

Economic Highlights

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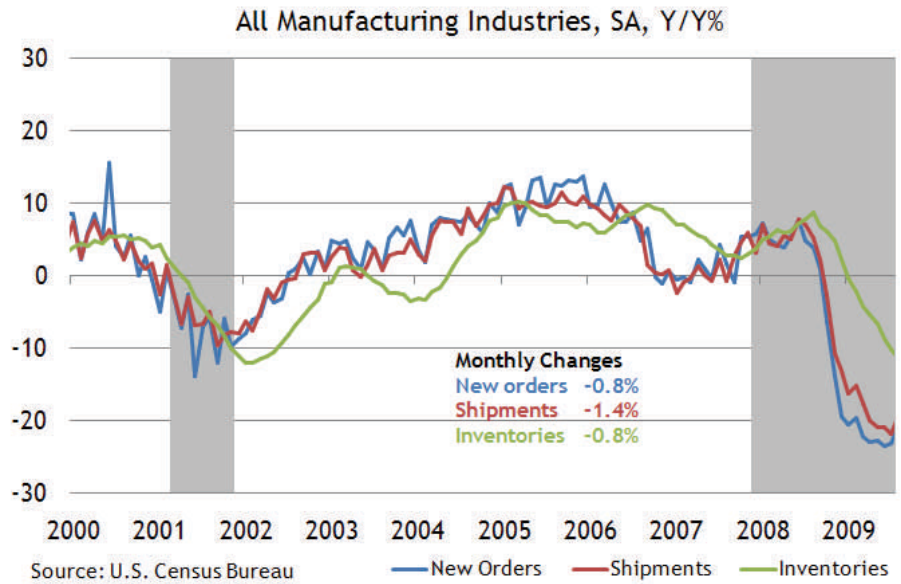
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Manufacturing

Summary

August's factory orders report showed declines in overall new orders, shipments, and inventories while new orders and shipments of nondurable goods managed gains.



- In August, new factory orders declined 0.8%. This decline followed a 1.4% increase in July. Excluding transportation parts and equipment, new orders gained 0.4% in August.
- New orders for durable goods lost 2.6% in August while nondurable goods gained 0.8%.
- Shipments lost 0.3% compared to July levels. Shipments of durable goods lost 1.4% month over month while shipments of nondurables gained 0.8% because of shipments of petroleum and coal, which were up 5.4% in August.
- August marked the twelfth month of consecutive inventory declines, with inventories dropping 0.8% month over month. This streak of inventory declines is the longest since February 2001-May 2002.

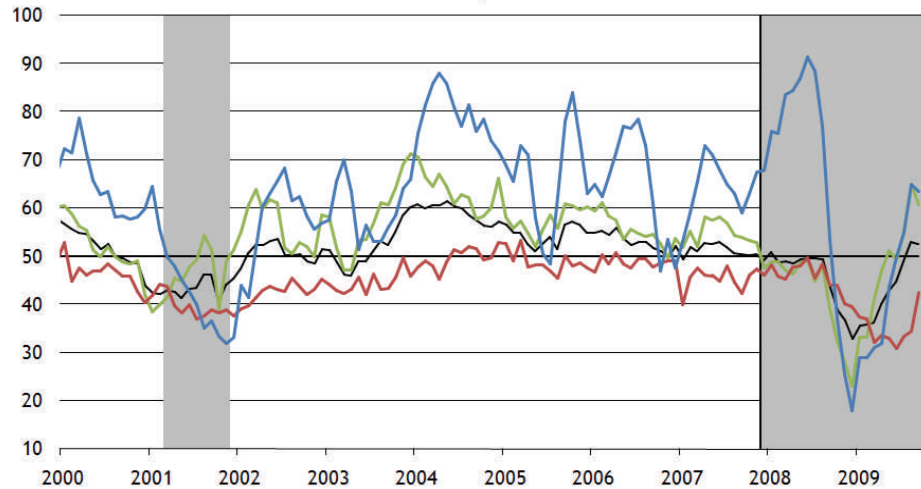
Manufacturing

Summary

Though September brought a slight dip in the overall manufacturing purchasing managers index (PMI), all components except inventories and employment are increasing.

ISM Manufacturing Index and Components

50+ = expansion



Source: Institute for Supply Management

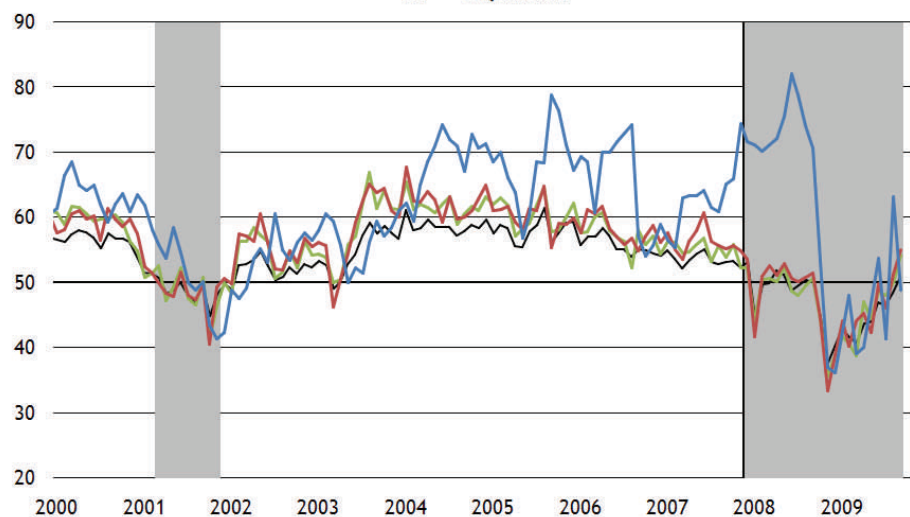
— Index	— New Orders	— Inventories	— Prices Index (NSA)
Sept = 52.6	Sept = 60.8	Sept = 42.5	Sept = 63.5

