

Economic Highlights

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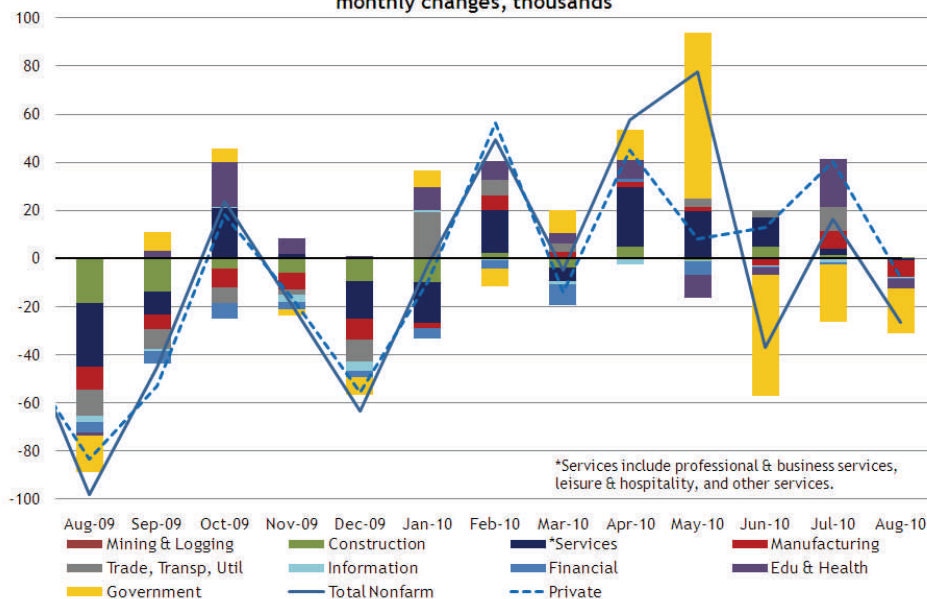
Employment

Summary

District states shed 26,600 non-farm jobs in August, reflecting a decline in both government and private payrolls.

6th District Payroll Employment by Industry

monthly changes, thousands



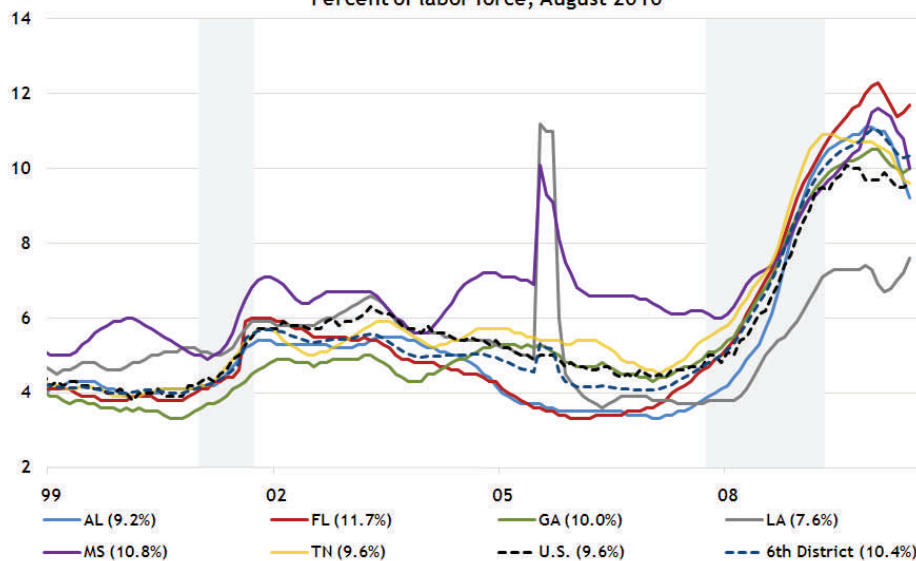
Source: U.S. Bureau of Labor Statistics

- The District shed 26,600 jobs in August after adding 16,600 jobs in July. While a large part of the decline stemmed from the government sector (likely from the release of temporary Census workers), private payrolls still declined 7,800 in the District.
- In August, all District states shed jobs except Mississippi and Tennessee. Nationwide, nonfarm payroll employment increased in 14 states and decreased in 36 states and the District of Columbia.

