

The economy accelerated in the second quarter, but remained weak despite approximately \$100 billion in special tax rebates. Growth in real GDP increased to 1.9% from 0.9% in the first quarter. Growth was revised down to 0.2% in the fourth quarter of 2007 from 0.6% – the first quarterly decline in real GDP since the 2001 recession.

The major drivers of second quarter growth were net exports, personal consumption expenditures, government spending, and investment in nonresidential structures. Factors subtracting from growth included the change in business inventories, investment in residential structures and investment in equipment and software.

Real GDP was 1.8% higher than in the same quarter last year, reflecting a softening in gross domestic purchases. Real GDP excluding net exports fell 0.5% in the second quarter, after little change in the first and a decline of 1.0% in the fourth quarter last year. Compared with a year earlier, gross domestic purchases were up by 0.3% – the weakest since 1991.

Total employment decreased for the seventh straight month in July, falling by 51,000 jobs. Private payrolls decreased for the eighth straight month, a pattern that has occurred only with the economy in recession. From its peak in December, total employment has decreased by 463,000 jobs. Private sector employment has decreased by 665,000 jobs from its peak in November 2007.

Construction employment decreased by 22,000 jobs, with declines spread across both residential and nonresidential job classifications. Job losses totaling 35,000 in manufacturing were broad-based. Other industries posting employment declines included trade, transportation and utilities (-39,000), Information (-13,000), and professional and business services (-24,000). In the private sector, only education and health services posted a significant increase (+39,000). Government added 25,000 jobs.

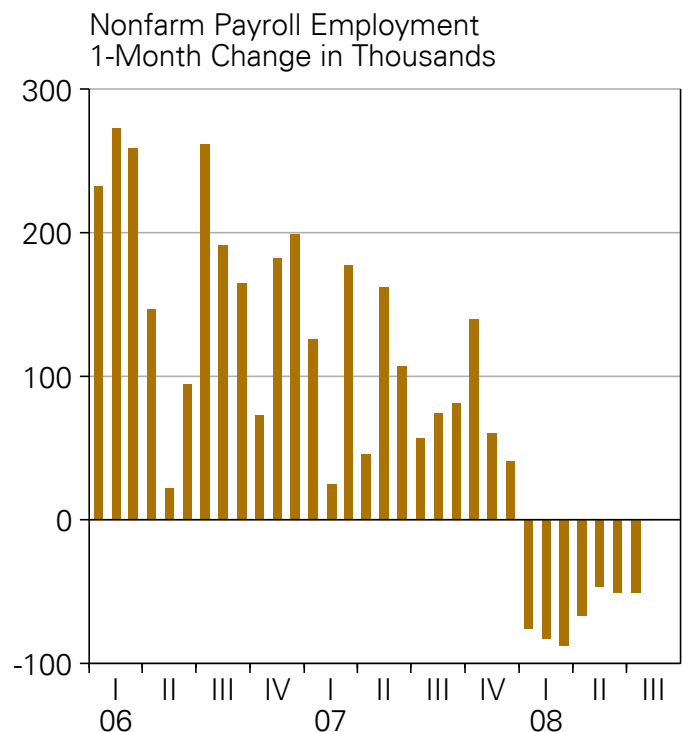
Employment in temporary help services decreased for the ninth consecutive month and eighteen out of the last nineteen months and is down 10.1% from its peak in December 2006. Temporary help employment has led other measures of economic activity in the past, because

Weak economic growth and falling employment continued through the second quarter and into the third.

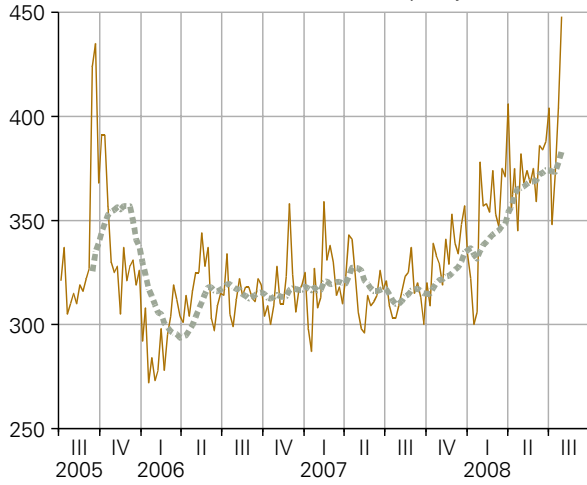
of the ease which with temporary staff can be added or reduced. At the start of the last recession in March 2001, temporary help employment had decreased by 7.2% from its previous peak and fell a total of approximately 20% by the end of the recession.

The unemployment rate increased by 0.2 percentage points to 5.7% in July, up from 5.0% in April and the low for the cycle of 4.4% in March 2007. The rate is 1.0 percentage points above the low during the preceding twelve months, a development that has occurred only during periods of 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

