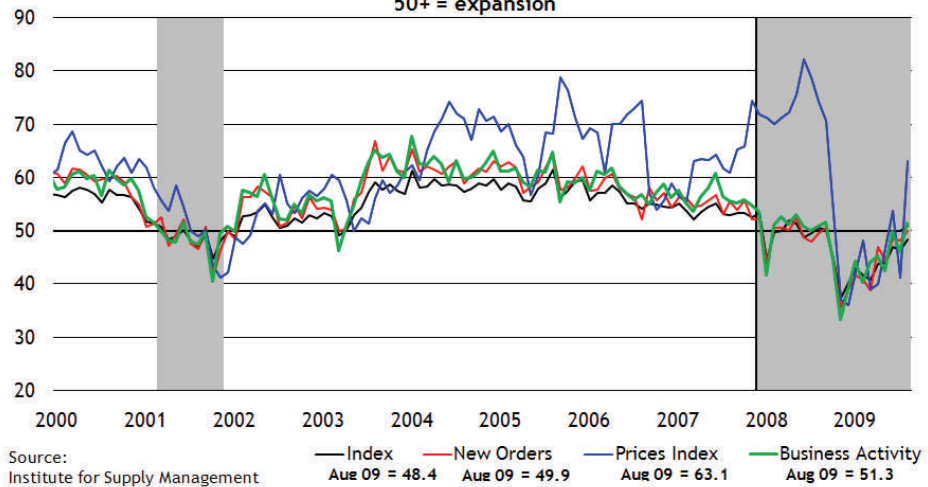
- 118,000 people joined the labor force for the first time in August. Despite this increase, the stagnant labor force participation rate indicates that a considerable number of people also left the labor force.

Manufacturing and Trade

Summary

The Institute for Supply Management's nonmanufacturing composite index gained 2 index points to reach 48.4 for August, signifying a slower rate of contraction for the nonmanufacturing sector.

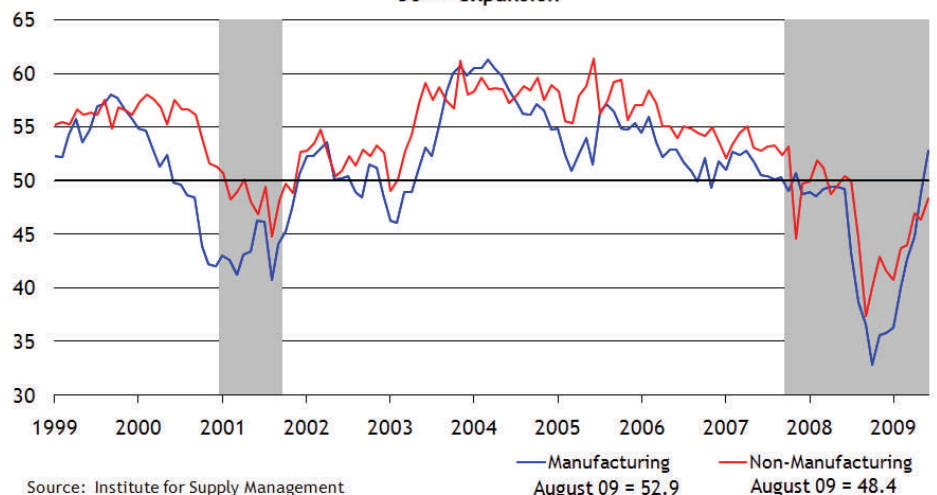
ISM Nonmanufacturing Index and Components
50+ = expansion



- The ISM's nonmanufacturing purchasing managers index gained 2 index points in August to reach 48.4. This gain indicates a slower rate of contraction in the sector. August was the eleventh consecutive month of decline in the composite index for nonmanufacturing.
- A bright component in the index, business activity/production added 5.1 percentage points to reach 51.3, breaking the 50-point threshold. This gain is the first expansion in the business activity component since September 2008.
- New orders increased 1.8 percentage points to reach 49.9. The component is still contracting, but at a much slower rate.
- Prices skyrocketed in the August index, gaining 21.8 percentage points to reach 63.1.
- As some global markets climbed out of recession, new export orders are now expanding, gaining a significant 6.5 index points to reach 54.
- In August, nonmanufacturers indicated that inventories are contracting at a faster rate than in July as the component lost 4 percentage points in August to reach 43. Only 9% of nonmanufacturing purchasing managers said inventories were higher in August, while 23% said inventories were lower; 68% said inventory levels remained the same as in July.