The District's unemployment rate increased to 10.4% in August from 10.3% in July.

District Unemployment Rates

Percent of labor force, August 2010



Source: U.S. Bureau of Labor Statistics

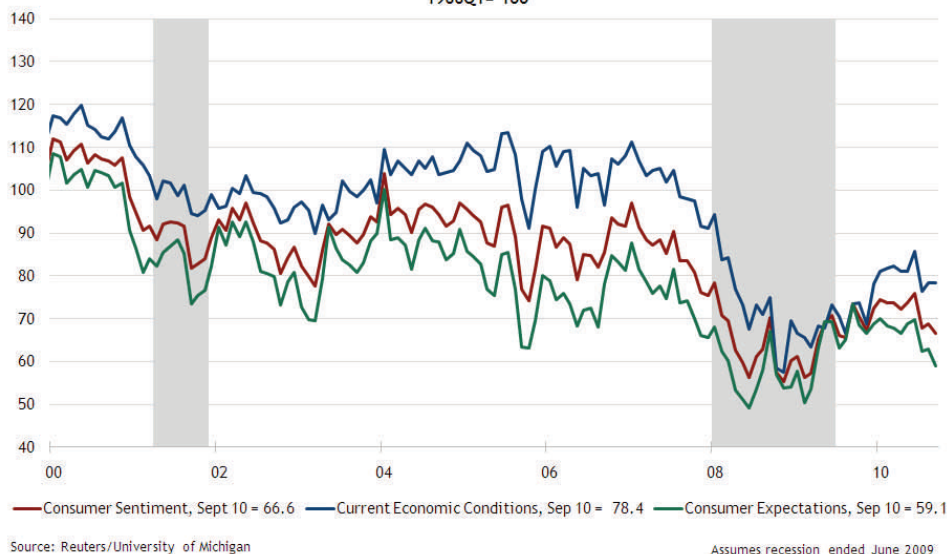
- The unemployment rate increased in three District states (Florida, Georgia, and Louisiana) and decreased in three District states (Alabama, Mississippi and Tennessee).
- All states in the District except Alabama and Louisiana have unemployment rates above the national rate of 9.6%. Alabama's unemployment rate is 9.2%, and Louisiana's is 7.2%.

Consumer Spending

Summary

Consumer sentiment fell to the lowest level in a year, according to the University of Michigan's preliminary report for September.

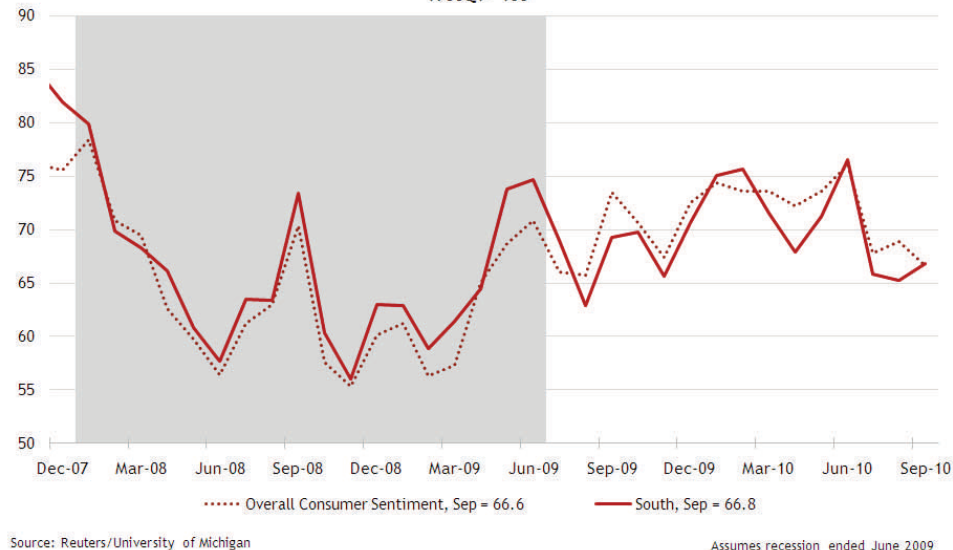
University of Michigan Consumer Sentiment Index
1966Q1= 100



- The University of Michigan's consumer sentiment index fell 2.3 points in September to 66.6, the lowest level in a year.
- The drop in the overall index was due to the future expectations component, which fell 3.8 points to 59.1 points while the current conditions component, at 78.4 points, was essentially flat over the month.

