

# ECONOMIC AND FINANCIAL HIGHLIGHTS

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AUGUST 15, 2012



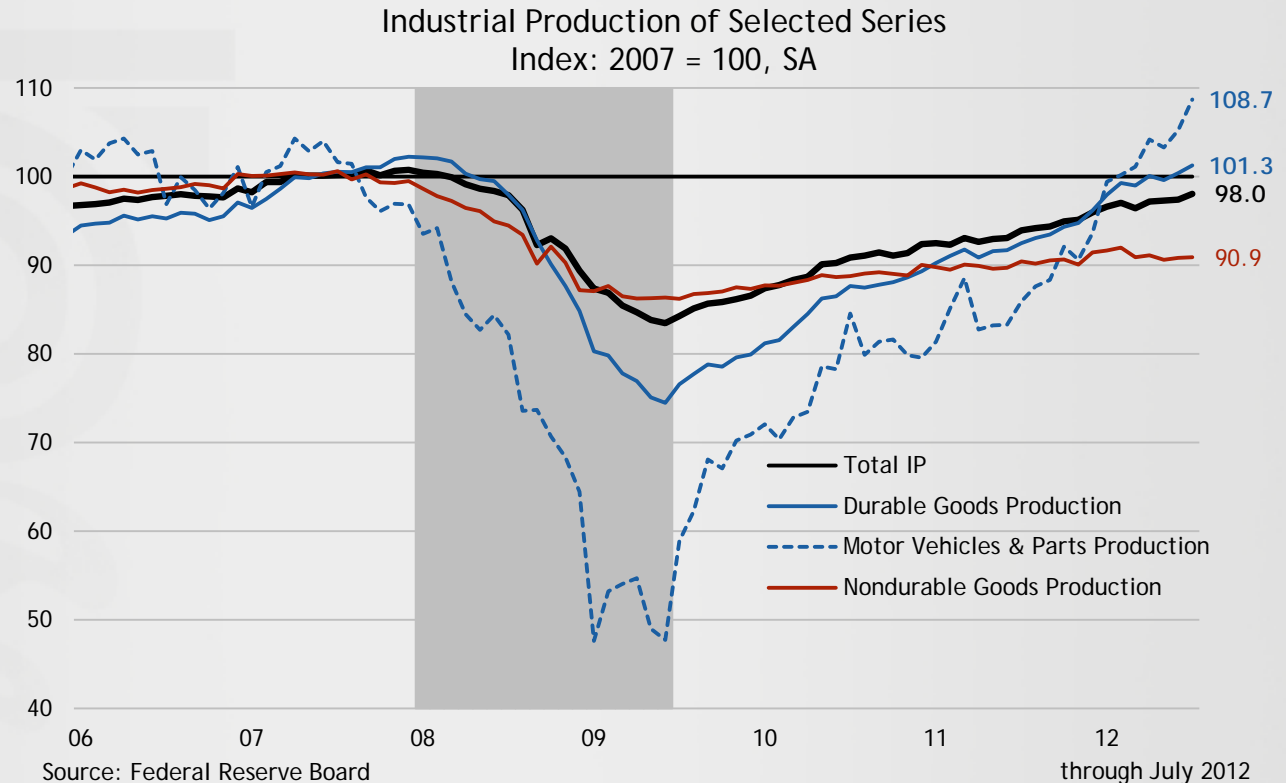
# MANUFACTURING

## SUMMARY

Industrial production advanced 0.6 percent in July. Manufacturing output rose 0.5 percent. Within manufacturing, the production of durable goods rose 0.9 percent, while nondurables production was essentially unchanged for the month.

Production at mines and utilities increased at 1.2 percent and 1.3 percent, respectively.

Capacity utilization for total industry advanced 0.4 percentage points to reach 79.3 percent, a rate 1 percentage point below its long-run (1972-2011) average.



## ADDITIONAL DETAIL

- The production of motor vehicles and parts continued to accelerate rapidly in July, advancing 3.5 percent for the month after rising 2 percent in June.
- From March to July 2012, motor vehicle assembles have risen by nearly one million units at an annualized rate, from 10.1 million in March to 11 million in July.