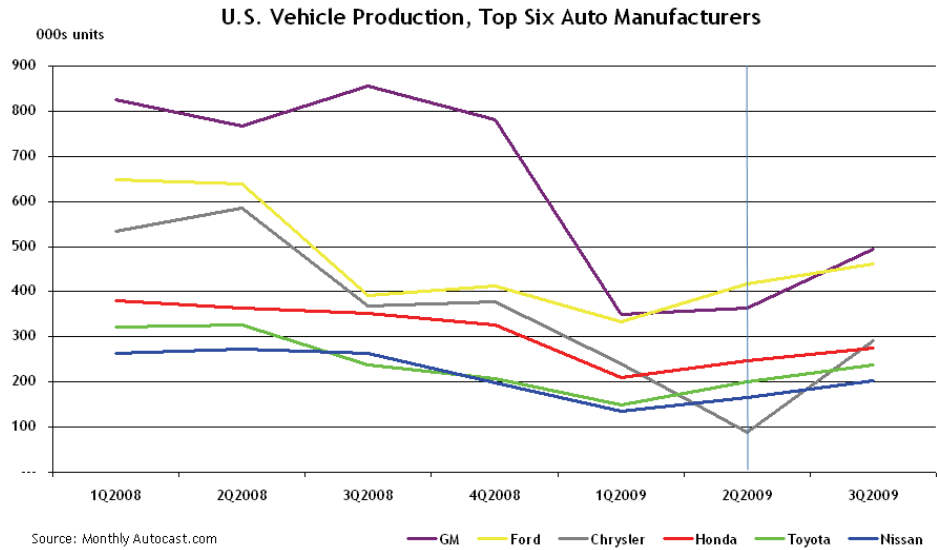
While the nonmanufacturing index remained below 50 in August, the manufacturing index climbed above the 50-point threshold to reach 52.9.

ISM Activity Indexes
50+ = expansion



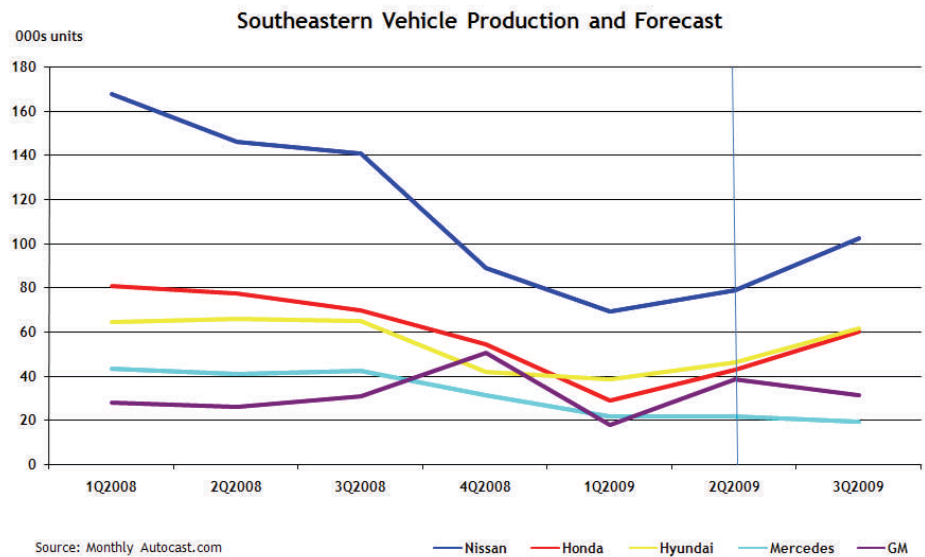
Summary

Vehicle production in late 2008 dropped dramatically through the second quarter. Thanks to the “cash for clunkers” program, production is about to expand in the third quarter.



- GM and Ford have announced plans to add vehicle production to most plants running at below 50% capacity for most of 2009.
- Higher production plans are driven by needs to rebuild vehicle inventories and increased demand from the C4C program.

Southeastern vehicle production plunged nearly 50% from the first half of 2008. But production is gradually rising. The near-term production outlook is brightened by new facilities.

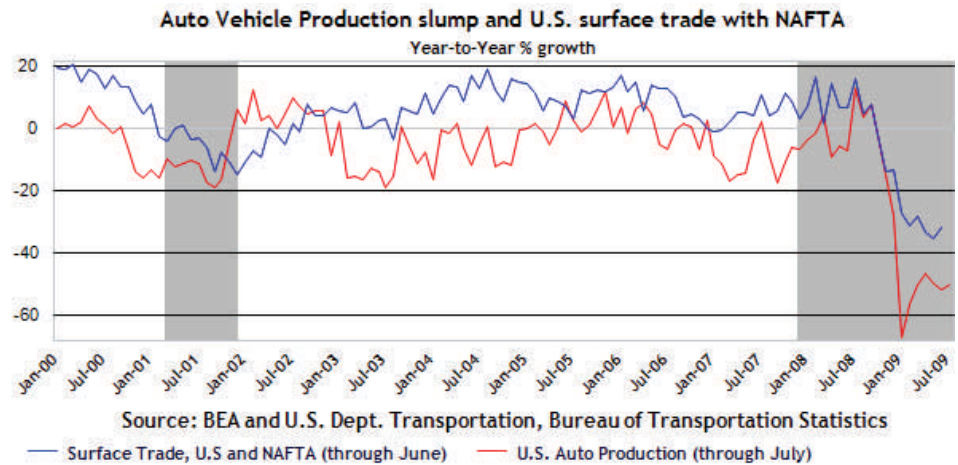


- Most regional assemblies have returned to longer workweek schedules as vehicle demand was boosted by the “cash for clunkers” program.
- Southeastern production in 2010 is brightened by Kia and Volkswagen plants in West Point, Ga., and Chattanooga, Tenn. These facilities will increase the region’s vehicle capacity by about 450,000 vehicles.

