

ISM manufacturing (August)

Tuesday 10:00am

According to Friday's Chicago purchasing managers' index, activity in that region was surprisingly brisk (possibly in part reflecting the pickup in vehicle production that has occurred in recent months despite sharp sales declines). However, the rise in the Chicago PM index is uncorroborated by other manufacturing gauges in the month and, when account is taken of these other regional factory indicators, our model suggests that ISM manufacturing index will be unchanged at 50 in August.

Factory orders (July)

Wednesday 10:00am

Durable goods orders have already been reported up 1.3% in July. We expect that a price-related decline in petroleum orders may have held back nondurable goods orders in the month and we look for a 0.4% increase in total factory orders in July.

Initial jobless claims (August 30th)

Thursday 8:30am

We see initial claims unchanged at 425,000 in the final week of August.

Productivity and costs (08Q2 revised)

Thursday 8:30am

Given the upward revision to nonfarm, non-housing business output, we expect that second-quarter productivity growth will be upwardly revised to 3.5% from an originally reported 2.2% increase. We look for unit labor costs to be downwardly revised to 0.0% from 1.3%. The new information in this report will be the nonfinancial corporate sector productivity and unit labor costs data. Real nonfinancial corporate business output rose 3.8% in the second quarter and we see nonfinancial corporate productivity up around 3%.

ISM nonmanufacturing (August)

Thursday 10:00am

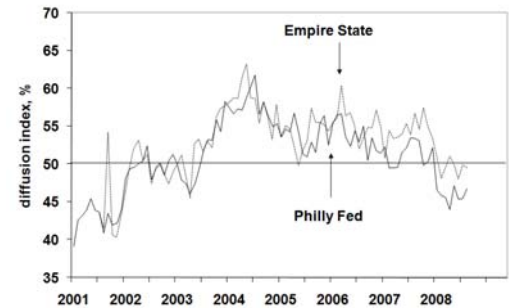
The main interest in this survey, ahead of Friday's jobs report, will likely be the employment subindex. Anecdotal evidence on the financial and retail sectors suggests that the ISM nonmanufacturing composite index may remain consistent with contraction in economic activity in August.

Employment (August)

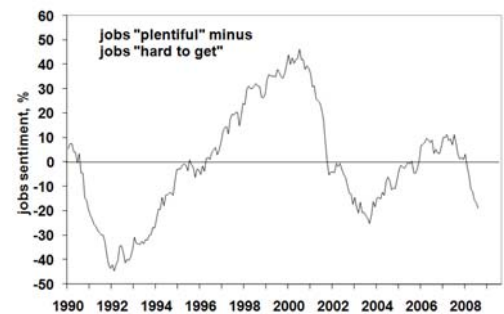
Friday 8:30am

Employment-related indicators for August suggest that the pace of decline in nonfarm payrolls may have picked up in the month. Although these data were affected by the extension of benefits resulting from the Emergency Unemployment Compensation Program, initial jobless claims point to a significant deterioration in labor market conditions in August, as claims have averaged 440,000 thus far in the month, up from 406,000 in July. This signal from jobless claims was corroborated by consumers' assessment of the labor market from the Conference Board's consumer confidence report—the percentage of consumers judging jobs as being “plentiful” fell to 13.1% in August from 13.6% in July, while those viewing jobs as being “hard to get” rose 32.0% from 30.2% (thus, the net “plentiful” less “hard to get” index fell to -18.9% in August, the weakest since October 2003, from -16.6% in July). Although payroll forecasts are sensitive to this week's data on ADP employment and ISM nonmanufacturing employment, at this point we look for nonfarm payrolls to have declined 115,000 in August (which compares to an average monthly drop of 66,000 in the first seven months of 2008). Although the unemployment rate was a “low” 5.7% in July (at 5.682% in unrounded terms), the rise in continuing claims in August and the 1.8%-point increase in the percentage of consumers judging jobs as being “hard to get” suggests that the unemployment rate may have risen to 5.8% in August from 5.7% in July. We see average hourly earnings up 0.3% in August, which would result in year-over-year wage growth picking up to 3.5% from 3.4% in July.

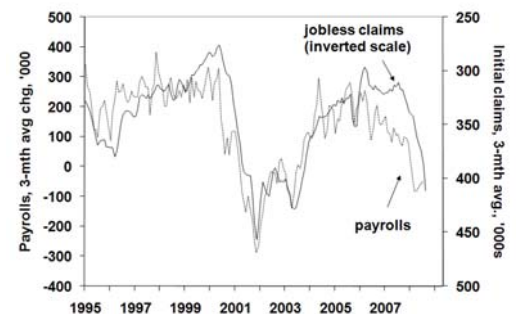
Philly Fed and Empire State Indexes
(reconstructed using ISM weights)



Conference Board Jobs Sentiment



Payroll Growth and Jobless Claims



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