- In September, much of the spikes in August component data moderated. **New orders fell 4.1 index points, and production lost 6.2 index points.**
- September's PMI showed a notable slowdown in inventory declines, with the component gaining 8.1 index points to reach 42.5.

The nonmanufacturing PMI gained 2.5 index points in September to break the 50-point benchmark.

ISM Non-Manufacturing Index and Components

50+ = expansion



Source: Institute for Supply Management

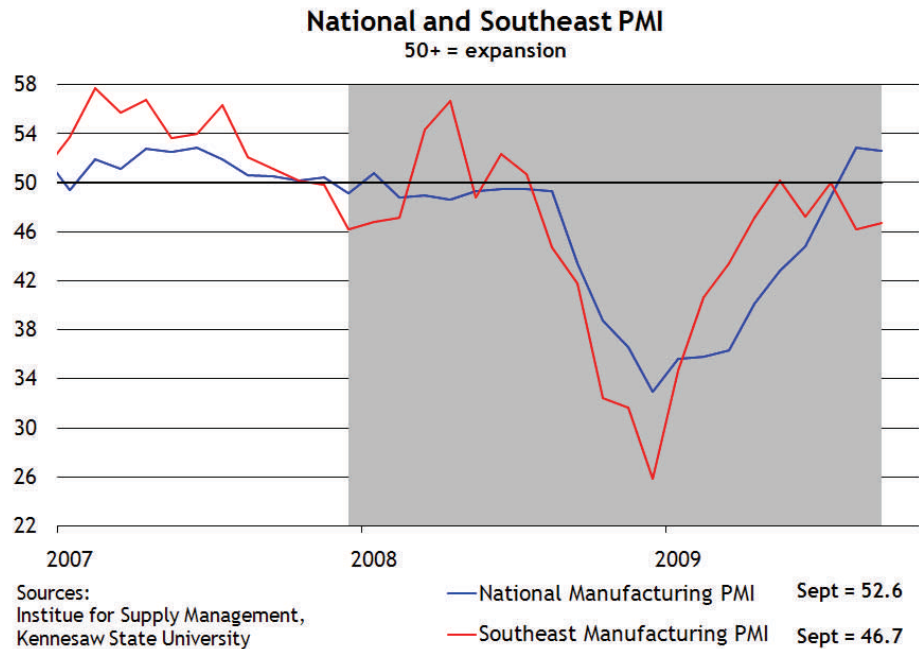
— Index	— New Orders	— Business Activity	— Prices Index
Sept = 50.9	Sept = 54.2	Sept = 55.1	Sept = 48.8

- The ISM's nonmanufacturing PMI grew 2.5 index points in September to reach 50.9, its highest reading since May 2008.
- The **business activity/production component gained 3.8 index points** in September to reach 55.1 while **new orders jumped 4.3 index points, reaching 54.2.**
- Similar to the manufacturing index, the nonmanufacturing **inventory component gained 4.5 index points** to reach 47.5, indicating inventories are falling at a slower pace than in August.

Manufacturing

Summary

In September, Kennesaw State University's manufacturing PMI gained 0.5 index points based on gains in employment, production, and supplier deliveries.



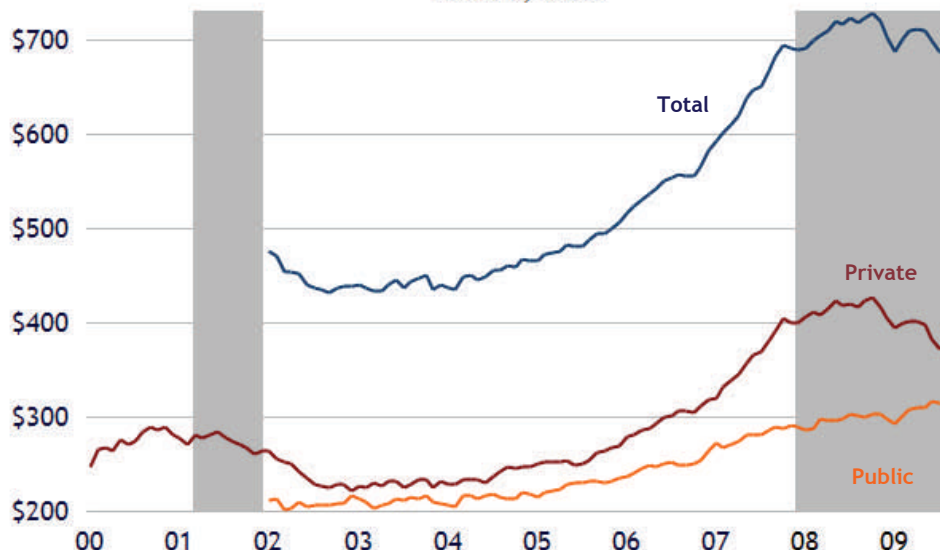
- The Southeastern manufacturing PMI gained one half of an index point based on gains in employment (+5.8 index points), production (+3.5 index points), and supplier deliveries (+3.2 index points).
- Employment reached 51.4 in September, the first time it has been above the 50-point benchmark since April 2008.
- Inventories, down 4.8 index points, and new orders, down 5.2 index points, were the dragging components to September's Southeastern PMI.
- The Southeastern PMI is calculated from survey responses of participants from Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

