

ECONOMIC AND FINANCIAL HIGHLIGHTS

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MARCH 7, 2012

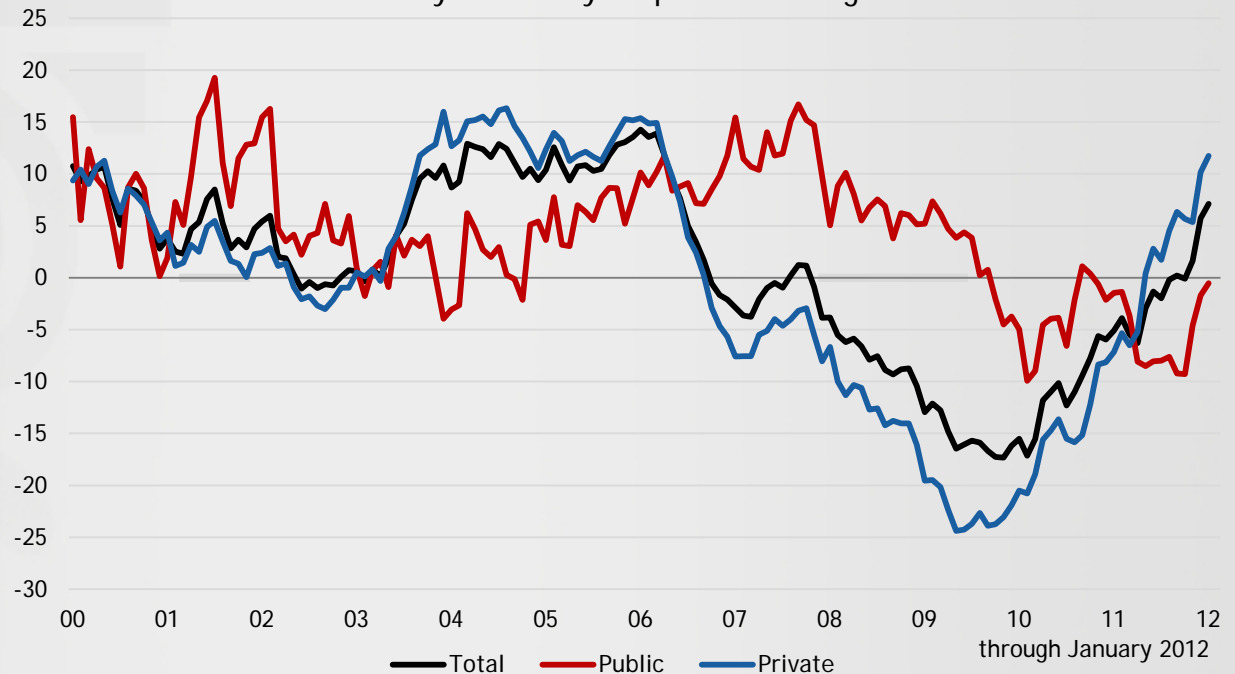


REAL ESTATE

SUMMARY

The U.S. Census Bureau reported that total construction spending continued to improve in January on a year-over-year basis led by private, nonresidential construction spending.

