

ECONOMIC AND FINANCIAL HIGHLIGHTS

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MAY 2, 2012

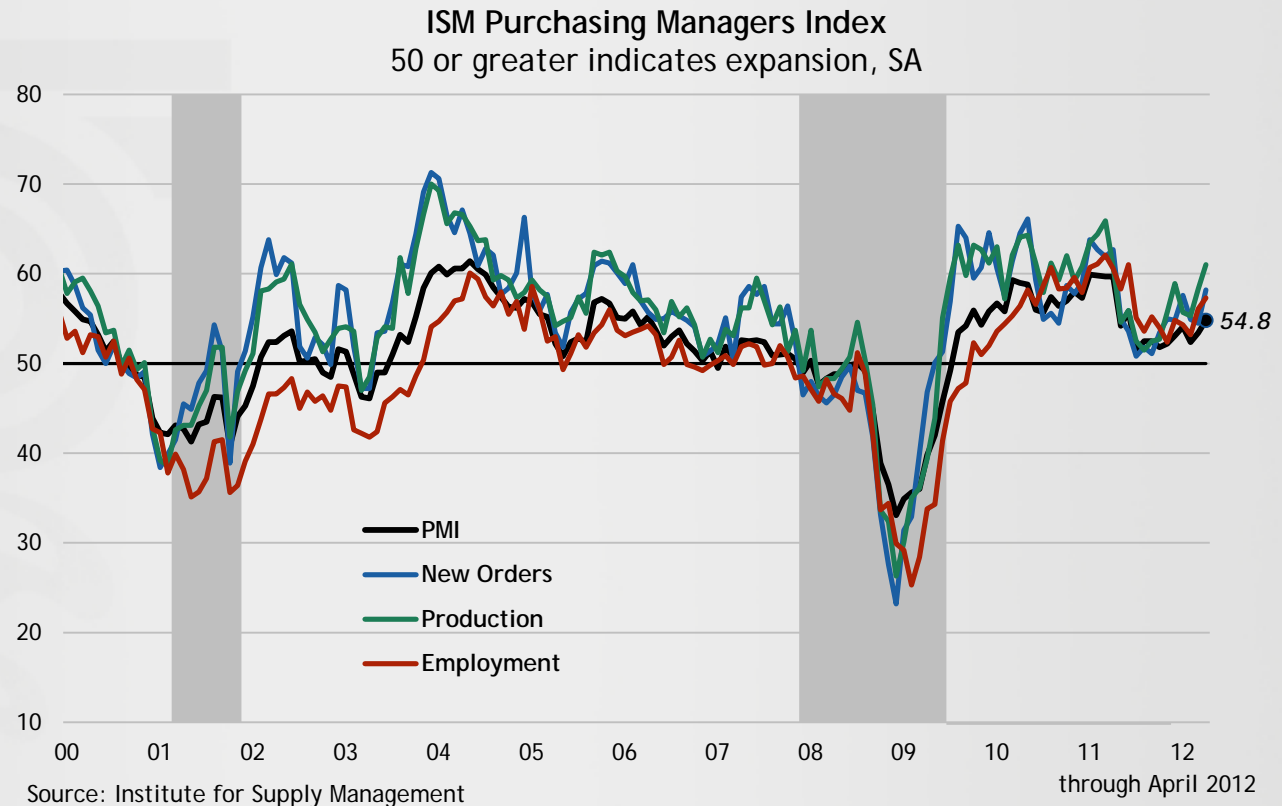


MANUFACTURING SECTOR

SUMMARY

The Institute for Supply Management's (ISM) Purchasing Managers Index (PMI) indicated a faster pace of expansion in the manufacturing sector in April.

The overall index gained 1.4 index points to reach 54.8, on a scale where any reading above 50 indicates growth. Gains across subcomponents of the index were broad-based.