Summary

The August report on nonresidential construction spending put in place indicated that both public and private spending contracted less than 1%.

U.S. Nonresidential Construction Spending Put in Place

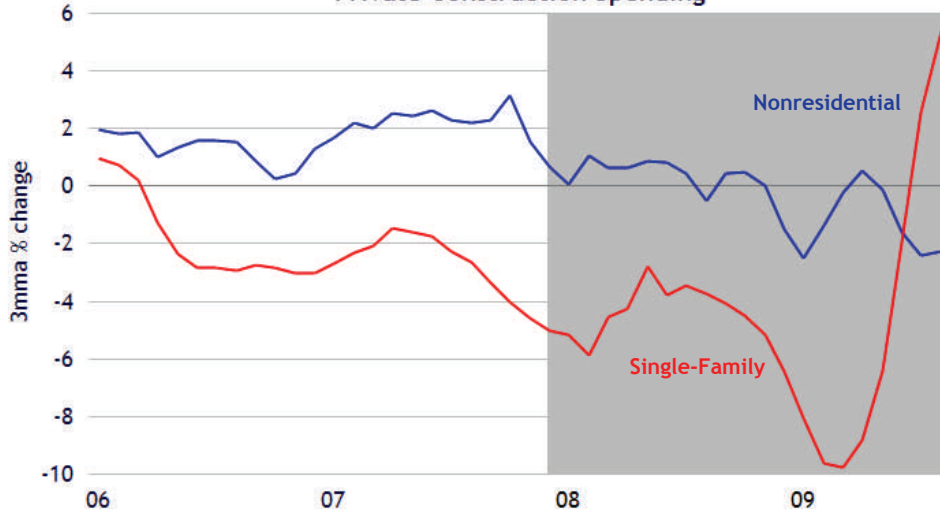
billions, SAAR



Source: U.S. Census Bureau

The recovery in private single-family home construction spending continued to take a firmer hold while private nonresidential construction spending remains weak.

Private Construction Spending



Source: U.S. Census Bureau

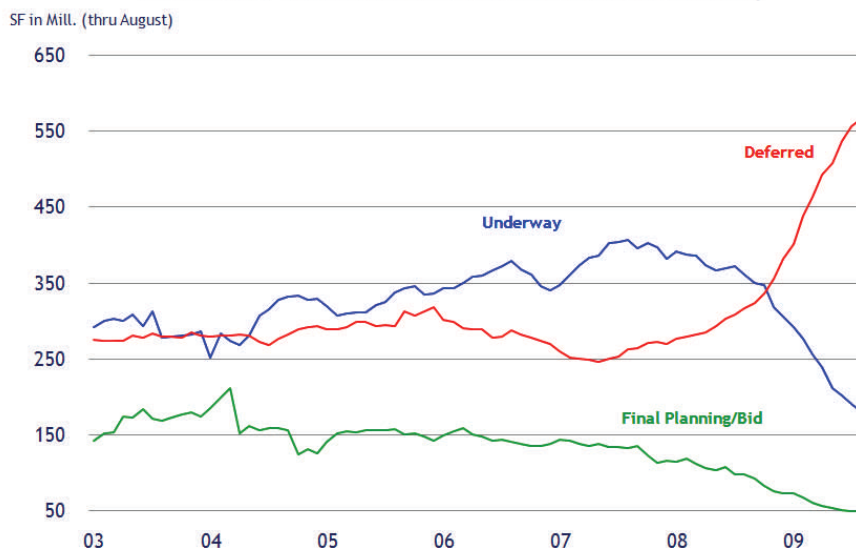
August Construction Spending Put in Place

	millions, SAAR	y/y change	m/m change
Total	\$ 941,879	-11.6%	0.8%
Total nonresidential	\$ 684,527	-4.7%	-0.4%
Private nonresidential	\$ 372,598	-10.5%	-0.1%
Public nonresidential	\$ 311,929	3.3%	-0.9%
Total residential	\$ 257,352	-26.0%	4.2%
Private residential	\$ 249,476	-26.7%	4.7%