U.S. Construction Spending
year-over-year percent change



Source: U.S. Census Bureau

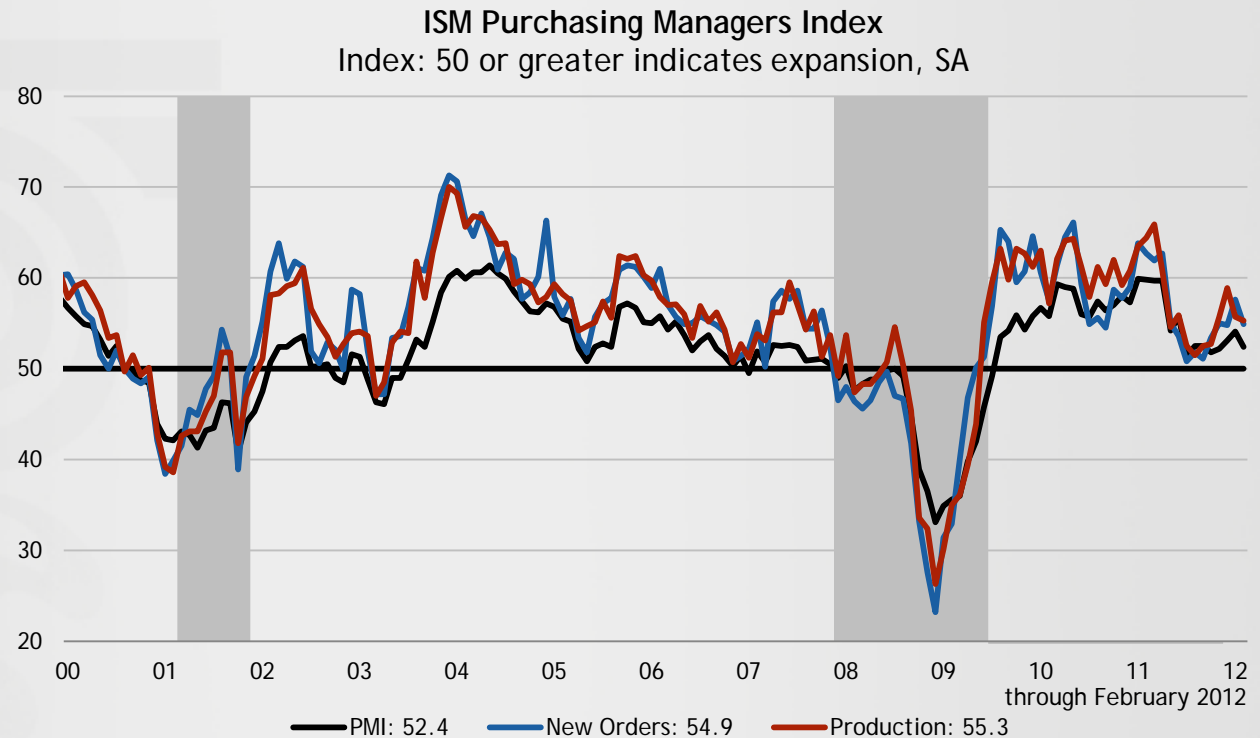
January 2012 Construction Spending Put in Place

	Total	Total Private	Total Public	Total Nonresidential	Private Nonresidential	Public Nonresidential	Total Residential	Private Residential
Billions, SAAR	827	538.7	288.3	566.4	285	281.3	260.6	253.6
M/M	-0.10%	0.00%	-0.20%	-0.80%	-1.50%	-0.10%	1.60%	1.80%
Y/Y	7.10%	11.70%	-0.50%	7.90%	16.60%	0.40%	5.40%	6.70%

MANUFACTURING

SUMMARY

The Institute for Supply Management's (ISM) Purchasing Managers Index (PMI) slipped 1.7 index points in February, following four consecutive months of gains. All components of the index lost ground in February, but readings for every component continue to indicate expansion.