ADDITIONAL DETAIL

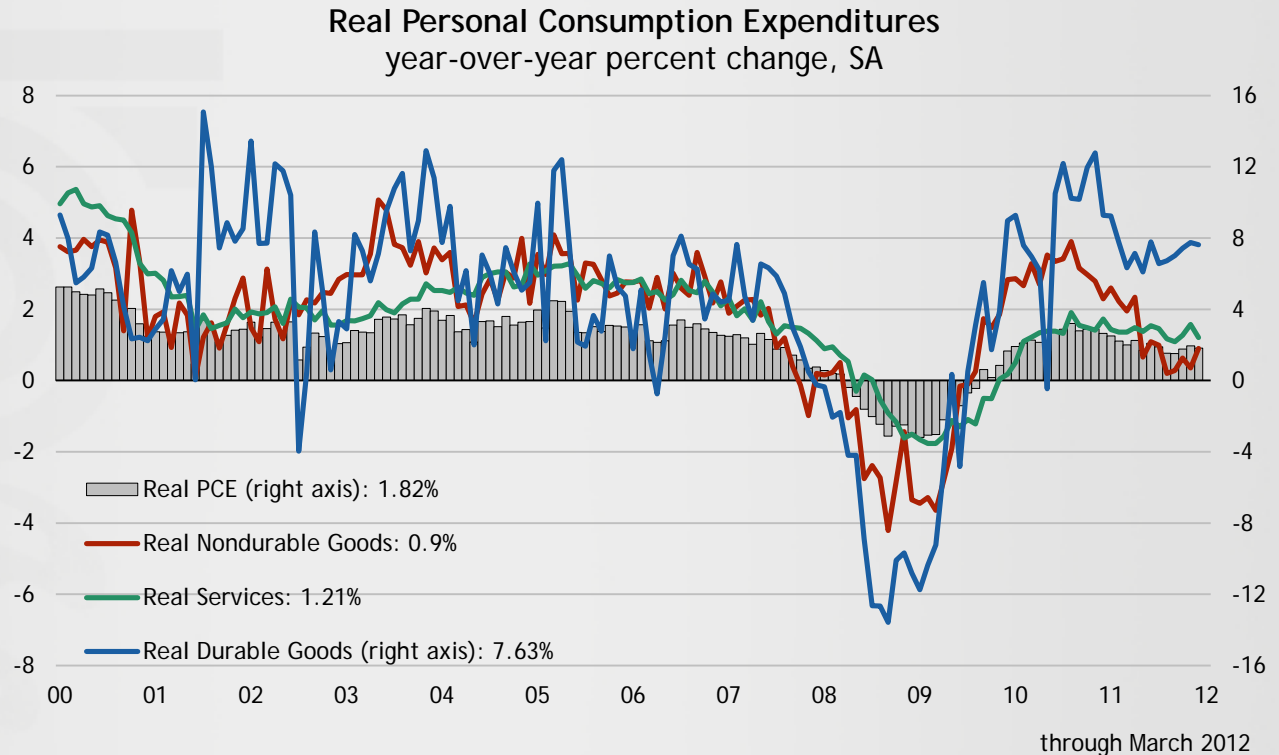
- The largest gain within the index was the **new orders component, which jumped 3.7 index points** to reach 58.2 points for the month. The **production component also gained 2.7 points** to reach 61 points.
- The component gauging **manufacturing employment registered 57.3 in April**, a 1.2 index point gain over March's reading.
- Not included in the overall index's aggregation, two other indexes were of note in the PMI survey this month. Input prices for manufacturers reportedly increased at the same pace in April as in March (an index reading of 61 points), while the **index measuring exports jumped 5 points** to reach 59 points.

CONSUMER SPENDING

SUMMARY

Month over month, consumer spending in March as measured by real personal consumer expenditures (PCE) was essentially unchanged from February.

Spending in March was little changed in any of the three broad categories—nondurable goods, durable goods, and services.



Source: BEA

ADDITIONAL DETAIL

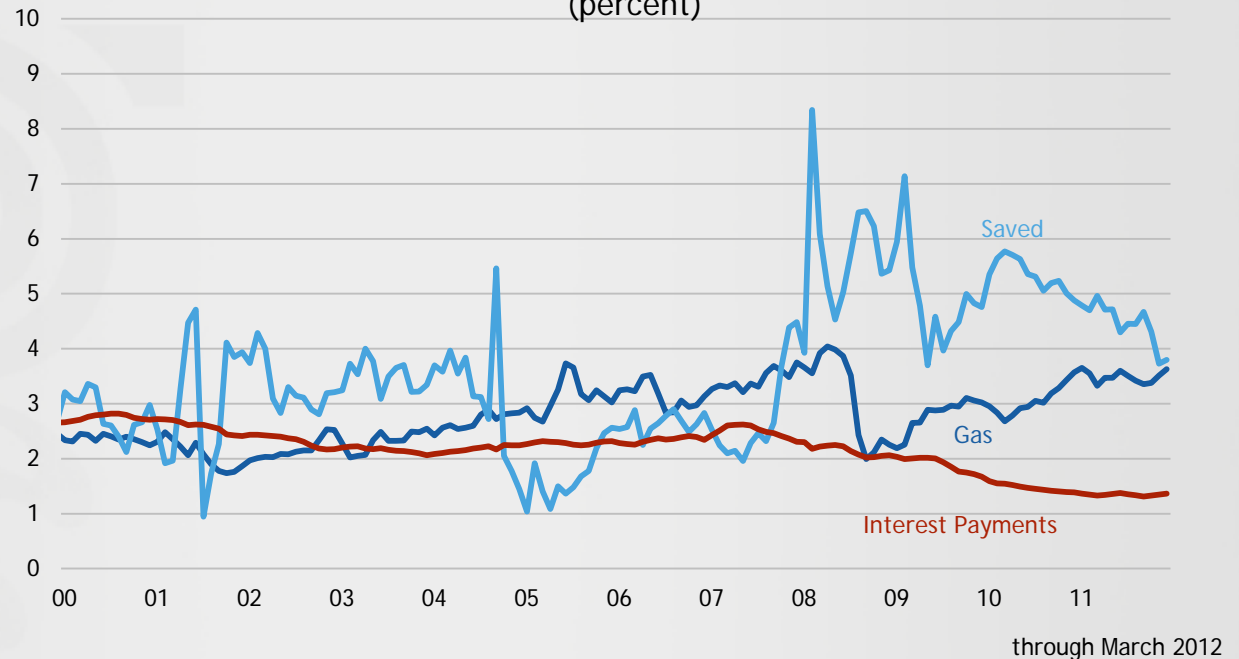
- New motor vehicles continue to support growth in PCE and have accounted for 10 percent of growth in nominal PCE over the past six months.
- Unadjusted for price changes, spending on electricity and natural gas services has decreased 14 percent over the past six months. Nominal spending on motor vehicle fuels is up 2 percent over the past six months.

