

# ECONOMIC AND FINANCIAL HIGHLIGHTS

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OCTOBER 17, 2012

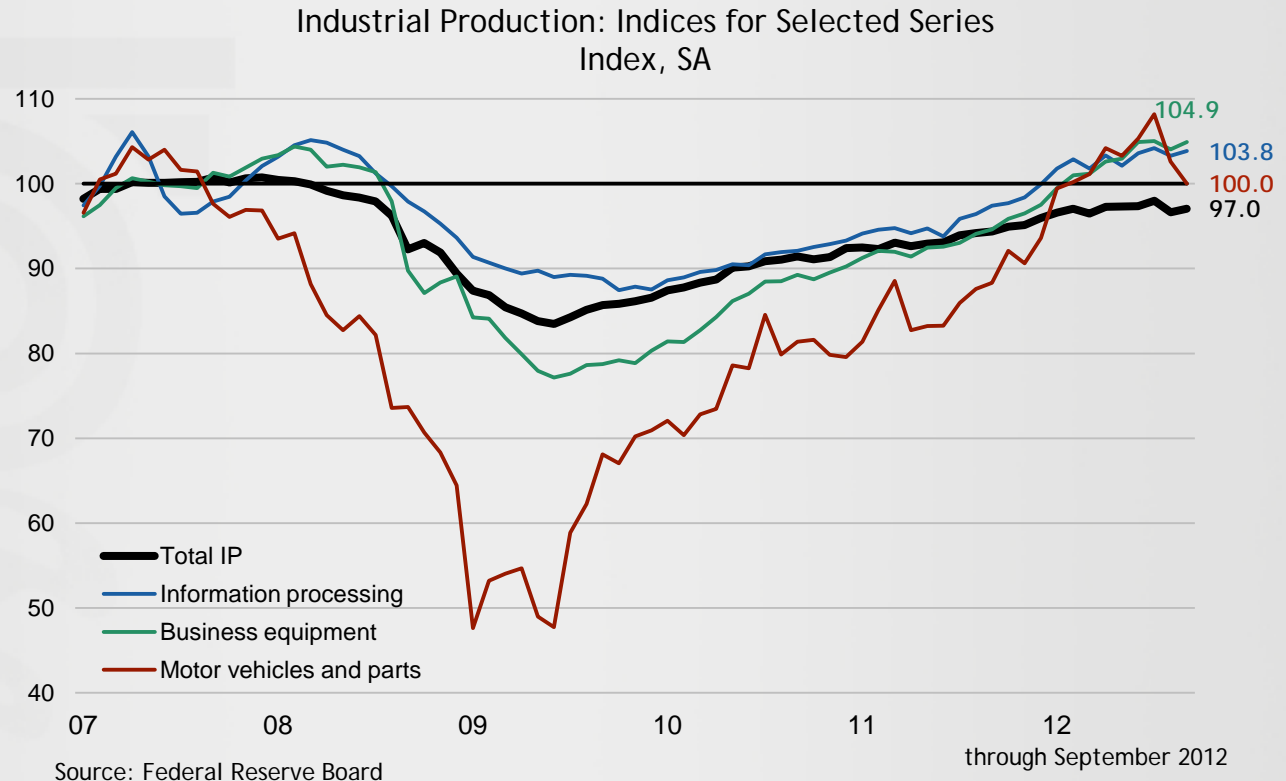


# MANUFACTURING

## SUMMARY

Industrial production increased 0.4 percent in September after having fallen 1.4 percent in August.

Manufacturing output increased 0.2 percent from August to September, but the sector's output declined 0.9 percent (annualized) for the third quarter as a whole.