Source: Institute for Supply Management

ADDITIONAL DETAIL

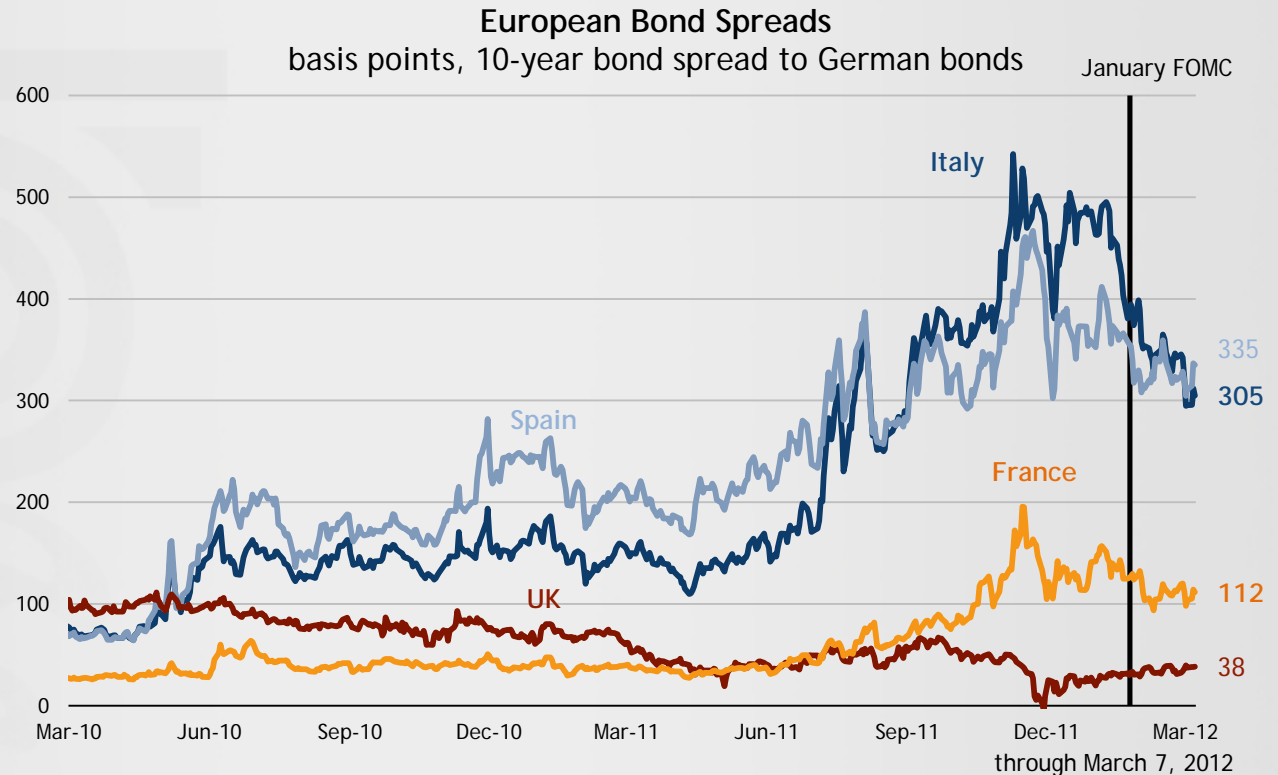
- The component measuring changes in manufacturing employment also decreased for the month; it fell 1.1 index points to reach 53.2 points.
- The ISM index measuring manufacturers' input prices, which is not part of the overall index, rose 6 index points in February to reach 61.5 points.

EUROPEAN BOND MARKET

SUMMARY

European bond spreads (against the 10-year German bond) have narrowed for the major eurozone countries: Italy, Spain, and France.

Since the January 25, 2012, FOMC meeting, spreads are lower by 90 basis points (bps) for Italian bonds, 19 bps for the Spanish, and 15 bps for French.