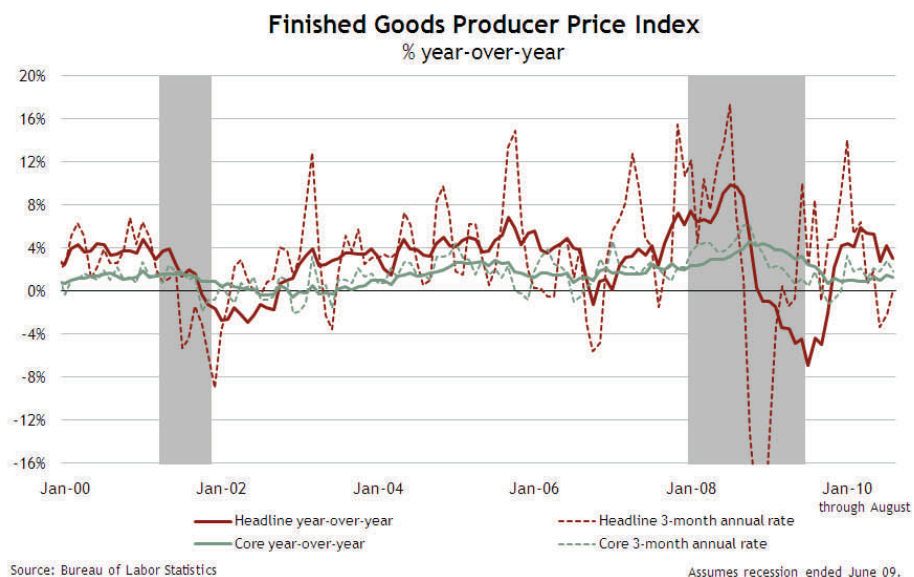
Consumer sentiment increased slightly in the Southern census region in September but still remains at a low level.

University of Michigan Consumer Sentiment Index
1966Q1= 100



Summary

Rising energy costs spurred an uptick in the producer price index in August.



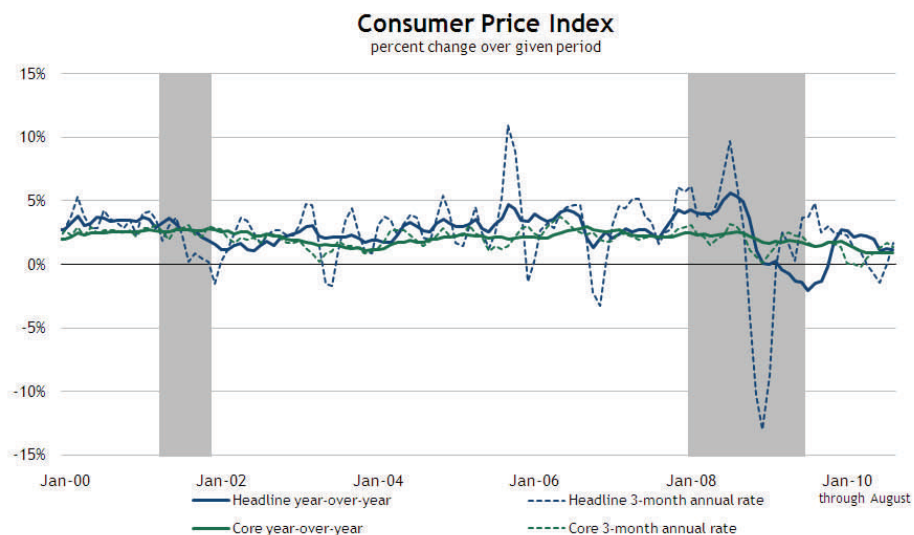
- The **headline producer price index (PPI) for finished goods rose 4.8%** (annual rate) in August after increasing 2% in July. A 29.7% (annual rate) increase in finished energy goods was responsible for the monthly gain in the headline index; excluding the energy components, finished goods PPI was unchanged in August. Headline PPI is up 3% on a 12-month basis.
- **Core (less food and energy) PPI for finished goods increased 0.7%** (annual rate) in August, its tenth consecutive monthly increase. The gain was led by an increase in prices for pharmaceutical preparations and higher prices for light motor trucks. The index for finished core PPI is up 1.3% year over year.
- Further down the chain of production, intermediate goods PPI rose at a 4% annual pace, and crude materials for further processing increased 32%.