## ADDITIONAL DETAIL

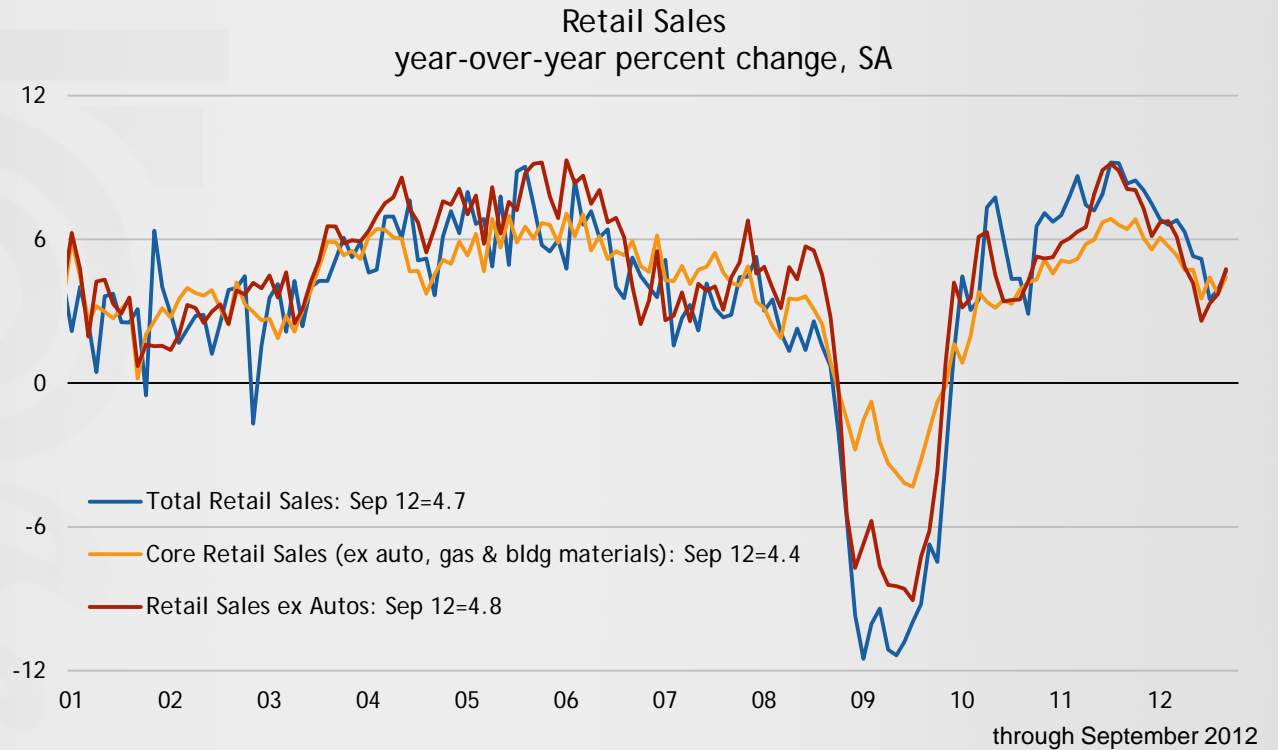
- The manufacturing sector's output numbers for the month were improved by producers of information processing (up 0.5 percent) and business equipment goods (up 0.8 percent) but were dragged down by a further reduction in the index measuring production of motor vehicles and parts, which fell 2.6 percent from August to September.
- The index measuring the production of motor vehicles and parts hit a historical peak in July 2012, with a reading of 108.2, but in the two months following, the index has returned to 100, meaning production in September 2012 was roughly on par with production levels seen in 2007.

# CONSUMERS

## SUMMARY

The rate of growth in retail sales accelerated in September.

Unadjusted for inflation, advance estimates of core retail sales were 4.4 percent higher than in September 2011.



Source: U.S. Census Bureau

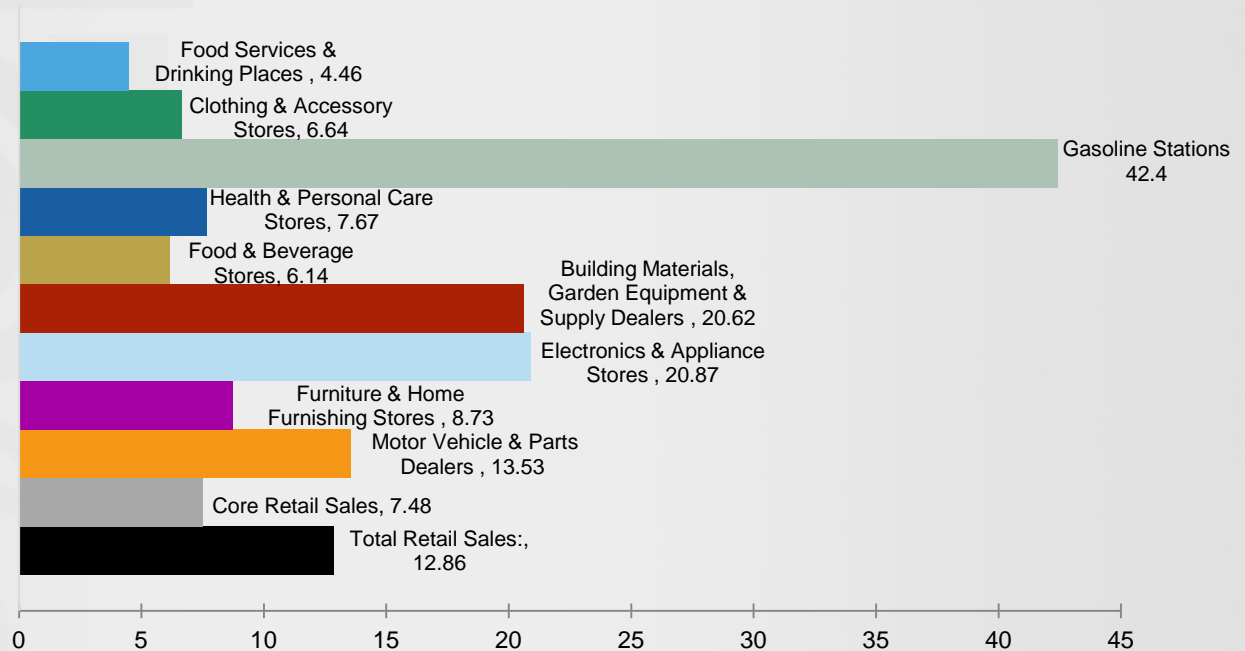
# CONSUMERS

## SUMMARY

Advance estimates indicate that total retail sales increased at an annual rate of 12.9 percent over the three-month period ending in September.