CONSUMER SPENDING

SUMMARY

Decreases in interest payments and the savings rate has left more room in consumers' budgets to purchase goods and services.

Portion of Personal Disposable Income Used for Gasoline, Savings, and Interest Payments (percent)



Source: BEA

ADDITIONAL DETAIL

- The savings rate has been trending down since June 2010, while the portion of disposable personal income used to purchase gas has been steadily rising.
- Interest payments (excluding mortgage interest) has been trending downward since the onset of the recession.
- After decreasing in January and February, real disposable income increased 0.15 percent in March.

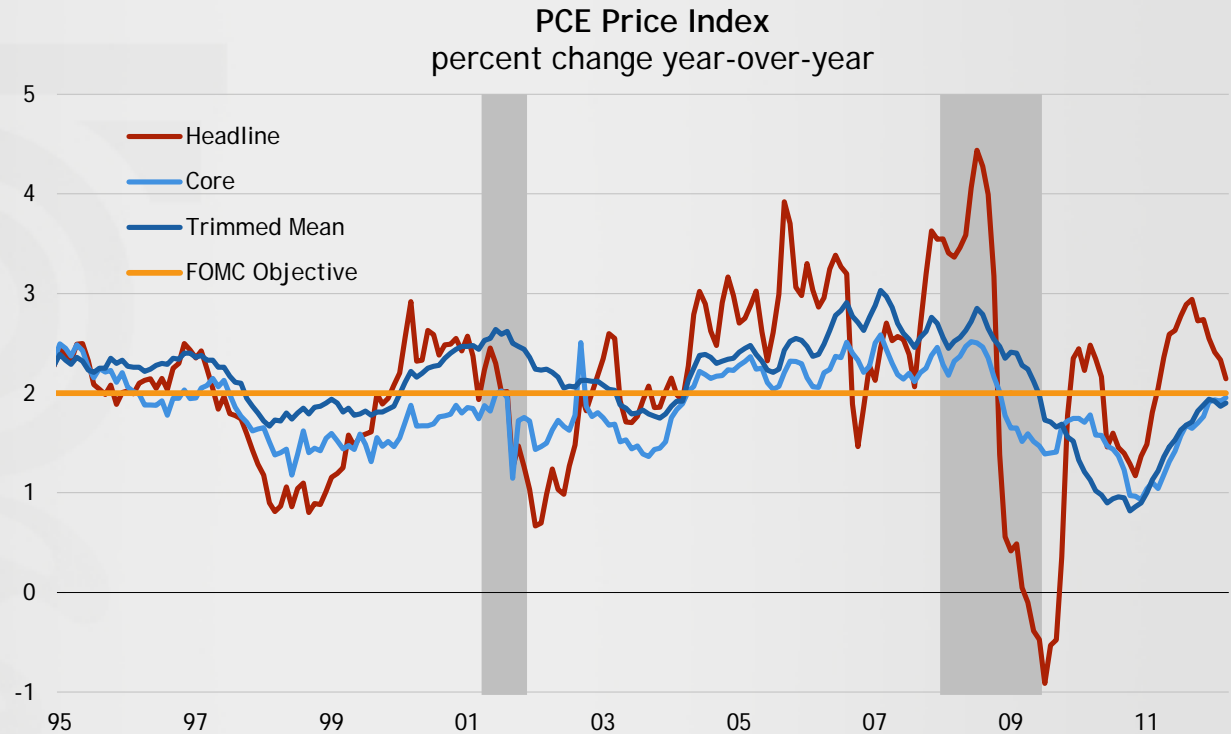
INFLATION

SUMMARY

Inflation, as measured by the consumer spending deflator, rose 2.5 percent (annualized) on a headline basis in March, decelerating from 4 percent in February.

