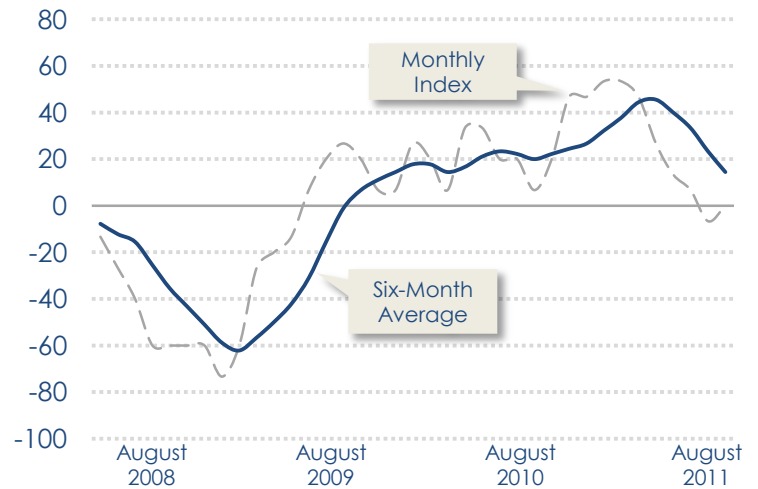


## U.S. Economic Momentum Index

The U.S. Economic Momentum Index increased from -6.7 (revised) in July to 0.0 in August. Investment led all sectors for the fifth straight month, and Housing also made a positive contribution to the Index. These bright spots were offset by negative contributions from Business Activity and Employment. The Consumer sector was neutral this month. Downward revisions to 2011 H1 GDP raised fears of a double-dip recession, but the Index is still far from recessionary levels. Based on the 6-month moving average, the Index suggests positive but subpar growth. However, if oil prices continue to fall, a boost to consumer spending could lead to faster growth in the second half of the year.



## Drivers



Business Activity accelerated slightly from 2.5 to 2.9. Manufacturing and Services were weaker this month, but Trucking and Industrial Production both improved slightly.



Employment accelerated from 3.4 to 5.0. Payrolls and Initial Claims improved after last month's disappointing figures. Temporary Employment and Overtime Hours continued to decelerate.



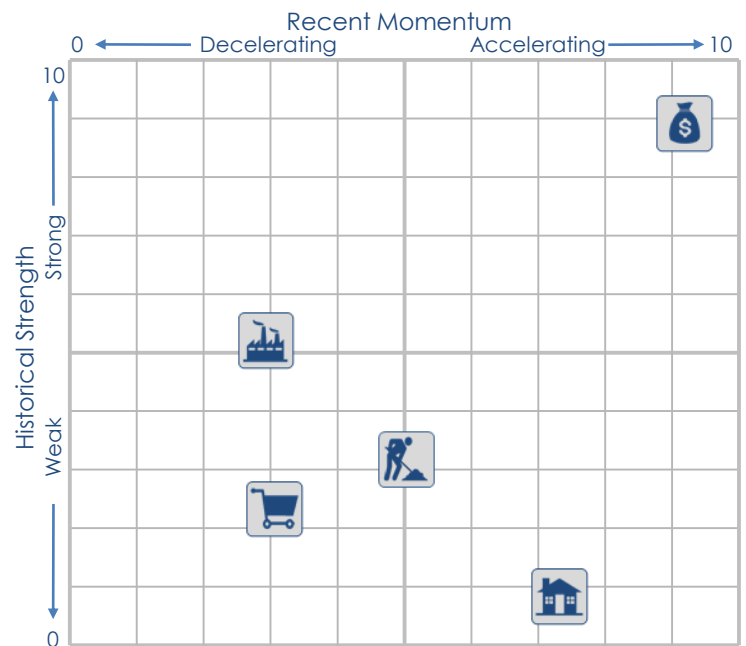
Consumer Activity improved slightly from 2.3 to 3.1. Retail Sales improved slightly, and Consumer Confidence increased after last month's large decline.



Investment improved slightly from 8.9 to 9.1, as both New Orders and Shipments continued to gain momentum.



Housing Activity ticked up sharply from 3.6 to 7.3. Permits, Cement, and the Housing Activity Index all improved this month.



## Key Data Point

50.9

The ISM-Manufacturing reached a 2-year low and is close to contractionary levels.