PPI by Stage of Processing					
	1-month*	3-month*	12-month*	2008**	2003-2008**
Finished	4.8	0.2	3.0	-1.2	3.2
Less food & energy	0.7	1.9	1.3	4.5	2.5
Intermediate	4.0	-3.9	5.0	-2.6	5.0
Less food & energy	0.7	-3.0	4.2	2.9	4.8
Crude	32.0	10.5	18.2	-24.3	4.1
Less food & energy	61.1	-9.2	21.1	-24.1	5.4

*Seasonally adjusted annualized rates of change in price indices for given period ending August 2010
 **Seasonally adjusted annualized rates of change in price indices for given period
 Source: U.S. Bureau of Labor Statistics

Summary

Core CPI measures remained very near zero in August.



Source: Bureau of Labor Statistics

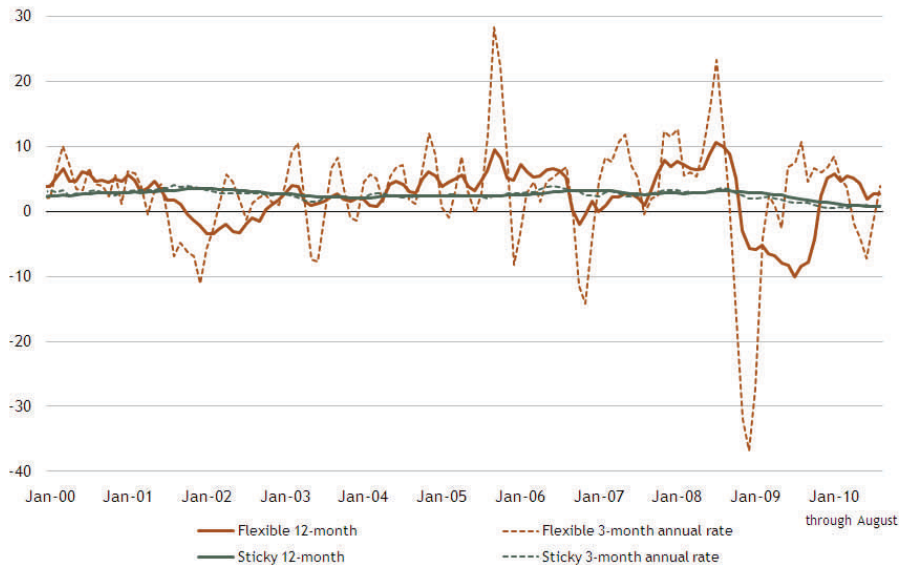
Assumes recession ended June 09.

- **Headline inflation**, measured by the consumer price index (CPI), was up **3.1%** (annual rate) in August from the previous month. As was the case in July, an increase in the energy index accounted for the monthly rise in August. The index for energy rose at a 31.2% annual rate while the index for food increased 1.9%. Headline CPI is 1.2% above year-earlier levels.
- The **core** (excluding food and energy) measure of **consumer prices increased 0.6%** (annual rate) in August, after rising 1.6% the month before. The index for shelter declined 0.3% in August, the first monthly fall since March, led by monthly declines in both the rent and lodging away from home indices. Year-over-year core CPI was 0.9% in August (not seasonally adjusted), matching similar increases in the four prior months, the smallest annual increase since January 1966.
- The **median CPI**, as calculated by the Federal Reserve Bank of Cleveland, was up a very slight 0.6% (annualized) in August, about the same as its most recent 12-month average. Meanwhile, the Cleveland Fed's trimmed-mean CPI rose 1.2% (annualized), just a shade above its 12-month average (0.9%).