Core PCE inflation rose 1.9 percent (annualized) in March, matching its six-month trend and below its 2.2 percent three-month trend.

On a year-over-year basis, the headline PCE price index has decelerated from a recent high of 2.9 percent in September 2011 to 2.1 percent in March.



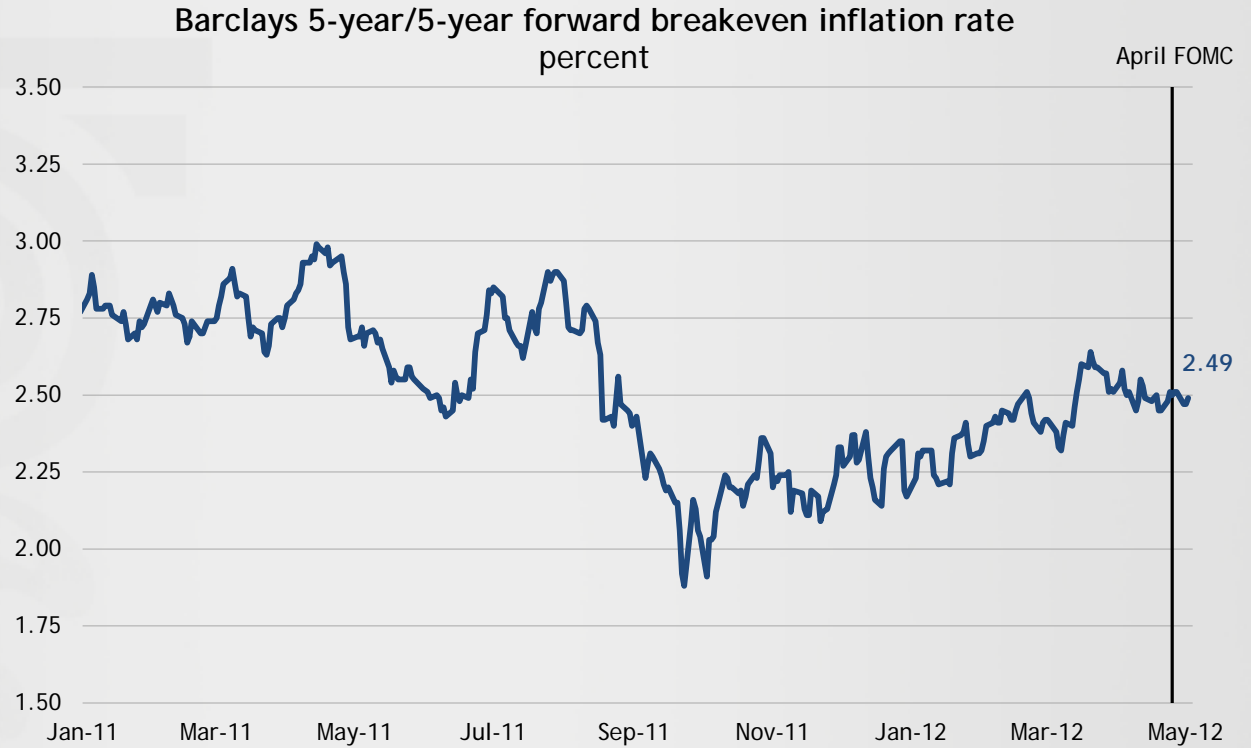
Sources: Bureau of Economic Analysis, Dallas Fed

through March 2012

INFLATION

SUMMARY

Inflation expectations according to the TIPS market are stable, with the Barclays estimate of the 5-yr/5-yr forward breakeven inflation rate at 2.49 percent as of May 2, 2012.