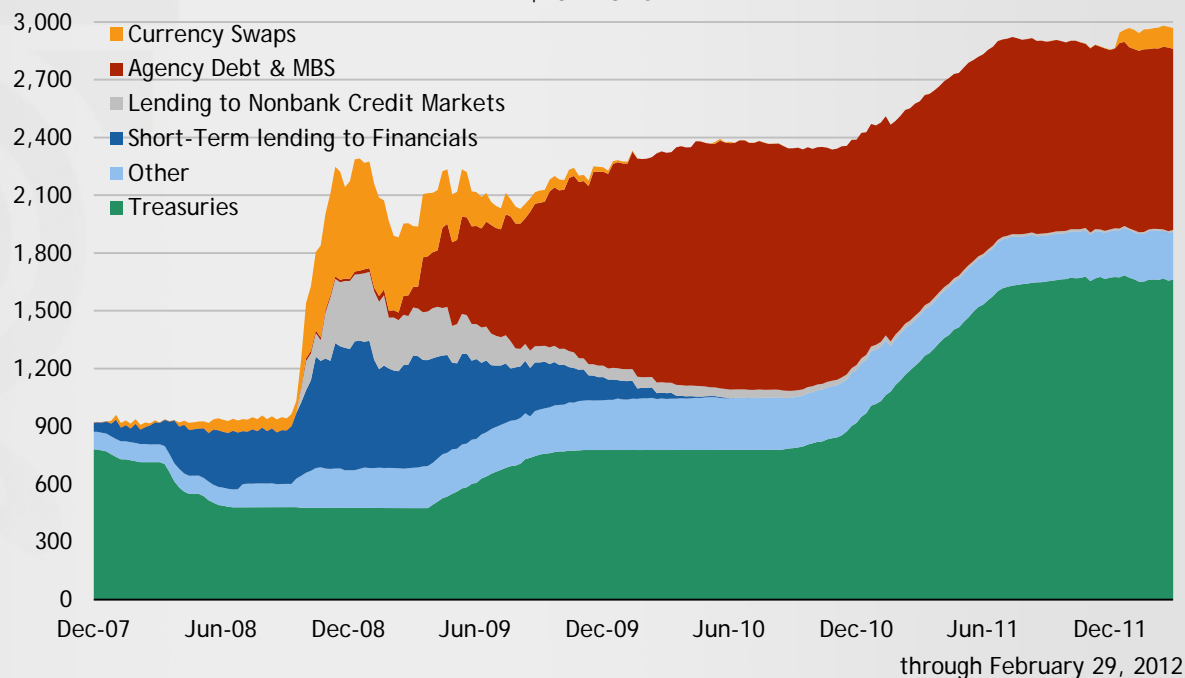
FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between February 22 and February 29, the balance sheet decreased by \$6.5 billion, remaining essentially unchanged at \$3 trillion.

Since mid-December, increased use of swap lines by foreign central banks has caused the balance sheet to expand by \$105 billion.

Federal Reserve Assets (Uses of Funds)
\$ billions



Source: [Federal Reserve Board](#)

ADDITIONAL DETAIL

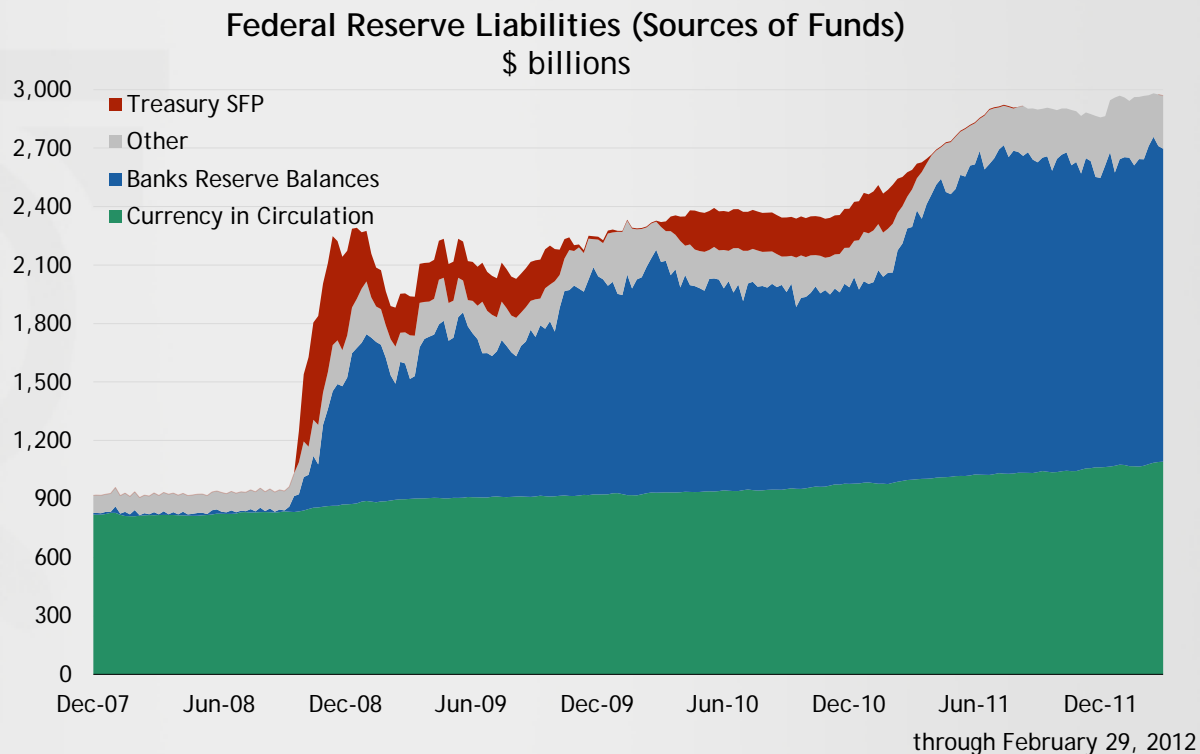
- Treasuries increased by \$5 billion while agency debt and MBS decreased by \$12.3 billion.
- Central bank liquidity swaps decreased by \$0.2 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), and in line with the [maturity extension program](#), the desk plans to purchase approximately \$44 billion in Treasury securities with remaining maturities of from six to 30 years and sell approximately \$43 billion in Treasury securities with remaining maturities of three years or less over the month of March.

