



## ECONOMIC RECOVERY CONTINUES BUT LONG-TERM CHALLENGES REMAIN

### KEY ECONOMIC STATISTICS

#### DOW JONES INDUSTRIAL AVERAGE

**11,019.42 +0.5%**  
Week ending April 13, 2010

#### NONFARM PAYROLL JOBS

**+162,000**  
March 2010

#### ISM MANUFACTURING INDEX

**59.6 +3.1pts**  
March 2010

#### ISM NONMANUFACTURING INDEX

**55.4 +2.4pts**  
March 2010

#### TRADE DEFICIT

**\$39.7 billion +7.4%**  
February 2010

#### INITIAL JOBLESS CLAIMS

**4-WEEK AVG**  
**450,250 +2,250**  
Week Ending April 3, 2010

### THIS WEEK

Wednesday, April 14  
Consumer Price Index  
March 2010

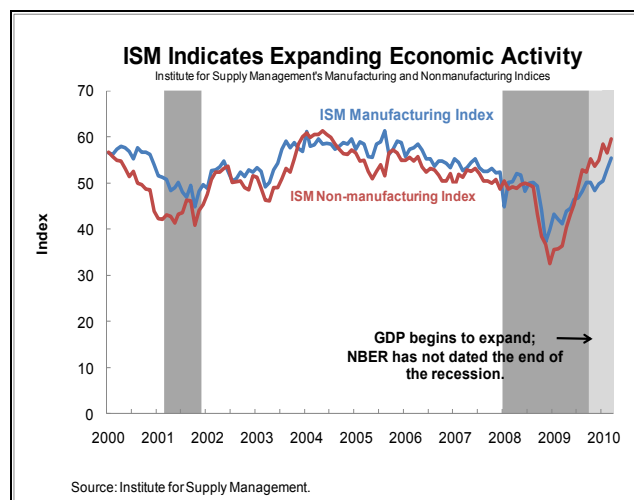
Thursday, April 15  
Advance Retail Sales  
March 2010

Industrial Production and  
Capacity Utilization  
March 2010

Friday, April 16  
New Residential Construction  
March 2010

**Manufacturing and Service Sectors Expanding.** The Institute for Supply Management (ISM) reported substantial growth in economic activity in both the manufacturing and non-manufacturing sectors in March. Its measure of activity in the manufacturing sector, the PMI, rose by 3.1 percentage points to 59.6, the highest level registered since July 2004. A PMI above 50 signals expansion. Moreover, out of the 16 service-sector industries tracked by the ISM, only two contracted in March. Coupled with the increase in private-sector employment of 123,000 in March, this is welcome news for the economic recovery.

**162,000 Non-farm Payroll Jobs Added.** The Bureau of Labor statistics reported that 162,000 non-farm payroll jobs were added in March, while the unemployment remained unchanged at 9.7 percent. This is the highest level of job growth since the recession began in December 2007. In particular, 123,000 private sector jobs were created—the most since May 2007—and the construction sector, which had been hard hit by the collapse of the real estate market, did not post negative job growth for the first time since June 2007. Additionally, the manufacturing sector gained jobs for the third month in a row and the temporary help sector added another 40,000 jobs. Temporary help, a leading indicator of recovery in the labor market, has gained 313,000 positions since September 2009. Despite positive economic growth in the second half of 2009 and March's employment gains, the National Bureau of Economic Research, the official committee which dates recessions, decided this week that it was premature to determine the date of the end of the economic contraction.



**Fed Discusses Short- and Long-Term Economic Challenges.** The recently released Federal Reserve Open Market Committee minutes for its March 16 meeting indicated that the Fed expects inflation to remain “subdued” and will maintain “exceptionally low levels of the federal funds rate for an extended period of time.” The financial market remains stabilized as the Fed phases out its various lending facilities. They also indicated that the pace of recovery has been moderate, and raised concerns over the labor and housing markets as well as tight credit conditions. In a recent speech, Fed Chairman Ben Bernanke added to these concerns by highlighting the need for fiscal discipline. Although he did not advocate a sharp decrease in the federal deficit in the short-term, he did emphasize the need for a long-term plan for addressing the federal deficit, including the possibility of raising taxes, modifying Medicare and Social Security, and reducing spending.