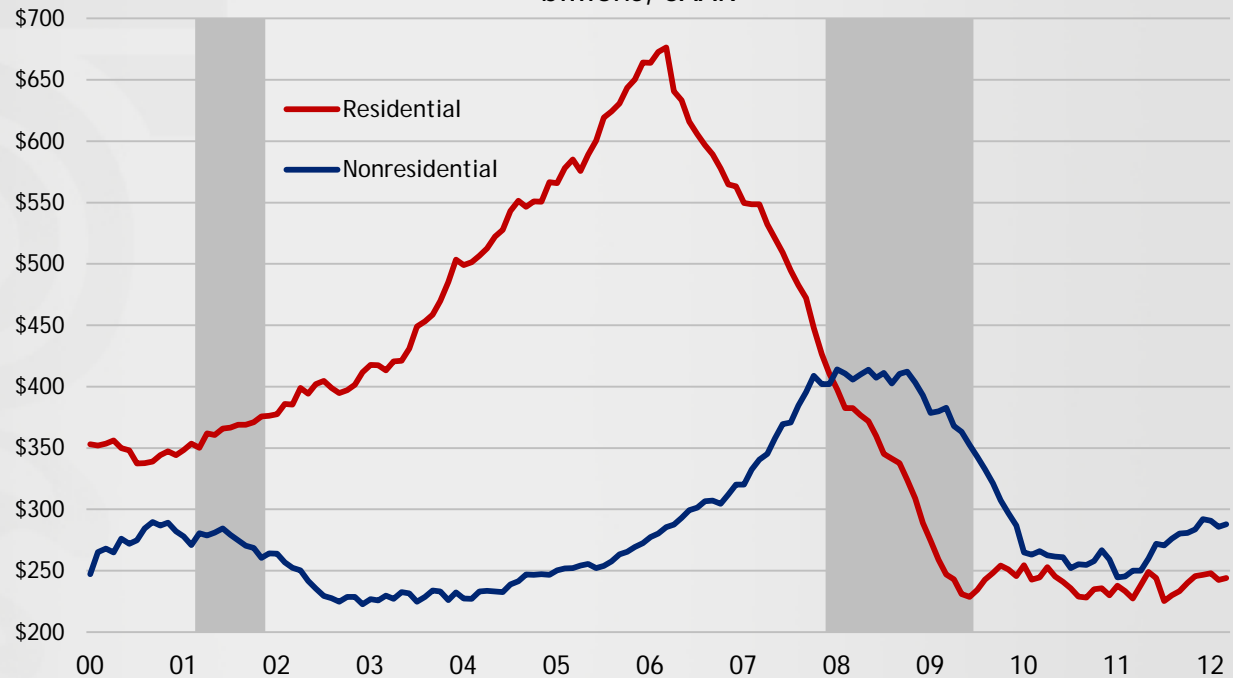
Source: Barclays Capital

REAL ESTATE MARKET

SUMMARY

The U.S. Census Bureau reported that total construction spending was essentially unchanged from February to March and remained ahead of the year-earlier level, driven largely by private nonresidential construction spending.

U.S. Private Construction Spending
billions, SAAR



Source: U.S. Census Bureau

through March 2012

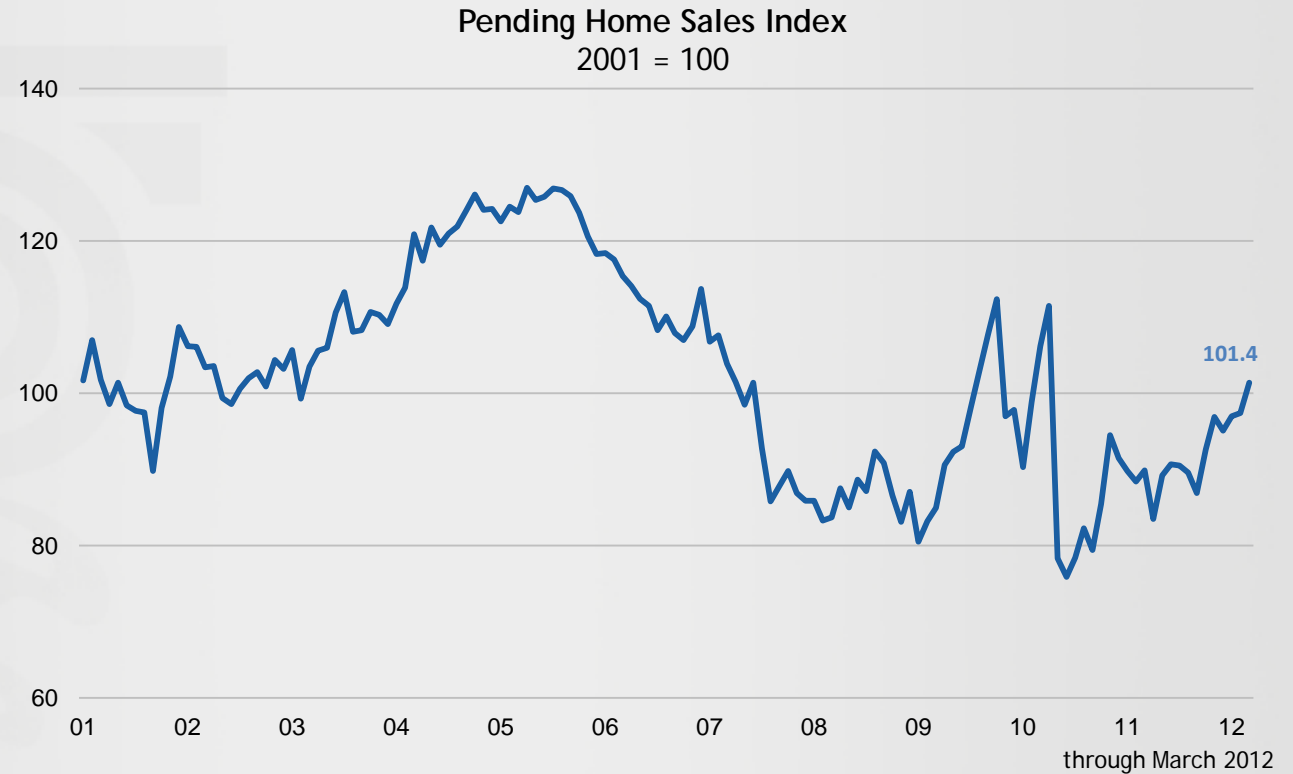
February 2012 Construction Spending Put in Place