Summary

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

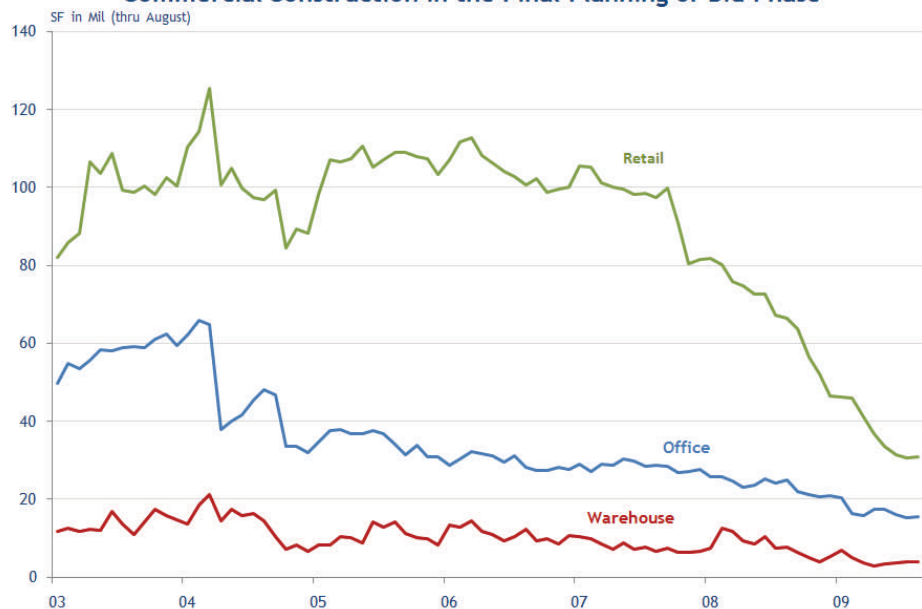
U.S. Office, Retail & Warehouse Construction Activity



Source: McGraw-Hill/TWR Pipeline

For the first time since January, space in the final planning or bid phase turned positive in August on a month-to-month basis, up 1%, indicating activity may be stabilizing at low levels.

Commercial Construction in the Final Planning or Bid Phase



Source McGraw-Hill/TWR 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

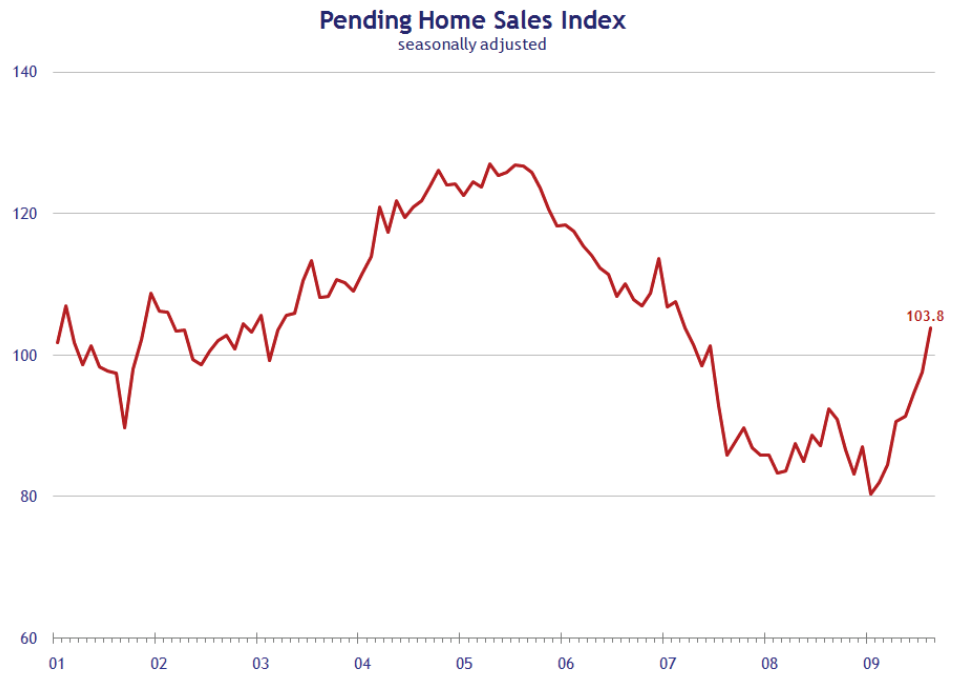
Bid—projects that have been finalized, are put out to bid by general contractors, are very close to being awarded, and have a very high probability of coming to market

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

Summary

The National Association of Realtors (NAR) reported that its August pending home sales index advanced for the seventh consecutive month, up 6.4% from July and up 12.4% year over year.