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between February 22 and February 29, bank reserve balances with the Federal Reserve decreased by \$15.7 billion while Treasury deposits with the Federal Reserve increased by \$26.5 billion.

As of February 29, 2012, bank reserves are \$1.61 trillion.



Source: [Federal Reserve Board](#)
SFP=Supplemental Financing Program

ADDITIONAL DETAIL

- Reverse repurchase agreements with foreign officials and international accounts decreased by \$2.3 billion.
- Nonreserve deposits with the Federal Reserve decreased by \$17.6 billion.

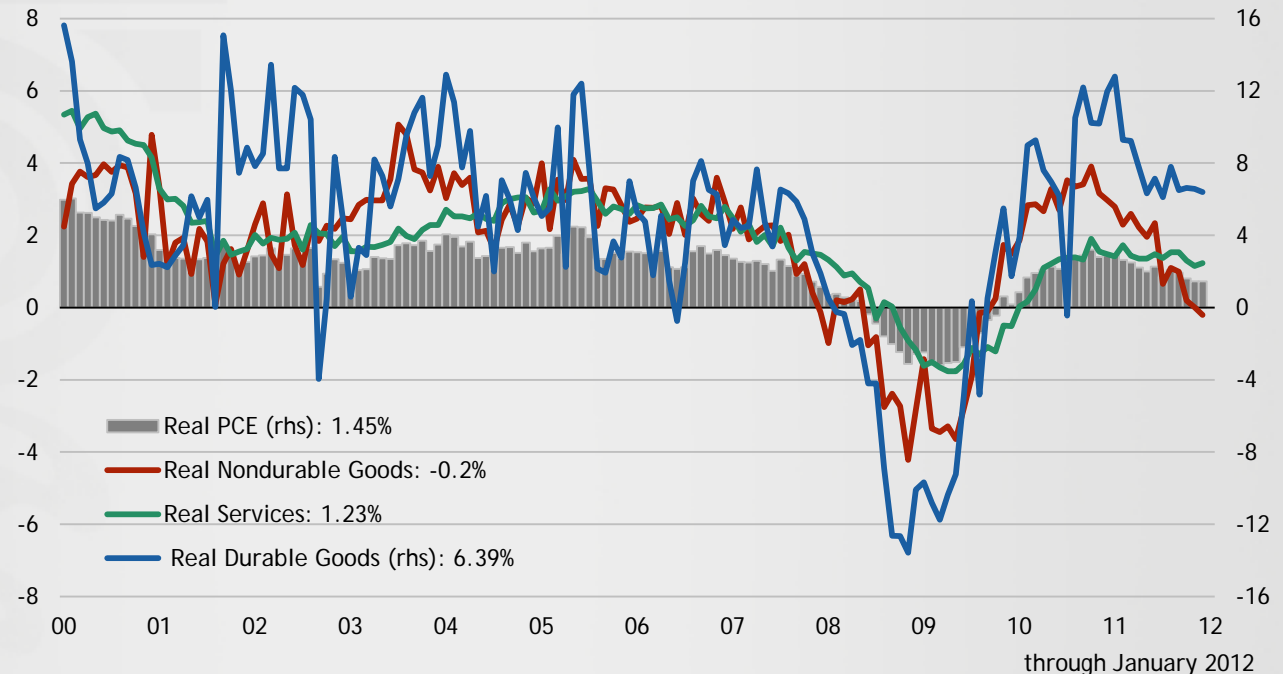
CONSUMER SPENDING

SUMMARY

Month-over-month, consumer spending as measured by real personal consumption expenditures (PCE) was essentially unchanged in January.