Summary

The Atlanta Fed's sticky price CPI was nearly unchanged in August.

Sticky and Flexible CPI
percent change over given period



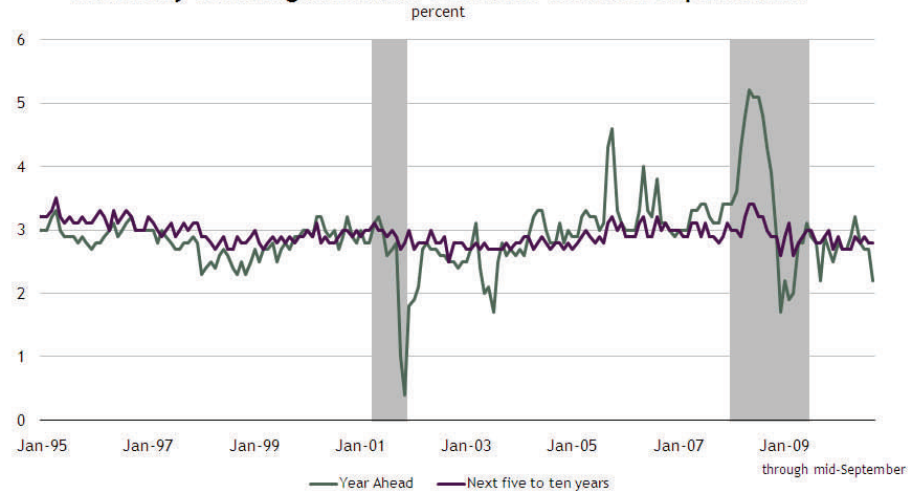
Source: Atlanta Fed, Bureau of Labor Statistics

- Growth in the **sticky price** measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—**rose 0.7%** (annualized) in August and 0.4% (annualized) on a core (excluding food and energy) basis. Both measures were only marginally under their recent 12-month trends.
- The **flexible** cut of the CPI—the weighted basket of goods that change price relatively frequently—**rose at a 9.3%** annual rate and was up 2.7% from year-earlier levels in August. Excluding food and energy, flexible CPI rose 1.6% (annual rate) and is up 3.3% from year-earlier levels.

Summary

Survey data compiled in early September by the University of Michigan showed that near-term consumer inflation expectations were lower and longer-term expectations were unchanged.

University of Michigan Median Consumer Inflation Expectations



Source: University of Michigan

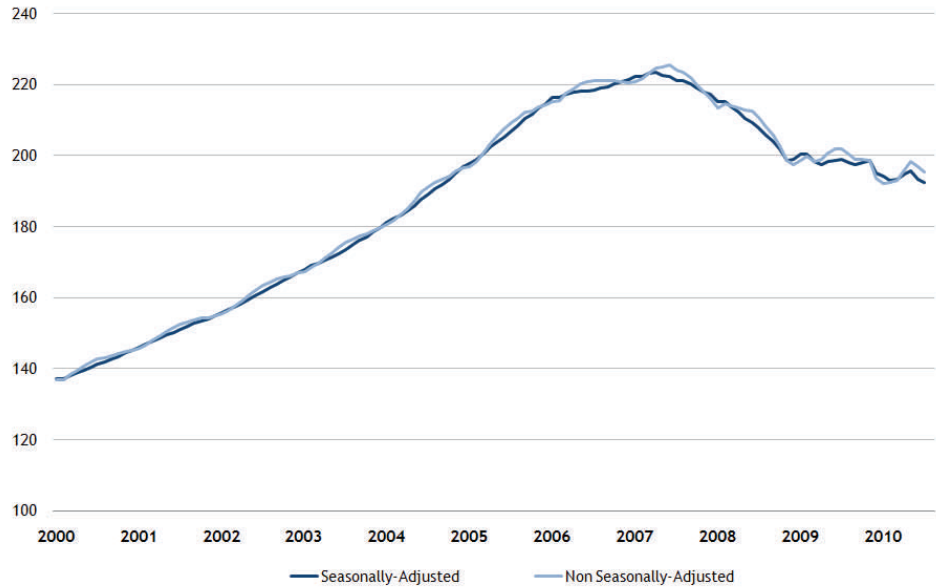
Assumes recession ended June 09.