Source: National Association of Realtors

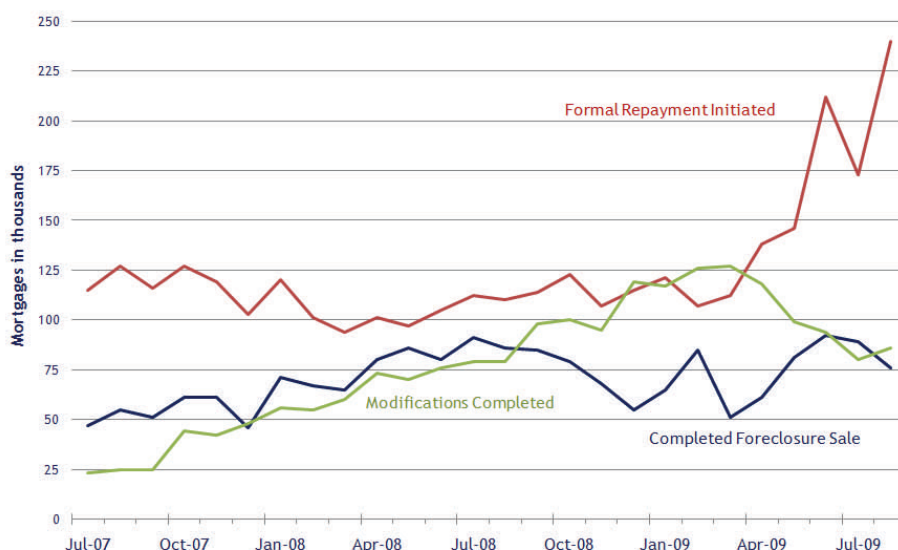
- The NAR reported that the index reached its highest level since March 2007.
- NAR chief economist Lawrence Yun said that “There is likely to be some double counting over a span of several months because buyers whose contracts were canceled have found another home and signed a new contract to buy.” He added that it is difficult to account for how many contracts are being delayed and how many are being canceled.

Summary

August data from Hope Now Inc. indicate that borrower workout plans (formal repayment initiated + modification completed) jumped 28% from July to August and increased 72% compared with a year earlier.

Foreclosure sales continued to moderate, down 15% from July.

The Hope Now Alliance Measures of Mortgage Mitigation



Source: Hope Now Alliance

Note: Hope Now Inc. is an alliance between counselors, mortgage companies, investors, and other mortgage market participants. The U.S. Department of the Treasury and the U.S. Department of Housing and Urban Development encouraged leaders in the lending industry, investors, and nonprofits to form this alliance. (www.hopenow.com)

Repayment plan—a plan that allows the borrower to become current and catch up on missed payments that are appropriate to the borrower's circumstances, which involves deferring or rescheduling payments. But the full amount of the loan is expected ultimately to be paid and within the original contractual maturity of the loan.

Modification—a modification occurs anytime any term of the original loan contract is permanently altered. This modification can involve a reduction in the interest rate, forgiveness of a portion of principal, or extension of the maturity date of the loan.

Borrower Workout Plan = Formal Repayment Plan Initiated + Modifications Completed

Completed Foreclosure Sale—represents an acquisition of a foreclosed property by the lender or servicer of the property; also referred to as REO (real estate owned).

Employment

Summary

The nation shed 263,000 jobs in September, much more than Bloomberg's market consensus of a 175,000 decline.

Job losses remained widespread across industries. The one-month diffusion index of private nonfarm employment indicated that 68% of industries lost jobs compared to 65% in August.

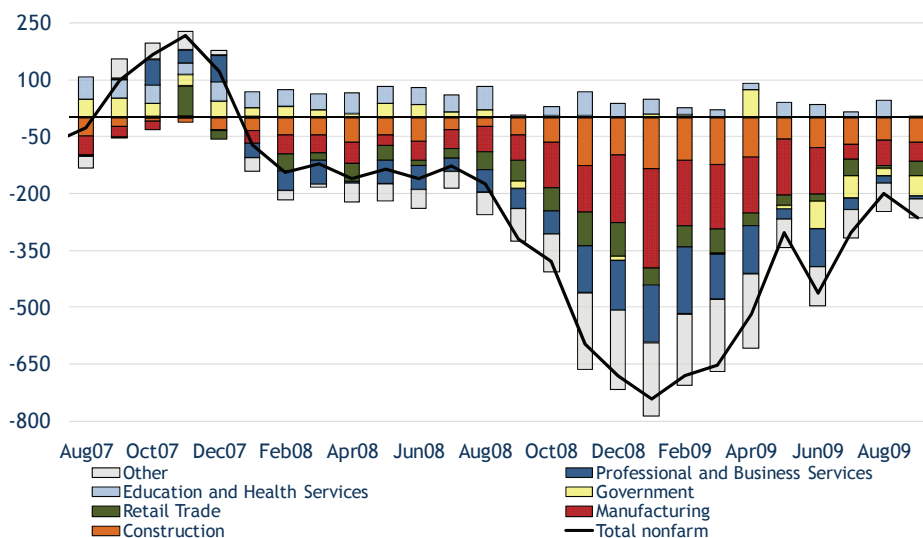
However, much of the deterioration in the labor market from August to September was attributed to service-providing industries, mainly retail trade and government.

Each year the U.S. Bureau of Labor Statistics adjusts the sample-based payroll employment estimates to full population counts available from unemployment insurance tax records.

Preliminary estimated of the benchmark revision showed that an additional 824,000 (0.6%) jobs were lost between March 2008 and March 2009 than were originally estimated. The largest revisions were in the trade and transportation and construction sectors.

The nation has shed 7.2 million jobs since the onset of the recession. These benchmark revisions would bring this total up to 8 million jobs.