Core retail sales, which excludes gasoline stations, motor vehicle parts and dealers, and building materials also increased over this same period, growing at an annual rate of 7.5 percent, which is the highest rate since March 2012.

U.S. Retail Sales Components  
July to September 2012, annualized percent change, SA



Source: U.S. Census Bureau

## ADDITIONAL DETAIL

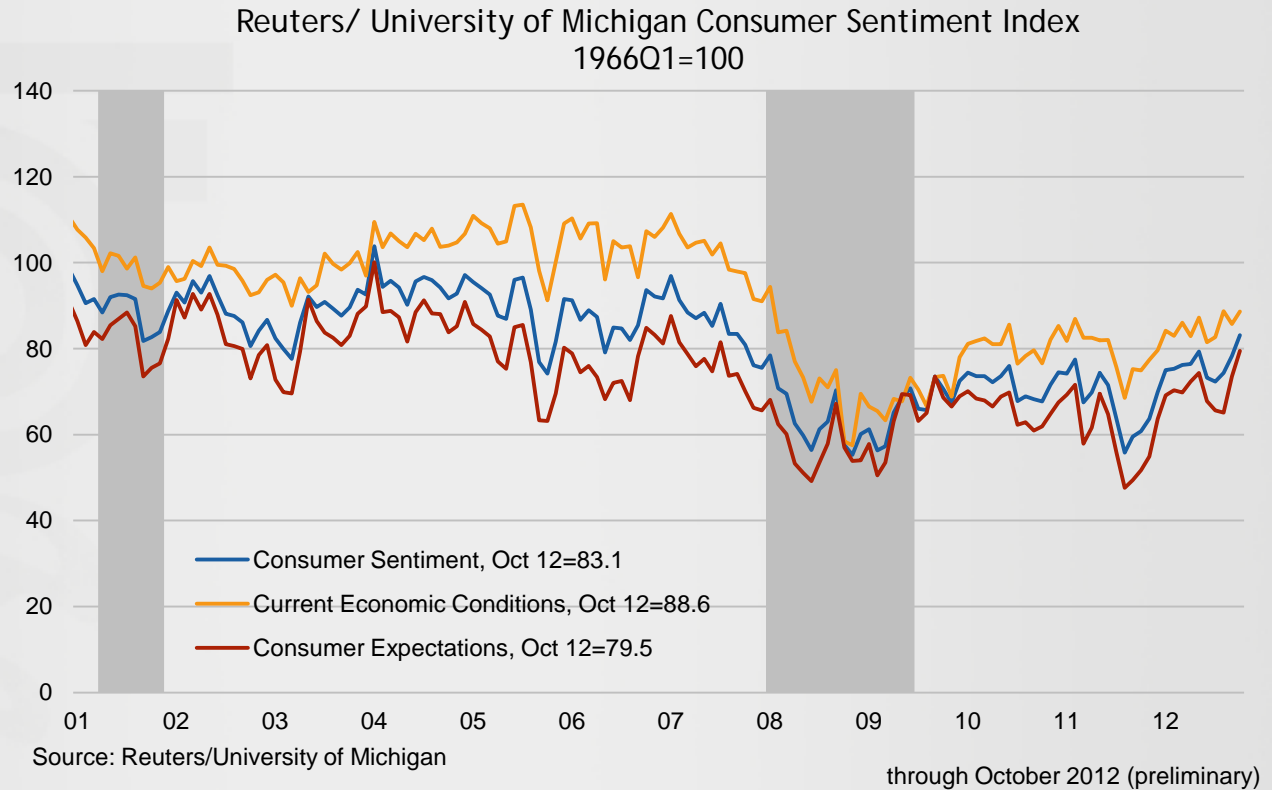
- Increases in retail sales from July to September were broad based, with spending at electronic and appliance stores and at building materials and garden equipment and supply dealers posting notable gains. While total dollars spent at gas stations increased dramatically, gas prices also increased during this same period.
- Retail sales are adjusted for seasonal variation, holidays, and the number of days in a month but are not adjusted for inflation.

# CONSUMERS

## SUMMARY

The Reuters/University of Michigan Consumer Sentiment Survey has improved in recent months and is now above prerecession levels.

