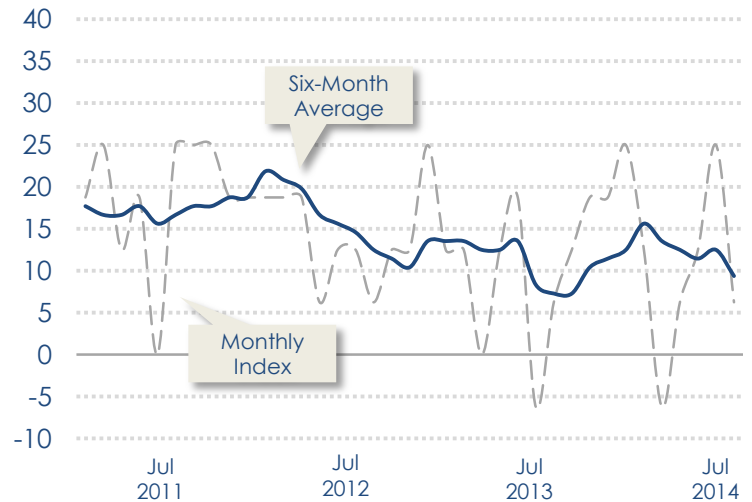


## U.S. Economic Momentum Index

The U.S. Economic Momentum Index decelerated from 25.0 in June to 6.3 in July. The Business Activity Sector made a positive contribution to the Index, while the Housing Activity Sector made a negative contribution. All other sectors were neutral. Contradictory data continues to obscure the state of the economy. The third estimate of Q1 GDP reported a sharp contraction of -2.9%, and sluggish consumer spending and a slowing housing recovery could hold back Q2 growth. However, job growth accelerated in June, reflecting strong labor market recovery. Overall, the Index's 6-month moving average decreased to 9.4, suggesting slow to moderate growth over the next 3 to 6 months.



## Drivers



Business Activity accelerated from 6.8 to 7.5. The ISM for Manufacturing, the ISM for Services, and Industrial Production all accelerated, offsetting a slight slowdown of the Thomson Reuters/PayNet Small Business Lending Index.



Employment slowed from 7.2 to 5.6. Overtime Hours and Initial Claims both decelerated, while Temporary Employment slowed and Total Payrolls accelerated.



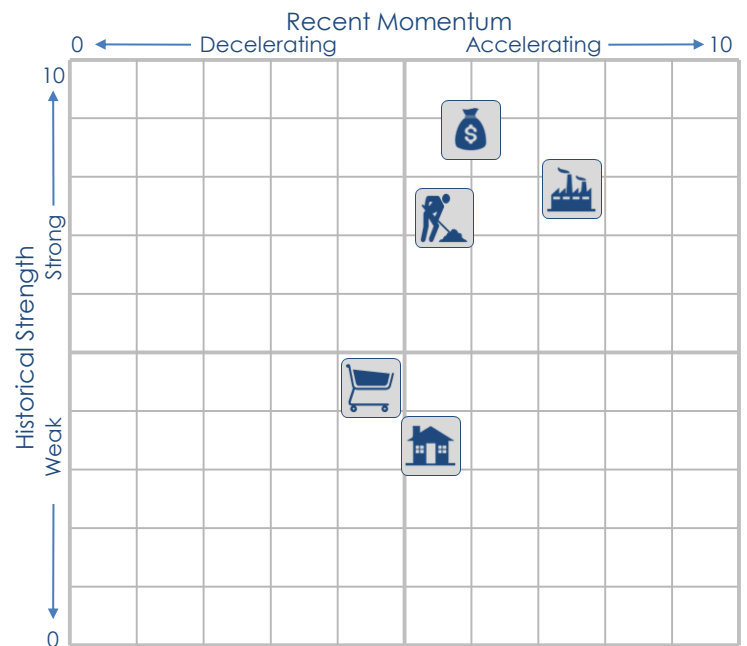
Consumer Activity decelerated from 5.6 to 4.5. Personal Consumption Expenditures decelerated and Personal Disposable Income slowed, yet Consumer Confidence accelerated.



Investment slowed from 7.3 to 6.0. Both Shipments and New Orders slackened.



Housing Activity slowed from 6.4 to 5.4. Cement and Permits both decelerated, offsetting an acceleration in the Housing Market Index.



## Key Data Point

**6.1%** The unemployment rate fell to its lowest level since September 2008.

## Signal To Watch



Will weak consumer spending limit a rebound in Q2 GDP growth?

# U.S. Economic Momentum Monitor Data Table

	Indicator	Units	Latest Tick	Recent Momentum <sup>1</sup>		Historical Strength <sup>2</sup>		Comments
				Indicator Rating	Sector Rating	Indicator Rating	Sector Rating	
				(0-10)	(0-10)	(0-10)	(0-10)	
BUSINESS ACTIVITY	Manufacturing Index	Index	55.3	7.4	7.5	7.4	7.8	Above 50 indicates expansion; Down after three straight increases
	Services Index	Index	56.0	6.8		6.8		Above 50 indicates expansion; Down 0.5% this month
	Thomson Reuters/PayNet Small Business Lending Index	Index	127.1	9.0		9.5		A measure of small business lending; Up 1.4% this month and 12.1% Y/Y
	Industrial Production Index	Index (2007=100)	103.7	6.8		7.6		Key measure of industry activity; Up 0.6% this month
EMPLOYMENT	Employees Added to Nonagricultural Payrolls	Employees (Thousand)	288	8.6	5.6	9.1	7.3	Single best measure of economy's health; Well-above consensus, points to strong growth
	Initial Claims for Unemployment <sup>3</sup>	Average Weekly Claims (Thousand)	313	4.2		7.7		Leading indicator of unemployment; Unchanged this month, near pre-recession levels
	Overtime Hours	Hours per Week	4.5	4.6		7.0		A leading indicator of job market strength; Down 2.2% this month but up 4.7% Y/Y
	Change in Temporary Help Employment	Employees (Thousand)	10.1	5.1		5.5		A leading labor trend; Up 0.4% this month and 8.1% Y/Y
CONSUMER	Personal Consumption Expenditures	Billion 2005 \$	10,888	1.5	4.5	2.9	4.4	Accounts for 70% of GDP; Down 0.1% this month, second straight decrease
	Personal Disposable Income	Billion 2005 \$	11,851	5.5		5.9		Indicator of purchasing power; Up 0.2% this month, fifth straight increase
	Consumer Confidence	Index (1985=100)	85.2	6.6		4.4		Indicator of consumer sentiment; Up 3.7% this month and 3.8% Y/Y
INVESTMENT	New Orders, Nondefense Capital Goods	Value of Orders (Million \$)	70,713	6.2	6.0	9.0	8.8	Driver of future business investment; Up 0.7% this month and 4.0% Y/Y
	Shipments, Nondefense Capital Goods	Value of Shipments (Million \$)	68,552	5.9		8.7		Driver of current investment; Up 0.5% after falling last month
HOUSING	Building Permits	Number of Permits (Thousand)	1005	3.5	5.4	3.5	3.4	Indicator of future housing construction; Down 5.1% this month and 0.5% Y/Y
	Cement	Index (2007=100)	61.7	4.7		2.4		Signal of construction activity; Down 0.5% this month and 0.9% Y/Y
	NAHB/Wells Fargo Housing Market Index	Index	49	8.1		4.4		Key housing measure; Up 8.9% this month, but down 3.9% Y/Y

<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 16 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 16 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, send an email to [info@keybridgedc.com](mailto:info@keybridgedc.com).