Contributions to Change in Payroll Employment September 2009, thousands



Source: U.S. Bureau of Labor Statistics

- Job losses in **goods-producing** industries actually slowed in September relative to August. The **manufacturing** sector lost 51,000 jobs, in line with expectations. **Construction** shed 64,000 jobs, relatively consistent with losses over the past two months. Altogether, goods-producing industries lost 116,000 jobs in September compared to a loss of 132,000 in August.
- **Service-providing** industries shed 147,000 jobs in September compared to 69,000 in August. **Retail trade** lost 39,000 jobs compared to 9,000 in August and an average monthly decline of 24,000 over the previous three months. **Government** shed 53,000 jobs in September, mostly in local government.
- Job gains in **education and health** were weak in September; the sector added only 3,000 jobs after a monthly average gain of 31,000 over the past three months.
- On a positive note, job losses continue to slow in **professional and business services**, largely led by **temporary employment**. Temporary help services lost 2,000 jobs in September after an average monthly decline of 14,000 over the previous three months.

Period	Benchmark revision (in thousands)	Percent benchmark revision
March 2009	-824 (preliminary)	-0.6
March 2008	-89	-0.1
March 2007	-293	-0.2
March 2006	+752*	+0.6
March 2005	-158	-0.1
March 2004	+203	+0.2
March 2003	-122	-0.1

*Hurricane Katrina effect
Note: Final benchmark revisions will be released in February 2010.

Summary

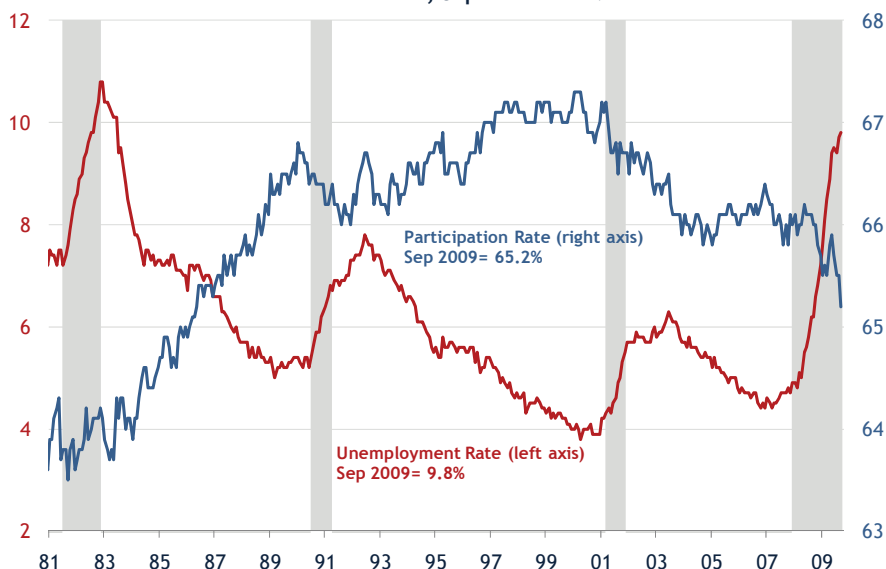
The unemployment rate increased a tenth of a percentage point to 9.8% in September, in line with the Bloomberg market consensus.

The rate has doubled since the start of the recession. This 4.9 point increase is the highest recessionary increase on record.

The labor force contracted significantly in September.

Unemployment and Labor Force Participation Rates

Percent, September 2009



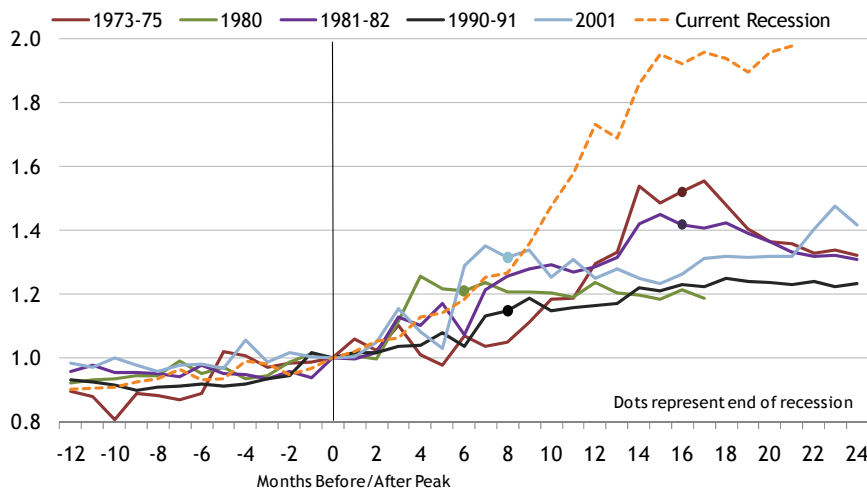
Source: U.S. Bureau of Labor Statistics

- The labor force participation rate declined by 571,000, causing the participation rate to decline 0.3 percentage points to 65.2%. The number of employed persons also declined considerably, by 785,000.

The number of workers working part-time for economic reasons continues to trend well above levels in past recessions.