- The median inflation rate expected by consumers 12 months out was 2.2% in mid-September, down from August expectations of 2.7%, marking the lowest reading since September 2009.
- Expectations for inflation in five to 10 years was 2.8% in mid-September (median), unchanged from the prior month.

Summary

The FHFA purchase-only price indices softened in July, declining 0.5%, slightly more than consensus expectations.

FHFA Purchase-Only Home Price Indices
July 2010

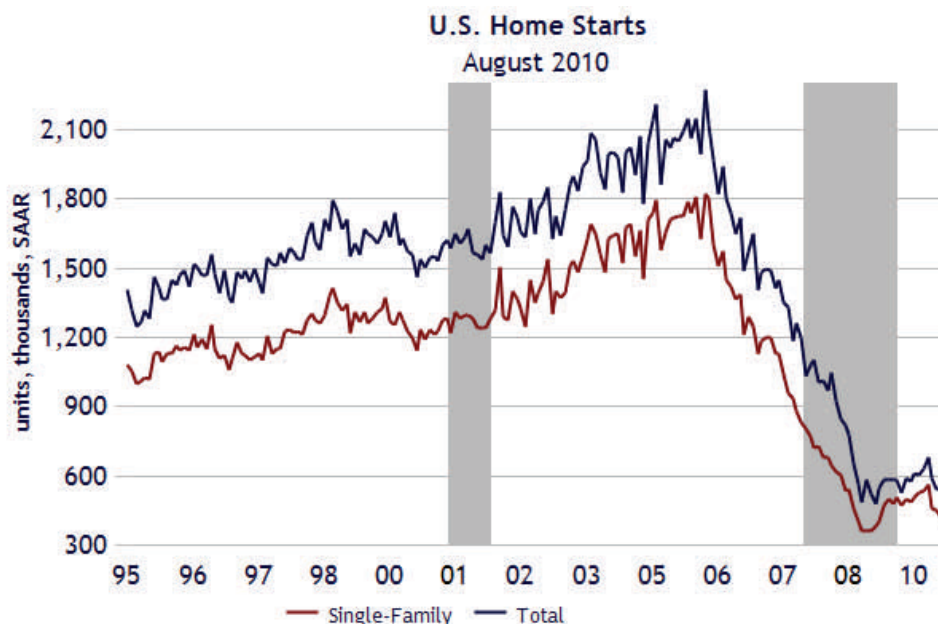


Source: Federal Home Finance Authority

	July (nsa)	July (sa)	M/M (nsa)	M/M (sa)	Y/Y	2Y/Y	3Y/Y
U.S. FHFA Purchase-only index	195.5	192.4	-0.7%	-0.5%	-3.3%	-7.4%	-13.0%

Summary

The U.S. Census Bureau reported a slight increase in home starts, driven largely by multifamily housing.



Source: U.S. Census Bureau

August permits, SAAR

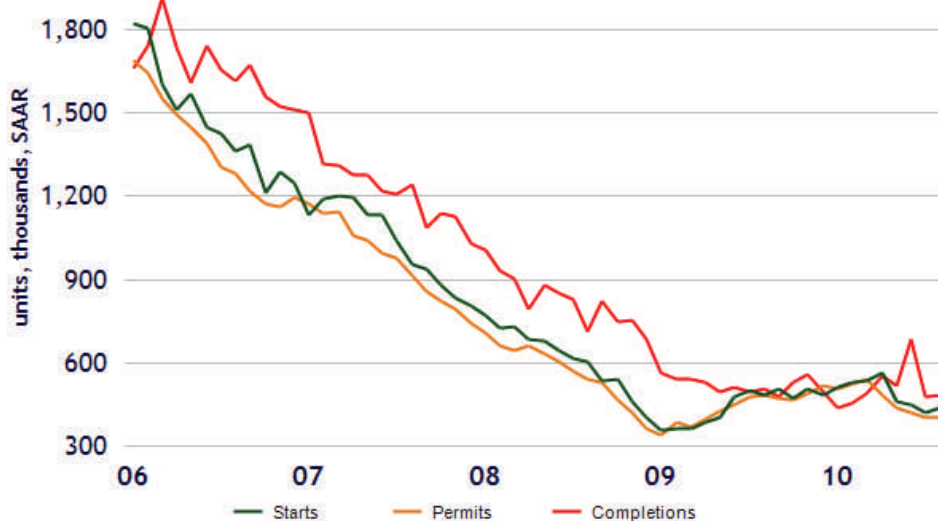
Total	569k	-6.7% y/y	1.8% m/m
Single-family	401k	-16.8% y/y	-1.2% m/m
Multifamily	168k	31.3% y/y	9.8% m/m