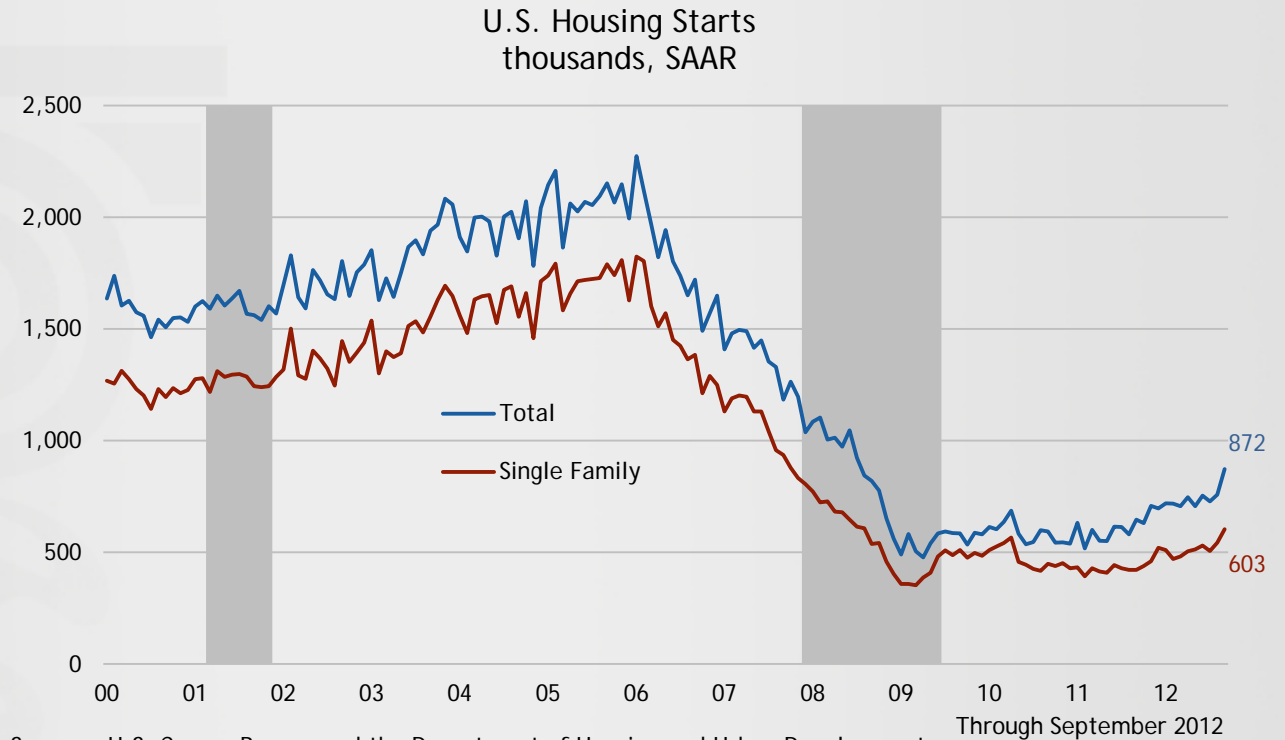
The overall consumer sentiment index improved from 78.3 in September to 83.1 in the preliminary reading for October. The current economic conditions component improved from 85.7 to 88.6. Consumer expectations improved from 73.5 to 79.5.



# REAL ESTATE

## SUMMARY

The U.S. Census Bureau and the U.S. Department of Housing and Urban Development jointly reported that total housing starts increased 15 percent from August to September while single-family starts increased 11 percent during the same period. Total starts increased 34.8 percent on a year-over-year basis while single-family starts increased 42.9 percent.