	Total	Total Private	Total Public	Total Nonresidential	Private Nonresidential	Public Nonresidential	Total Residential	Private Residential
Billions, SAAR	\$808.1	\$531.9	\$276.2	\$556.9	\$287.8	\$269.1	\$251.2	\$244.1
M/M	0.1%	0.7%	-1.1%	-0.2%	0.7%	-1.1%	0.7%	0.7%
Y/Y	6.0%	11.5%	-3.2%	5.7%	15.2%	-2.8%	6.5%	7.4%

REAL ESTATE MARKET

SUMMARY

The National Association of Realtors reported that their March pending home sales index increased 4.1 percent from the February level and increased 12.8 percent from the year-earlier level.

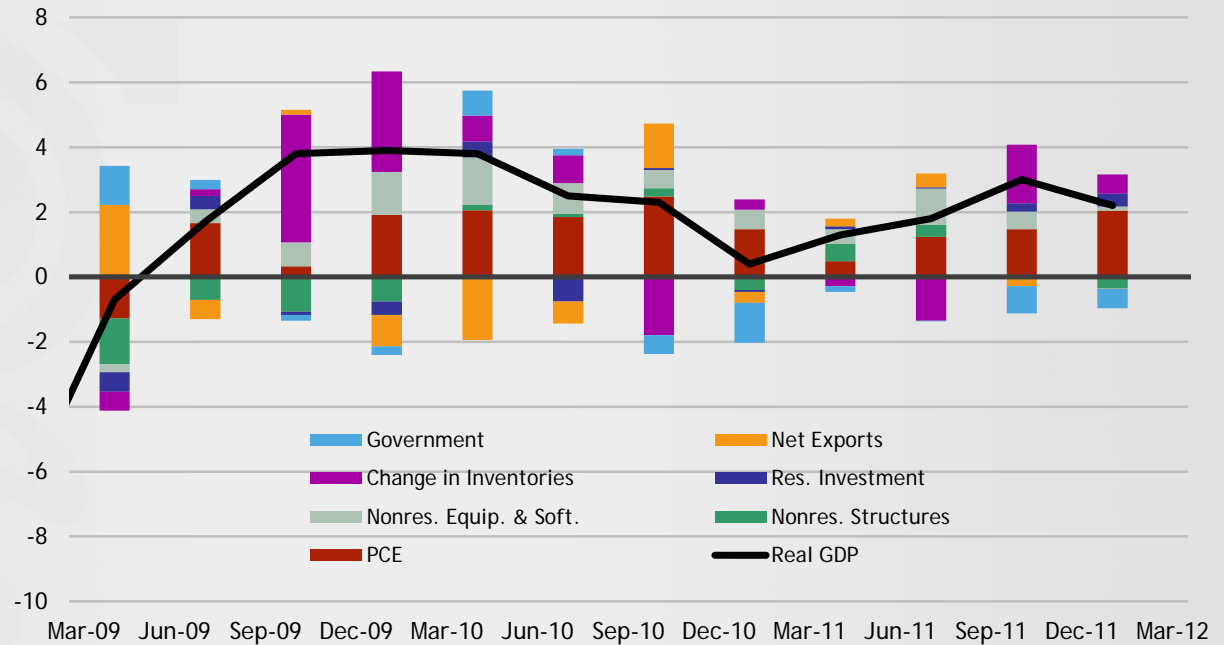


GROSS DOMESTIC PRODUCT

SUMMARY

The first estimate of first quarter 2012 real gross domestic product growth was 2.2 percent (annualized). Real PCE contributed 2 percentage points to this growth. Inventories contributed 0.6 points and residential investment 0.4 points. There was drag from government spending and investment (down 0.60 points) and structures investment (down 0.35 points).