Spending on durables posted large gains in January (increasing 0.9 percent over the month), while spending on nondurables was flat and spending on serviced declined 0.1 percent.

Real Personal Consumption Expenditures
year-over-year percent change, SA



Source: Bureau of Economic Analysis

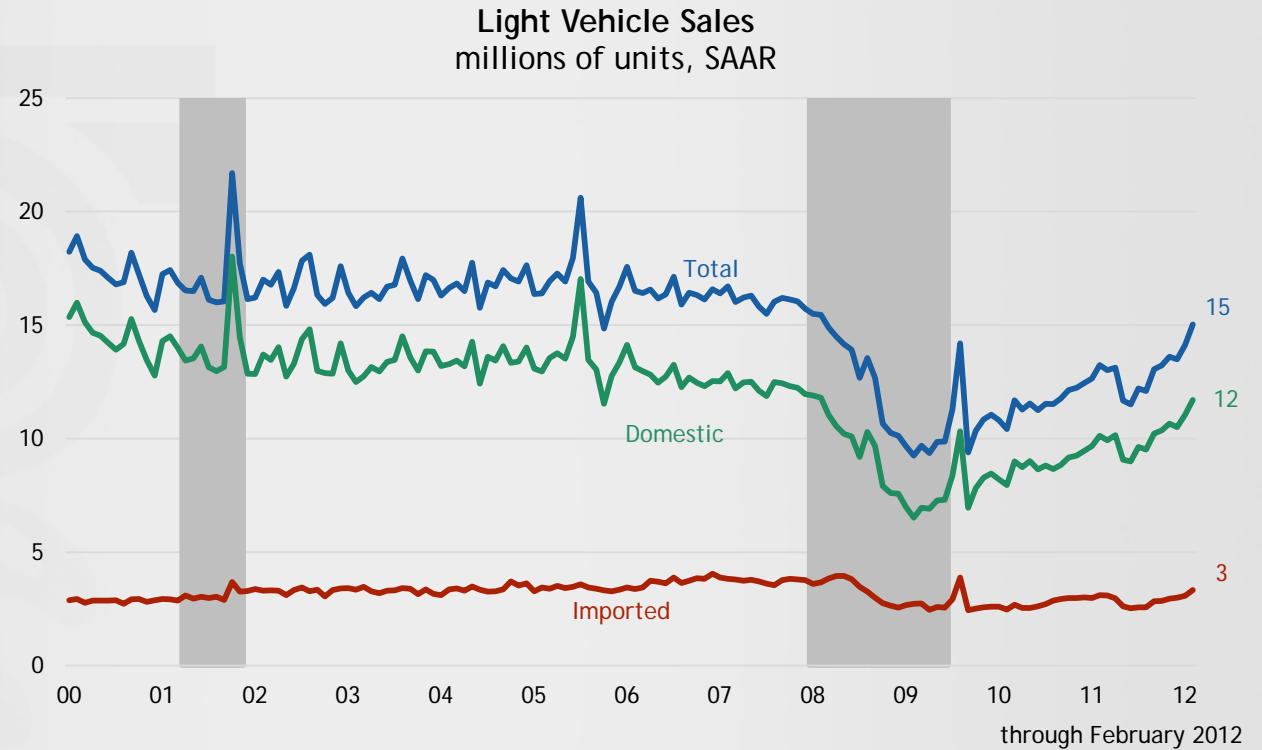
ADDITIONAL DETAIL

- Seventy percent of the growth in total real personal consumption expenditures (PCE) over the past six months has come from sales of new motor vehicles.
- The largest drag on PCE growth over this same time period has been from decreased spending on electricity and natural gas services.
- Real disposable personal income (also released by the U.S. Bureau of Economic Analysis) decreased 0.1 percent over the month.