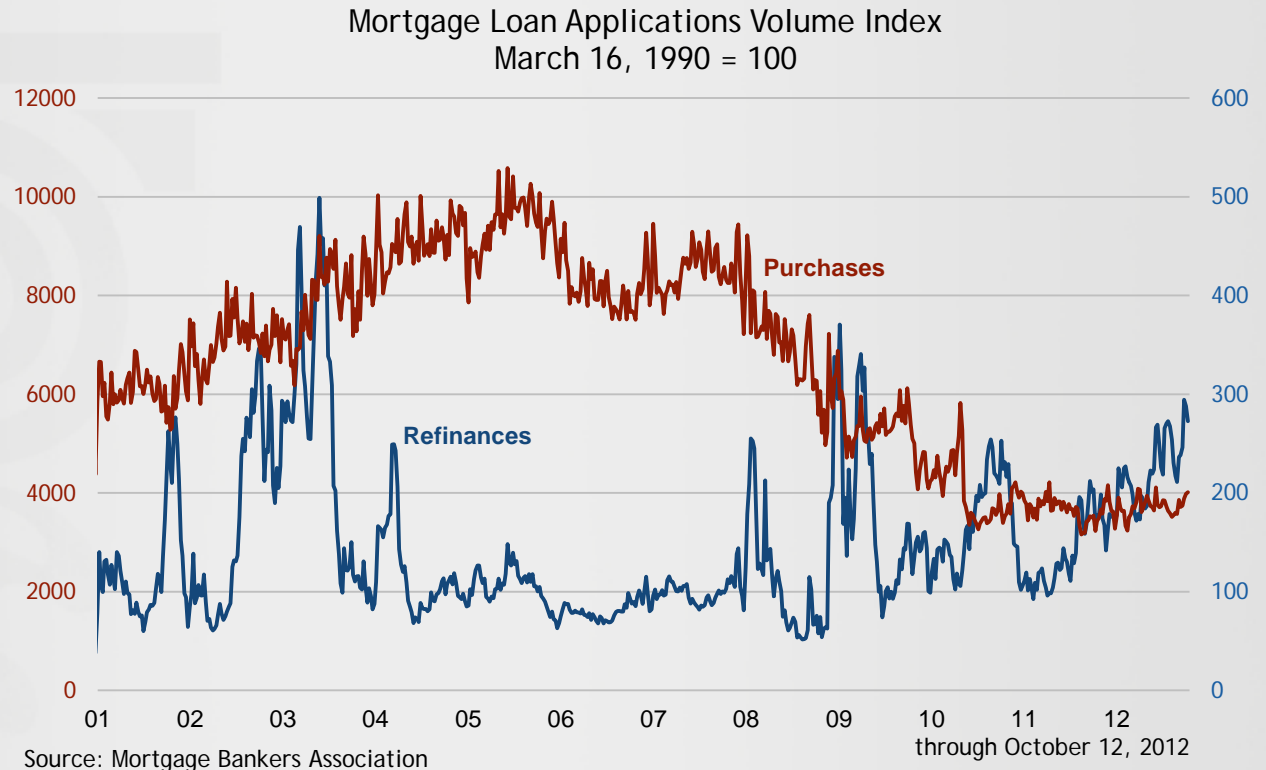
Sources: U.S. Census Bureau and the Department of Housing and Urban Development

# REAL ESTATE

## SUMMARY

Applications for mortgage loan refinancing decreased 5 percent over the week ending October 12, according to the Mortgage Bankers Association's refinance index. However, the index has increased more than 60 percent over the year.

The seasonally adjusted purchase index increased 1 percent during the same period, rising to its highest level since early June 2012.