## Signal To Watch



Will lower oil prices filter through to increased consumer spending?

# U.S. Economic Momentum Monitor Data Table

	Indicator	Units	Latest Tick	Recent Momentum		Historical Strength		Comments
				Indicator Rating	Sector Rating	Indicator Rating	Sector Rating	
				(0-10)	(0-10)	(0-10)	(0-10)	
BUSINESS ACTIVITY	Manufacturing Index	Index	50.9	0.5	2.9	6.0	5.2	Above 50 indicates expansion; Fell to 2-year low
	Services Index	Index	52.7	3.0		3.9		Above 50 indicates expansion; Fell to 18-month low
	Trucking Survey	Index	96.13	4.9		8.1		An economic bellweather; Modest uptick - remains at highest level since mid-2008
	Industrial Production Index	Index (2007=100)	93.1	3.3		2.7		Key measure of industry activity; Modest uptick - remains at highest level since mid-2008
EMPLOYMENT	Employees Added to Nonagricultural Payrolls	Employees (Thousand)	117	4.5	5.0	4.1	3.2	Single best measure of economy's health; Beat expectations
	Initial Claims for Unemployment <sup>3</sup>	Average Weekly Claims (Thousand)	409	8.2		2.3		Leading indicator of unemployment; Edged closer to 400k mark
	Overtime Hours	Hours per Week	4.1	4.1		3.1		A leading indicator of job market strength; No change from last month - hours remain above 4.0
	Change in Temporary Help Employment	Employees (Thousand)	0.30	3.3		3.2		A leading labor trend; Unchanged this month
CONSUMER	Retail Sales (& Food)	Value of Sales (Billion \$)	387,789	2.7	3.1	2.7	2.3	A proxy for consumer spending; Small increase of only 0.14%
	Consumer Confidence	Index (1985=100)	59.5	3.4		1.9		Indicator of consumer sentiment; Rebounded from last month
INVESTMENT	New Orders, Nondefense Capital Goods	Value of Orders (Billion \$)	66,783	9.4	9.2	9.5	8.9	Driver of future business investment; Modest uptick - highest level since Summer 2008
	Shipments, Nondefense Capital Goods	Value of Shipments (Billion \$)	63,951	8.9		8.3		Driver of current investment; Solid gains this month - highest level since Fall 2008
HOUSING	Building Permits	Number of Permits (Million)	617	9.4	7.3	1.1	0.8	Indicator of future housing construction; Up 10% in the past 2 months
	Cement	Index (2007=100)	59.76	7.9		0.8		Signal of construction activity; Up 3.6% this month
	Index of Housing Activity	Index	15	4.8		0.6		Key housing measure; Rebounded from last month

<sup>1</sup> "Recent Momentum" represents the degree of an indicator's recent acceleration or deceleration in the past month relative to its average movement during the previous 3 months. Ratings closer to "0" represent an indicator that is decelerating much more rapidly than average, while ratings closer to 10 represent an indicator that is accelerating much more rapidly than average. Sector ratings for recent momentum are computed as the average of all indicators within that sector.

<sup>2</sup> "Historical Strength" represents the strength or weakness of an indicator in the last 3 months relative to its typical level during that past 10 years. Ratings closer to "0" represent an indicator that is much weaker than average, while ratings closer to "10" represent an indicator that is much stronger than average. Sector ratings for historical strength are computed as the average of all indicators within that sector.

<sup>3</sup> Increases in initial claims for unemployment signal a weakening economy.

## About The U.S. Economic Momentum Monitor

The U.S. Economic Momentum Monitor is designed to anticipate shifts in the economy likely to affect U.S. GDP over the following three months. It is based on analysis of 15 high-frequency indicators (i.e., published at least once per month) with a proven history of signaling the direction of the U.S. economy in the near term. The 15 indicators are organized into five economic sectors: business activity, employment, consumer spending, investment, and housing. Overall shifts in the economy are signaled by the Economic Momentum Index, a diffusion index that reflects the percentage of indicators increasing relative to the percentage decreasing. Sources of momentum are identified through the Sector Performance Matrix, which is based on a combination of each sector's recent momentum and historical strength. For additional information about monthly subscriptions to the U.S. Economic Momentum Monitor or the index's leading properties, contact Mark W. McNulty at [mmcnulty@keybridgeresearch.com](mailto:mmcnulty@keybridgeresearch.com).