Part-Time for Economic Reasons

Indexed to Start of Recession=1



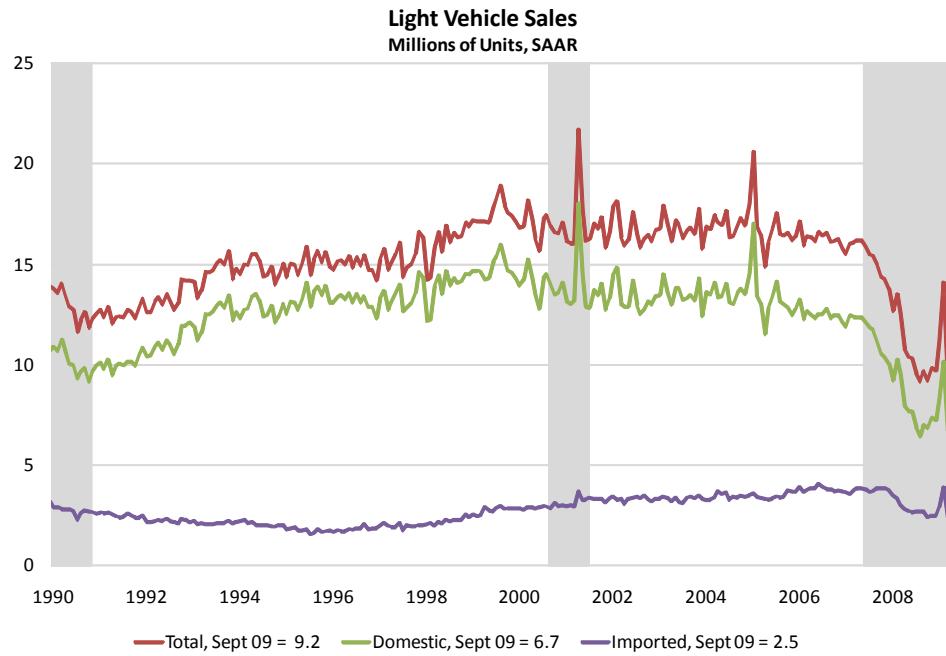
Source: U.S. Bureau of Labor Statistics

- The number of workers working part-time for economic reasons increased 103,000 in September, bringing the total to **9.2 million** workers. Roughly 4.5 million more workers have begun working part-time for economic reasons since December 2007.
- The broadest measure of unemployment, which includes all those working part-time for economic reasons as well as workers who have looked for work within the last 12 months, increased to **17%** in September. The official unemployment rate (9.8%) excludes part-time workers as well as anyone who has not looked for work in over four weeks.
- Moreover, for the employed, average weekly hours remained low, declining 0.1 points to 33 hours in September. Average hourly earnings increased 0.1% over the month, slightly lower than the Bloomberg market consensus of a 0.2% increase.

Consumer Spending

Summary

September auto sales plunged 4.8 million units from August reflecting the end of the Car Allowance Rebate System incentive program .



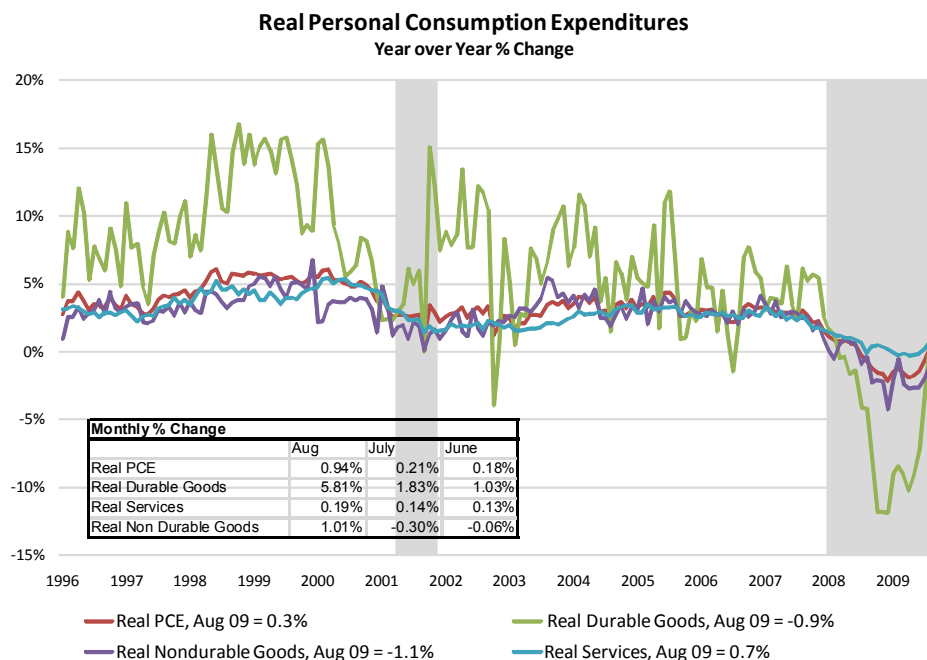
- Total light vehicle sales for September decreased 34% from August to an annualized rate of 9.2 million units; Bloomberg's market consensus expectation was 9.5 million units.
- Domestic vehicle sales fell 34% from August to an annualized rate of 6.7 million units in August. Imported vehicle sales decreased 37% to an annualized rate of 2.5 million units.

Consumer Spending

Summary

August real personal consumption expenditures (PCE) rose from July and are up on a yearly basis for the first time since June 2008.

PCE experienced the largest monthly increase in more than four years.