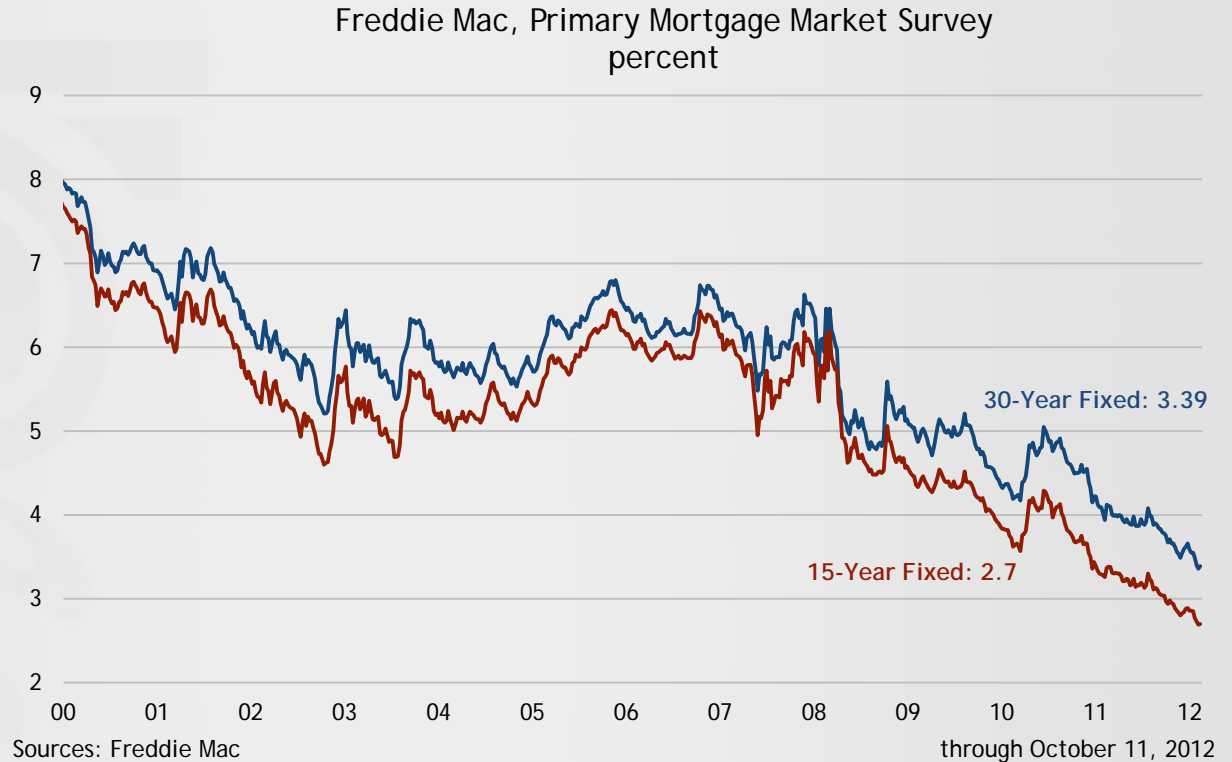


# REAL ESTATE

## SUMMARY

The average rate for a 30-year fixed rate mortgage increased 3 basis points (bps) to 3.39 percent over the week ending October 11. However, since October 13, 2011, it has fallen 73 bps.

The average rate for a 15-year fixed-rate mortgage increased 1 bp to 2.7 percent, but since October 13, 2011, it has declined 67 bps.





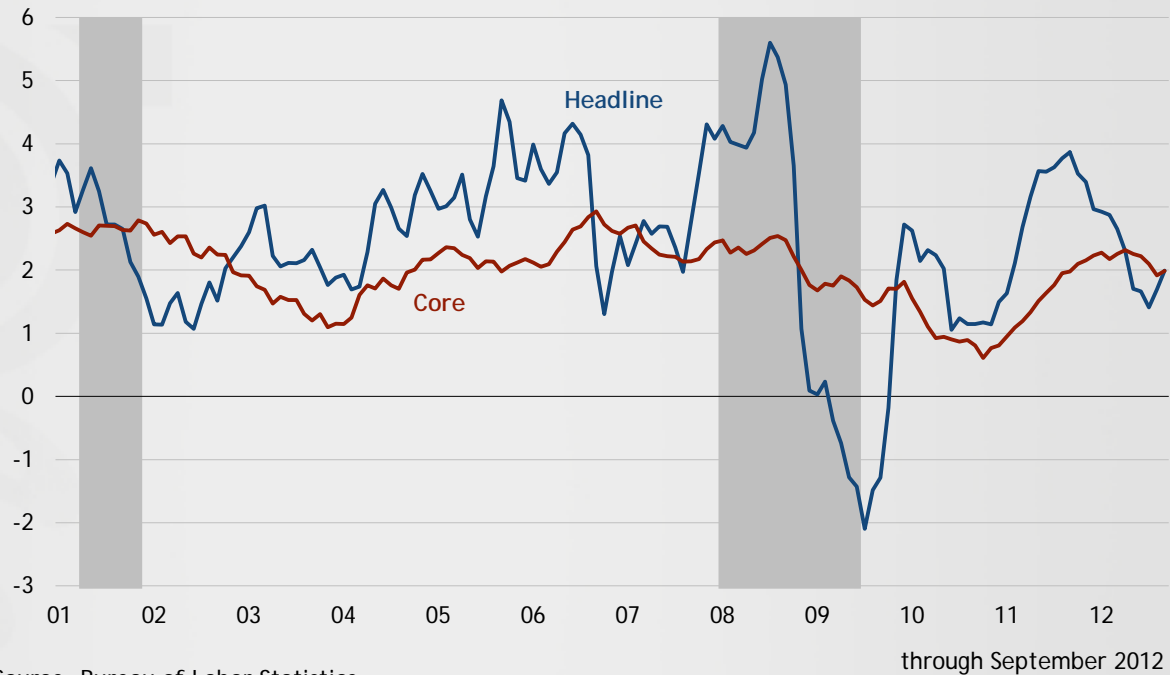
# INFLATION

## SUMMARY

The headline consumer price index (CPI) rose at a 7.1 percent annualized rate in September, largely a result of a 69 percent (annualized) increase in the energy index. Excluding food and energy, core consumer inflation rose 1.8 percent (annualized) in September, up from just 0.6 percent in August.

On a 12-month basis, both headline and core CPI rose 2 percent in September.