CONSUMER SPENDING

SUMMARY

Light vehicles sales increased 6 percent over the month in February to a seasonally adjusted annual rate of 15 million units.



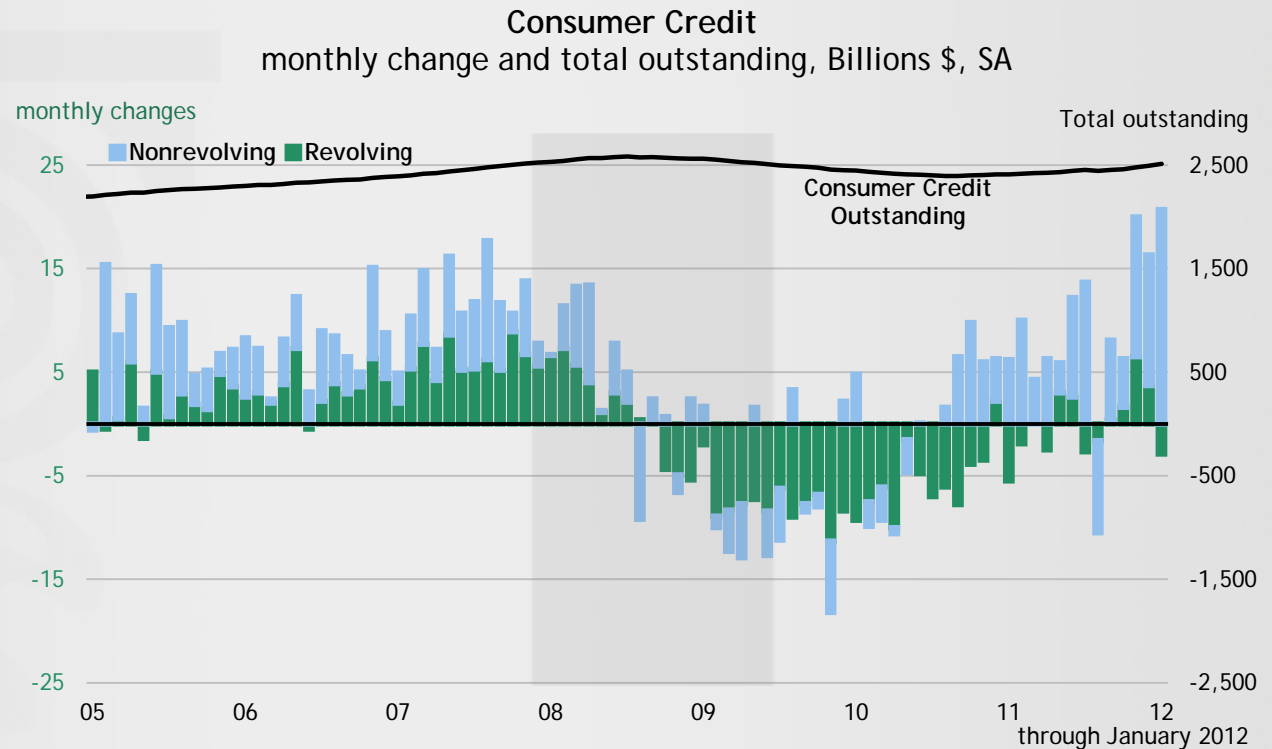
Source: Bureau of Economic Analysis

CONSUMER SPENDING

SUMMARY

Consumer credit outstanding increased \$18 billion in January.

Nonrevolving credit increased \$21 billion while revolving credit declined \$2.9 billion.



Source: Federal Reserve Board

ADDITIONAL DETAIL

- Consumer credit outstanding is currently \$69 billion shy of its prerecession peak.