Manufacturing and Trade

Summary

Surface trade between the United States and its NAFTA partners was 31% lower than in June 2008. U.S. vehicle production adversely affected U.S. surface trade with Canada and Mexico, with weak U.S. imports accounting for much of the weaker transportation flows.



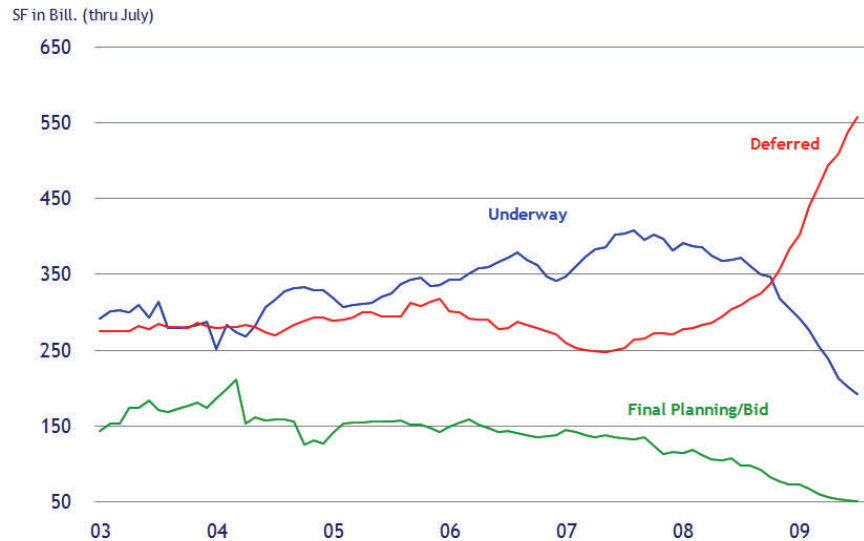
- The decline in U.S. light vehicle production in July was less dramatic than in earlier months.
- The dollar value of surface trade between the United States and its NAFTA partners (Canada and Mexico) plunged 31% in June 2009 from 2008 levels. The June year-to-year pace was less dramatic than the 40% drop reported in June.

Summary

TWR/Dodge Pipeline data for July indicated commercial construction activity under way continued to slow, down 5% from June to July.

The rise in space deferred, along with the dwindling amount of space in the final planning and bid phase of development, points to continued slowing of commercial construction activity in the near term.

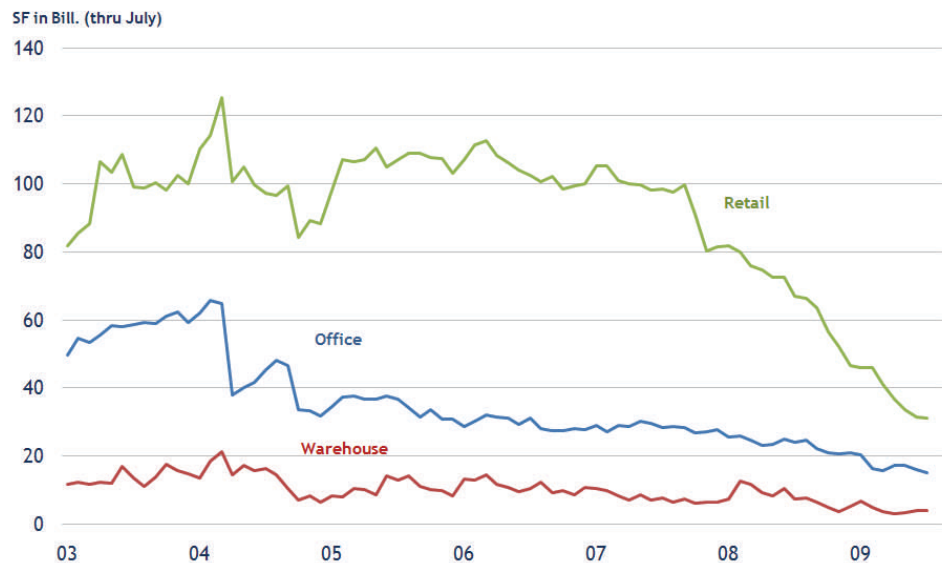
U.S. Office, Retail and Warehouse Construction Activity



Source: TWR/Dodge Pipeline

Space in the final planning or bid phase declined from June to July across all three sectors.

Commercial Construction in the Final Planning or Bid Phase



Source: TWR/Dodge Pipeline

Note: TWR/Dodge Pipeline tracks commercial real estate projects through development phases.

Final planning—projects moving toward final approvals with a high probability that construction contract will be awarded within the next six months

Bid—projects that have been finalized, are put out to bid by general contractors, are very close to being awarded, and have a very high probability of coming to market

Under way—projects that are under construction

Deferred—projects delayed at any point in the planning cycle for reasons including problems with financing or design approvals or deterioration in market conditions