Consumer Price Index  
percent change year-over-year



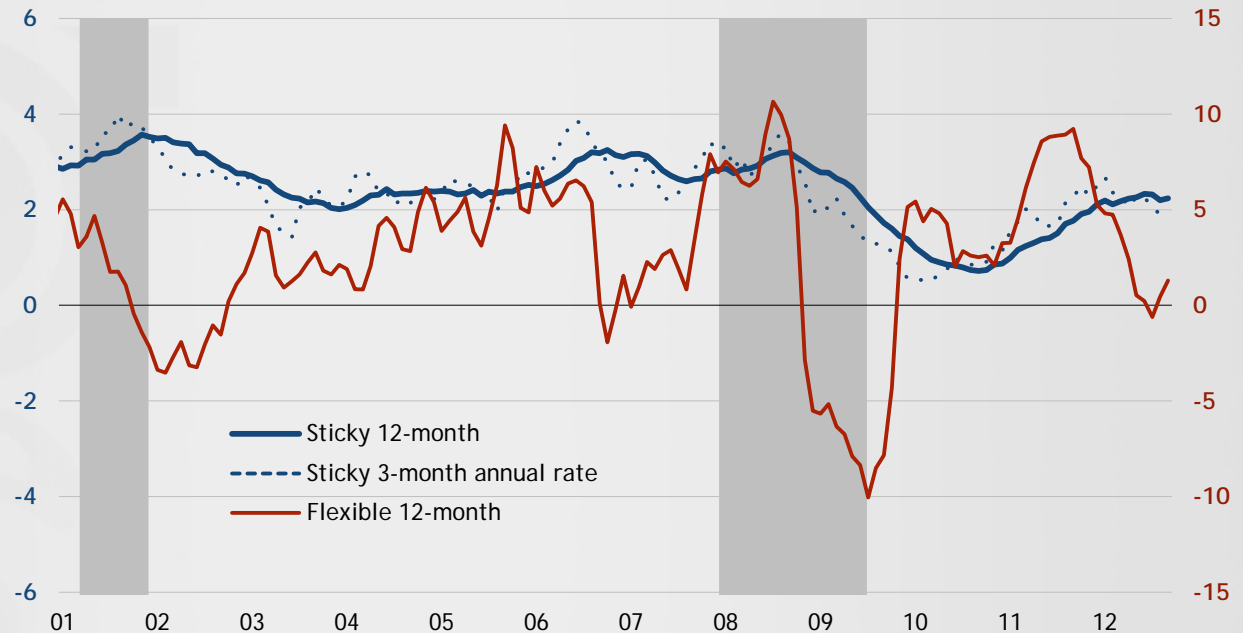
Source: Bureau of Labor Statistics

# INFLATION

## SUMMARY

The Atlanta Fed's sticky-price CPI measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose 2.4 percent (annualized) in September, following 1.6 percent growth in August. The 12-month change in the index stayed at 2.2 percent.

