

The June Employment Situation Report removed any doubt about whether the economy is in recession. The ISM survey showed manufacturers trading water, but construction spending and motor vehicle sales were weak.

Total employment decreased for the sixth straight month in June by 62,000 jobs. Private payrolls decreased for the seventh straight month in June by 91,000 jobs. Private payrolls have decreased for seven straight months in the past – dating back to the 1940s – only when the economy has been in recession. The one-month changes in employment during April and May were revised downward by a total of 52,000 jobs. From its peak in December, total employment has decreased by 438,000 jobs. Private sector employment has decreased by 578,000 jobs from its peak in November 2007.

Construction employment decreased by 43,000 jobs, with declines spread across both residential and nonresidential job classifications. Job losses totaling 33,000 in manufacturing were broad-based, despite a small gain in the motor vehicle industry resulting from the settlement of the strike at parts-maker American Axle. In the private services category, employment gains in education and health services (+29,000) and leisure and hospitality (+24,000) were more than offset by declines in other sectors.

Employment in temporary help services decreased for the eighth consecutive month and seventeen out of the last eighteen months and is down 8.7% from its peak in December 2006. Temporary help employment has led other measures of economic activity in the past, because of the ease with which temporary staff can be added or reduced. At the start of the last recession in March 2001, temporary help employment had decreased by 7.2% from its previous peak.

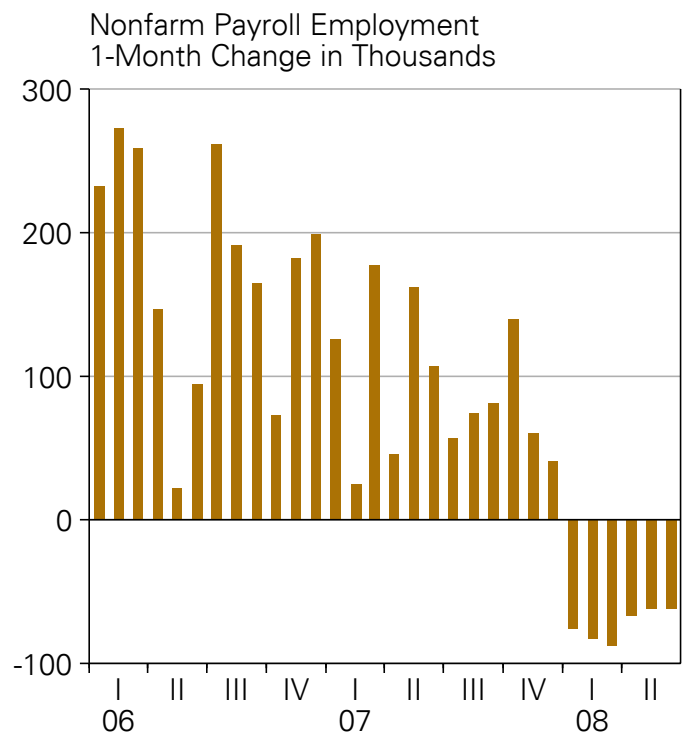
The unemployment rate remained at 5.5% in June, after jumping by one-half percentage point in May. The May increase was the largest one-month increase since May 1980. At 5.5%, the unemployment rate is the highest since July 2004.

The length of the workweek for all production and non-supervisory workers was unchanged at 33.7 hours. The

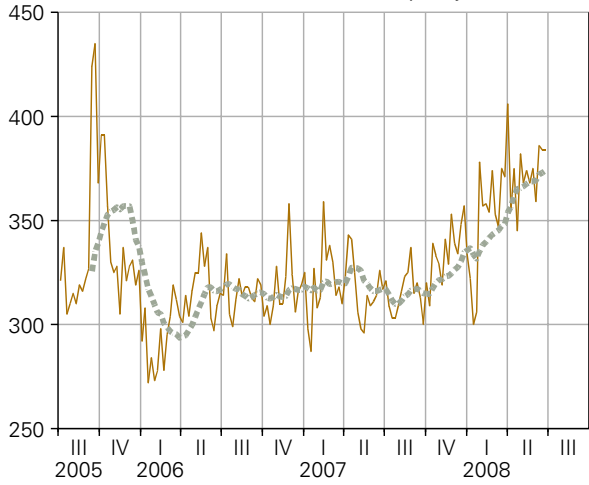
**The June Employment Situation Report removed any doubt about whether the economy is in recession. Private sector payrolls have declined in each of the last seven months – a pattern observed only during recessions in the past.**

manufacturing workweek fell to 40.8 hours from 40.9 hours in May. The peak for this cycle was 41.4 hours in July 2007. The index of aggregate weekly hours decreased at an annual pace of 0.9% in the second quarter, following a 1.1% rate of decline in the first quarter. The back-to-back quarters of falling labor input were the first since the ten consecutive quarterly declines that began at the start of the 2001 recession.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