Source: BEA

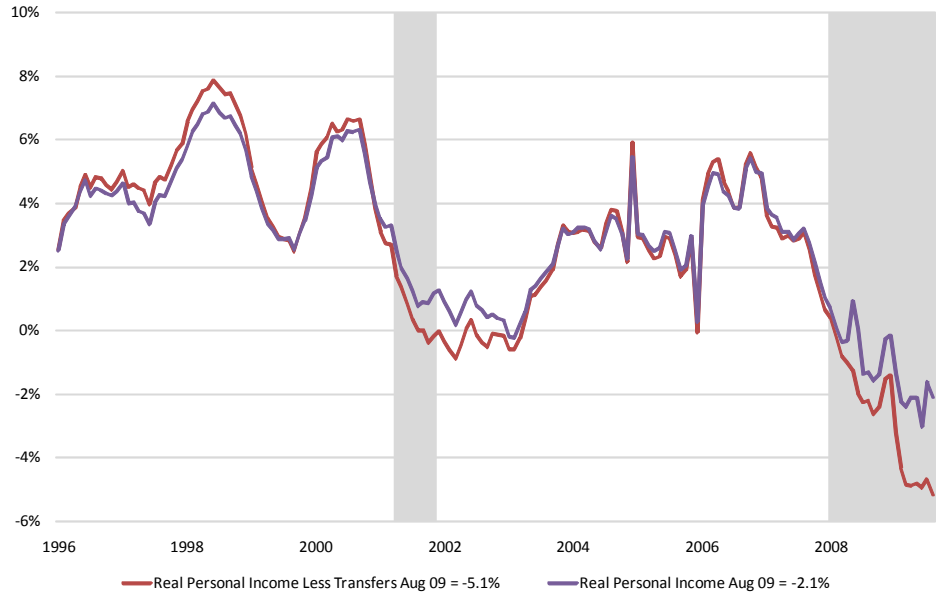
- August real PCE rose 0.9% from July and 0.3% from August of last year. The vast spending on autos related to the “cash for clunkers” incentive program that took place from late July to August 24 accounted for much of the increased spending in August.
- The increase in goods spending was more than accounted for by higher durable goods spending in August. Real spending on durable goods rose a notable 5.8% from July to August, the largest monthly increase in eight years. However, spending on durable goods continues to be 0.9% below year-earlier levels. Real spending on nondurable goods rose 1.0% from July to August and is down 1.1% from August of last year.
- Real spending on services increased 0.2% over the month and 0.7% from last year.
- Data on auto sales revealed notable declines in September, indicating that durable goods spending will likely show a sharp decline in September.

Consumer Spending

Summary

Both real personal income and real personal income less transfer fell on a monthly and yearly basis in August.

Real Personal Income
Year over Year % Change

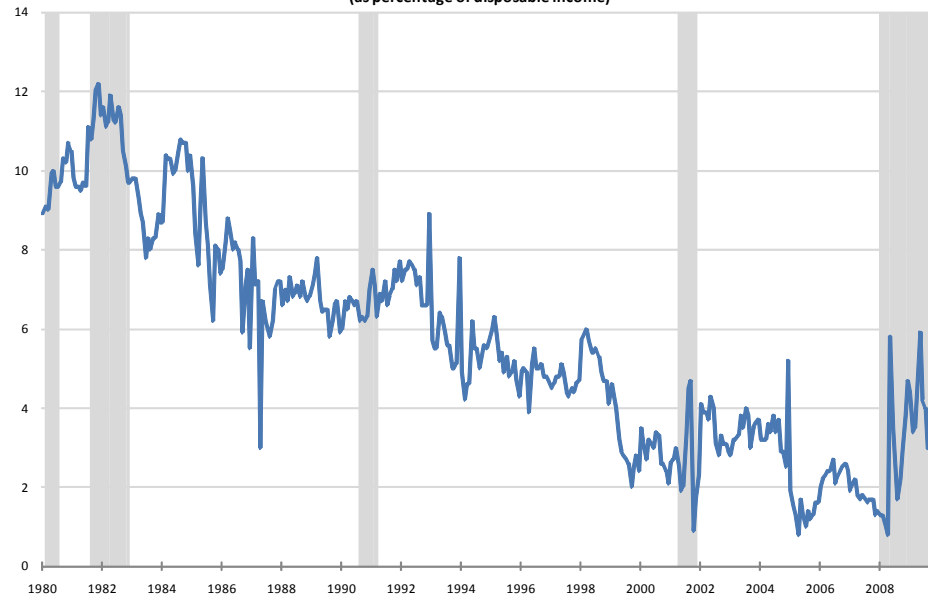


Source: BEA, Haver

- Real personal income fell 0.2% from July to August and declined 2.1% from August 2008. Real personal income less transfers fell 0.3% from July to August and declined to its lowest year-over-year level since the series started in 1980 at -5.1%.
- On a year-over-year basis, nominal wage and salary disbursements are down 5.2%, the largest decline since the series started in 1960.

The personal savings rate as a percentage of disposable income, fell a full percentage point from July to August.

Personal Saving Rate
(as percentage of disposable income)



Source: BEA

- The savings rate plunged in August to 3.0% after the widely popular “cash for clunkers” program, which ran from the end of July through August 24, encouraged more than 700,000 consumers to purchase new automobiles.