Sticky and Flexible CPI  
percent change over given period



Source: Bureau of Labor Statistics, Atlanta Fed

through September 2012

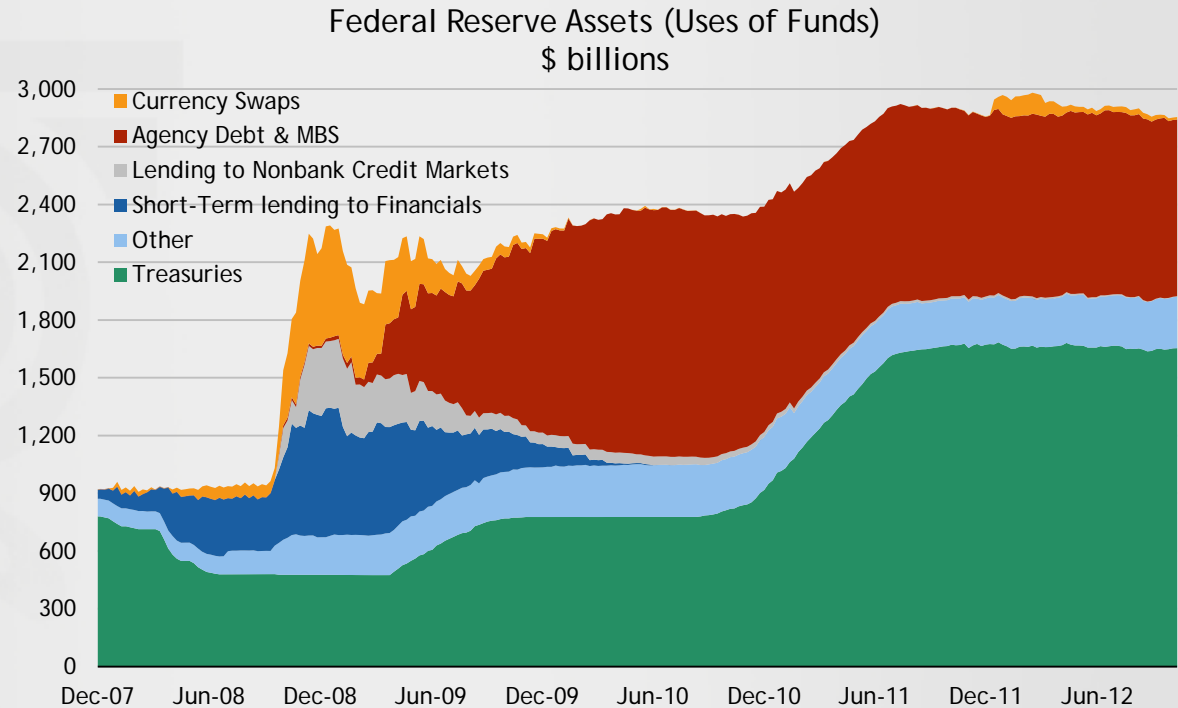
## ADDITIONAL DETAIL

- The sticky-price index increased 2.4 percent (annualized) on a core basis (excluding food and energy) in September, and the 12-month index was 2.2 percent. Excluding shelter, the sticky CPI index rose 2.1 percent, following a 0.6 percent gain in August.
- The flexible cut of the CPI—a weighted basket of goods that change price relatively frequently—rose at an 18 percent annualized pace in September. The flexible CPI is now 1.3 percent above year-ago levels.

# FEDERAL RESERVE BALANCE SHEET

## SUMMARY

Between October 3 and October 10, the Federal Reserve's balance sheet increased by \$2.7 billion, leaving the overall size of the balance sheet essentially unchanged at \$2.9 trillion.



Source: [Federal Reserve Board](#)

through October 10, 2012

## ADDITIONAL DETAIL

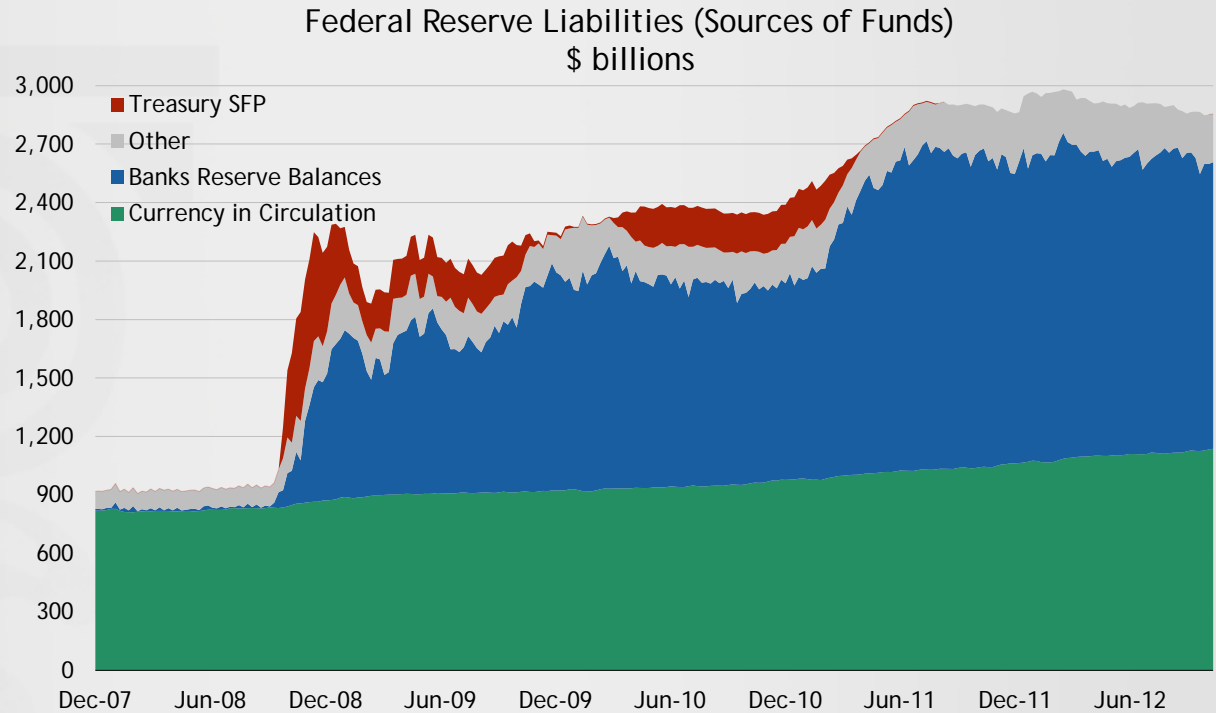
- Since mid-February, decreased use of swap lines by foreign central banks has caused the balance sheet to contract by \$96 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), and in line with the [Maturity Extension Program](#), the desk plans to purchase approximately \$46 billion in Treasury securities with remaining maturities of from six to 30 years, sell approximately \$38 billion with remaining maturities of three years or less, and redeem approximately \$1.3 billion in Treasury securities over the month of October.

# FEDERAL RESERVE BALANCE SHEET

## SUMMARY

Between October 3 and October 10 bank reserve balances with the Federal Reserve increased by \$5.2 billion, while Treasury deposits with the Federal Reserve decreased by \$20 billion.

As of October 10, 2012, bank reserves held at the Federal Reserve are \$1.47 trillion.



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

through October 10, 2012