Contributions to Real GDP Growth
quarterly, annualized % change



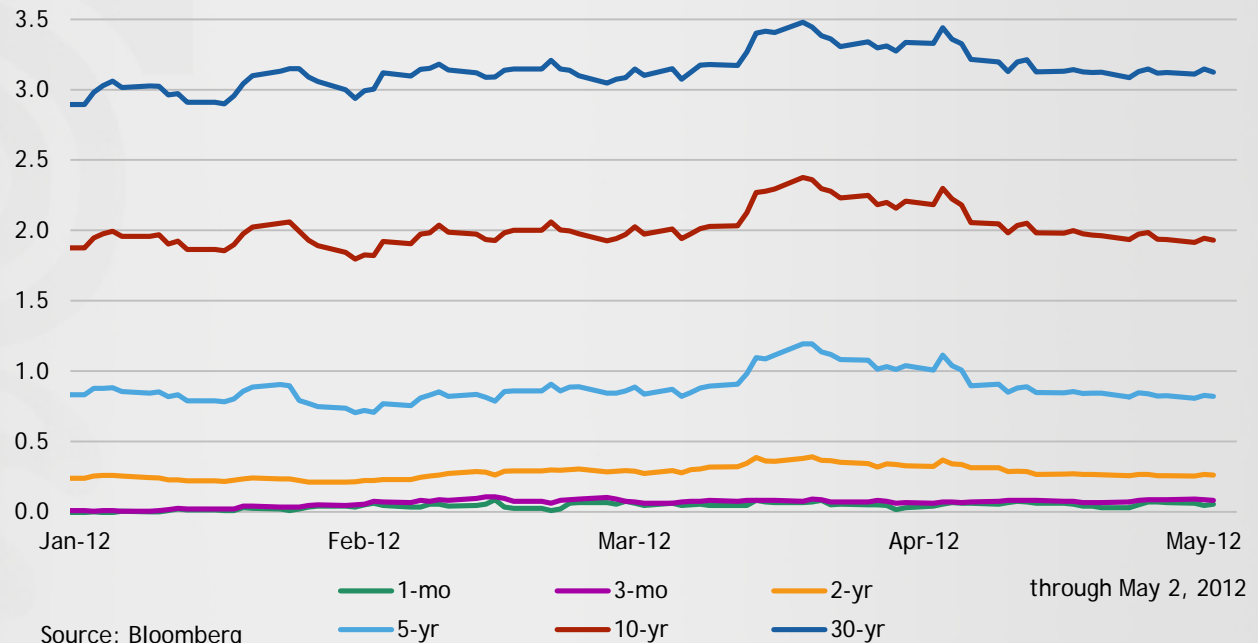
Source: U.S. Bureau of Economic Analysis

INTEREST RATES

SUMMARY

Longer-term U.S. Treasury yields have been stable recently. Since the April 25 FOMC meeting last week, the 30-year bond is down 2 basis points (bps), and the 10-year note is down 5 bps, to 3.12 percent and 1.93 percent, respectively. The five-year bond is down 2 bps to 0.82 percent, and the two-year bond is flat at 0.26 percent. Since the March 13 FOMC meeting, longer-term yields are down 14 to 20 bps.