August starts, SAAR

Total	598k	2.2% y/y	10.5% m/m
Single-family	438k	-9.1% y/y	4.3% m/m
Multifamily	160k	55.3% y/y	32.2% m/m

Single-family completions have dropped sharply since their recent peak in June, which coincided with the end of the housing stimulus. Starts and permits have held fairly steady in recent months.

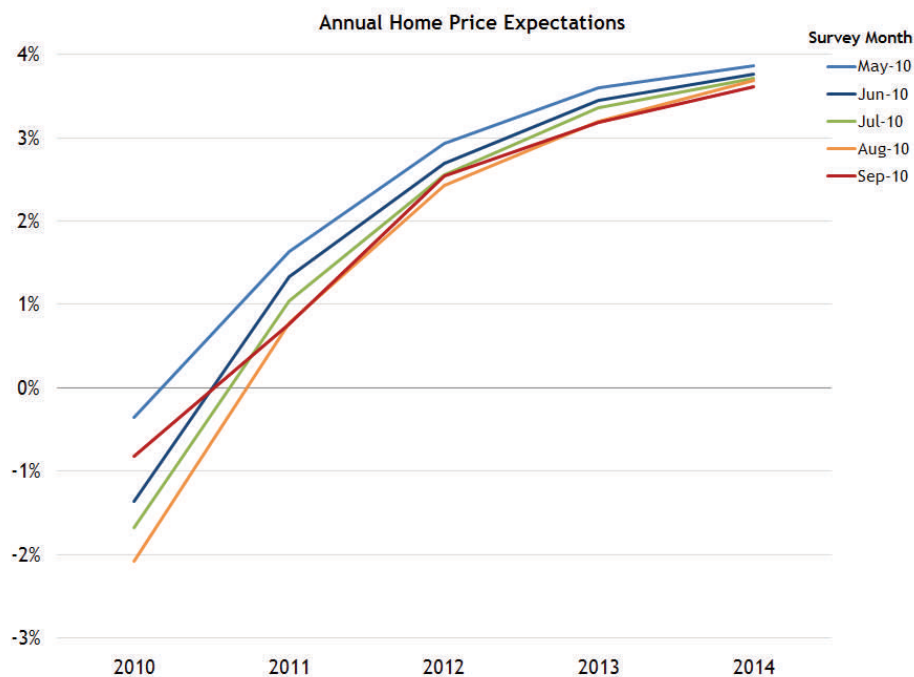
U.S. Single-Family Home Construction activity since the peak in January 2006



Source: U.S. Census Bureau

Summary

According to the MacroMarkets monthly survey of home price expectations, the outlook for home price growth in the short term improved for the first time since the survey began in May; however, projections in September still imply a 2% decline in growth over the remainder of 2010.



Note: The Home Price Survey is a monthly survey of more than 100 economists, real estate experts, and investment and market strategist. The survey is based on the projected path of the S&P/Case-Shiller U.S. National Home Price Index over the coming five years.

Source: MacroMarkets

Expected Home Price Changes, by Survey Month Year-over-Year (Q4 vs. Q4 of prior year)

Year	May-10	Jun-10	Jul-10	Aug-10	Sep-10
2010	-0.36%	-1.36%	-1.68%	-2.08%	-0.82%
2011	1.63%	1.33%	1.05%	0.78%	0.77%
2012	2.93%	2.70%	2.55%	2.43%	2.54%
2013	3.60%	3.45%	3.36%	3.20%	3.19%
2014	3.87%	3.77%	3.72%	3.69%	3.61%