U.S. Treasury Yields
daily, percent

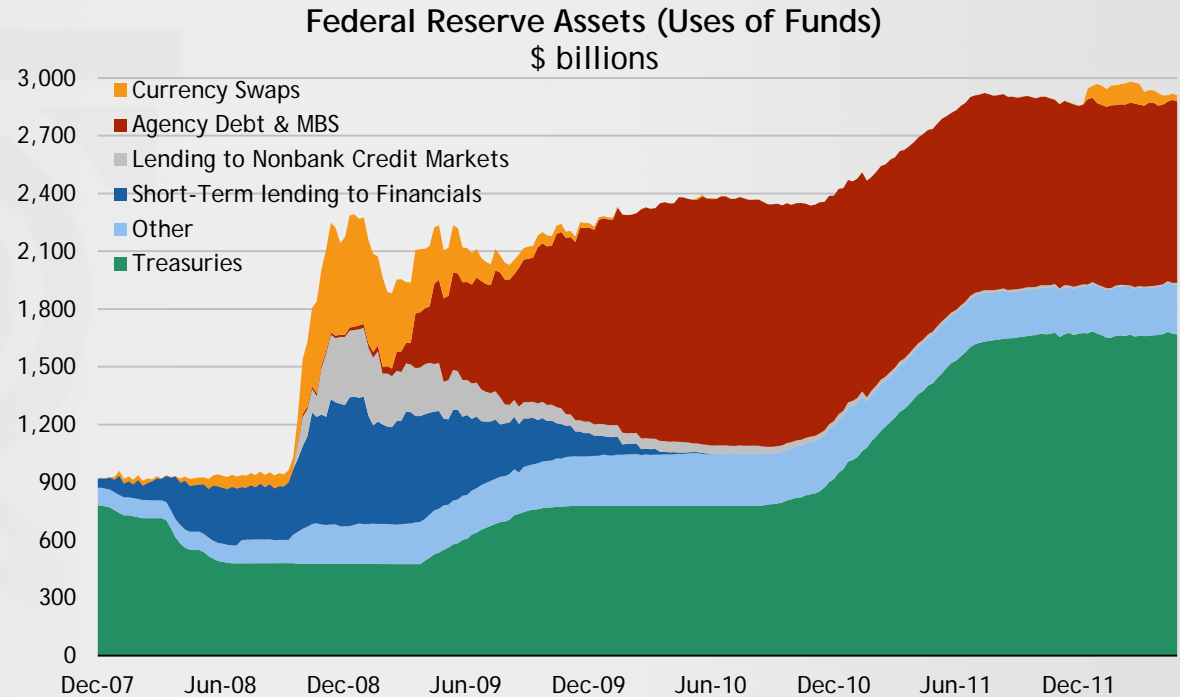


FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between April 18 and April 25 the balance sheet decreased by \$8.8 billion, remaining essentially unchanged at \$2.9 trillion.

Since mid-December, increased use of swap lines by foreign central banks has caused the balance sheet to expand by \$30 billion.



Source: [Federal Reserve Board](#)

through April 25, 2012

ADDITIONAL DETAIL

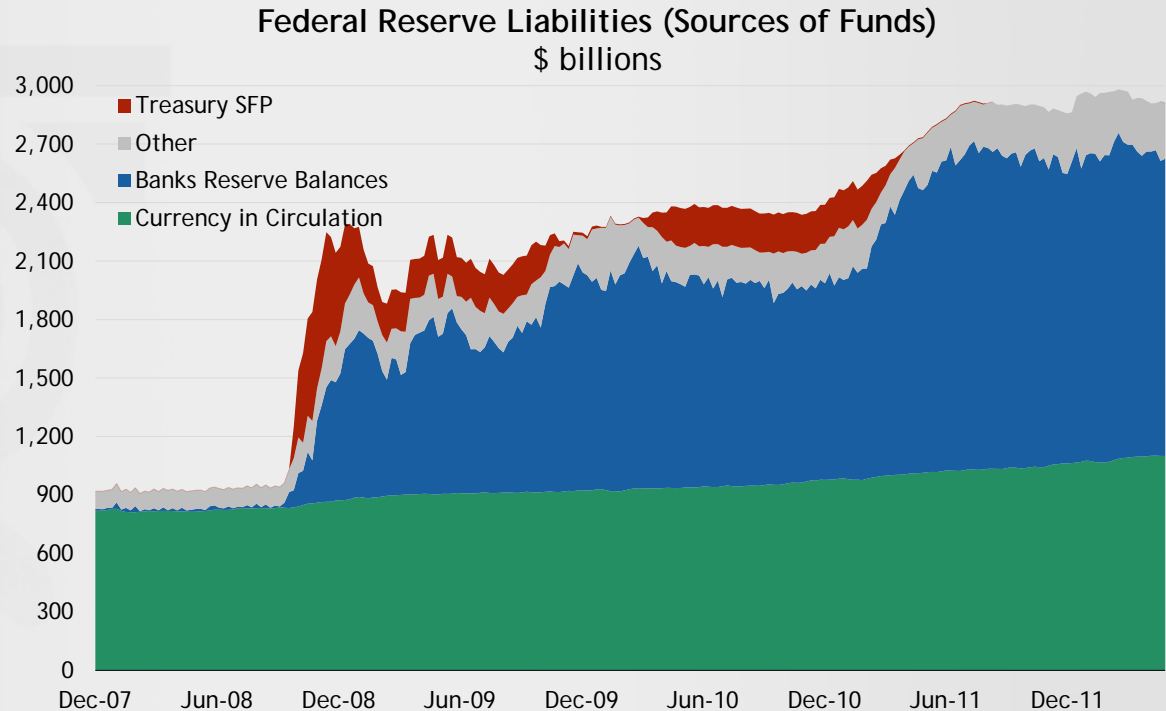
- Treasuries decreased by \$4.4 billion while agency debt and MBS decreased by \$8.2 billion.
- [Central bank liquidity swaps](#) decreased \$0.4 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), and in line with the [maturity extension program](#), the desk plans to purchase approximately \$45 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 May.

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between April 18 and April 25, bank reserve balances with the Federal Reserve increased \$11 billion while Treasury deposits with the Federal Reserve decreased \$0.5 billion.

As of April 25, 2012, bank reserves are \$1.52 trillion.



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

through April 25, 2012

ADDITIONAL DETAIL

- Reverse repurchase agreements with foreign officials and international accounts increased \$1.1 billion.
- Nonreserve deposits with the Federal Reserve decreased \$19.7 billion.