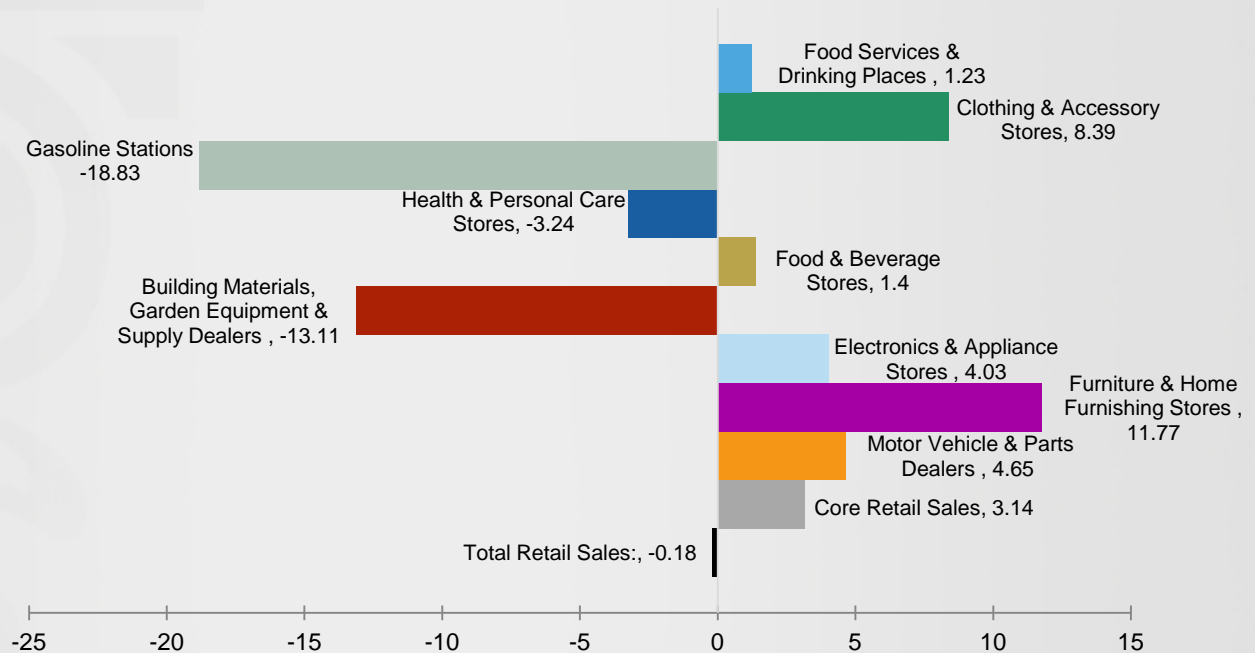
# CONSUMERS

## SUMMARY

Advance estimates indicate that adjusted retail sales increased from June to July. (Adjustments allow for seasonal variation and trading-day differences.) The three-month trend has been flat, with retail sales decreasing at an annual rate of 0.2 percent.

Core retail sales—which exclude gasoline stations, motor vehicle parts and dealers, and building materials—increased slightly over this same time period, growing at an annual rate of 3.1 percent.

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



Source: U.S. Census Bureau

## ADDITIONAL DETAIL

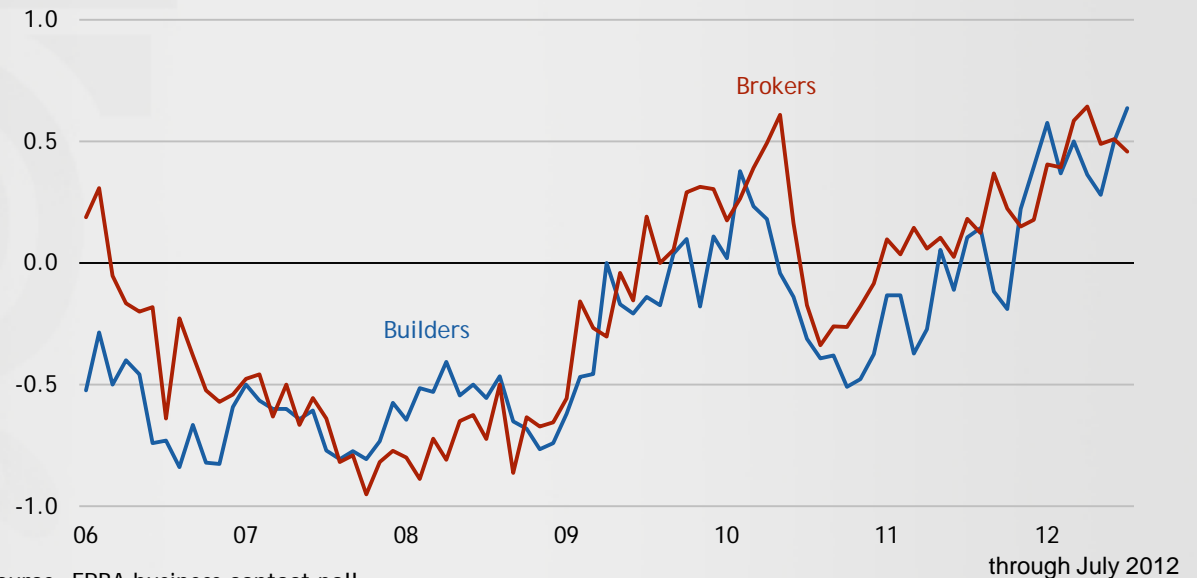
- At least part of the decline in spending at gasoline stations over the past three months has been the result of recent decreases in gasoline prices.

# HOUSING

## SUMMARY

Nearly three-quarters of Southeast homebuilders and two-thirds of brokers contacted reported that sales increased on a year-over-year basis in July.

July 2012 Southeast Home Sales vs. a Year Earlier  
diffusion index, 0+ = increase



Source: FRBA business contact poll

*Note:* The housing survey's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

## ADDITIONAL DETAIL

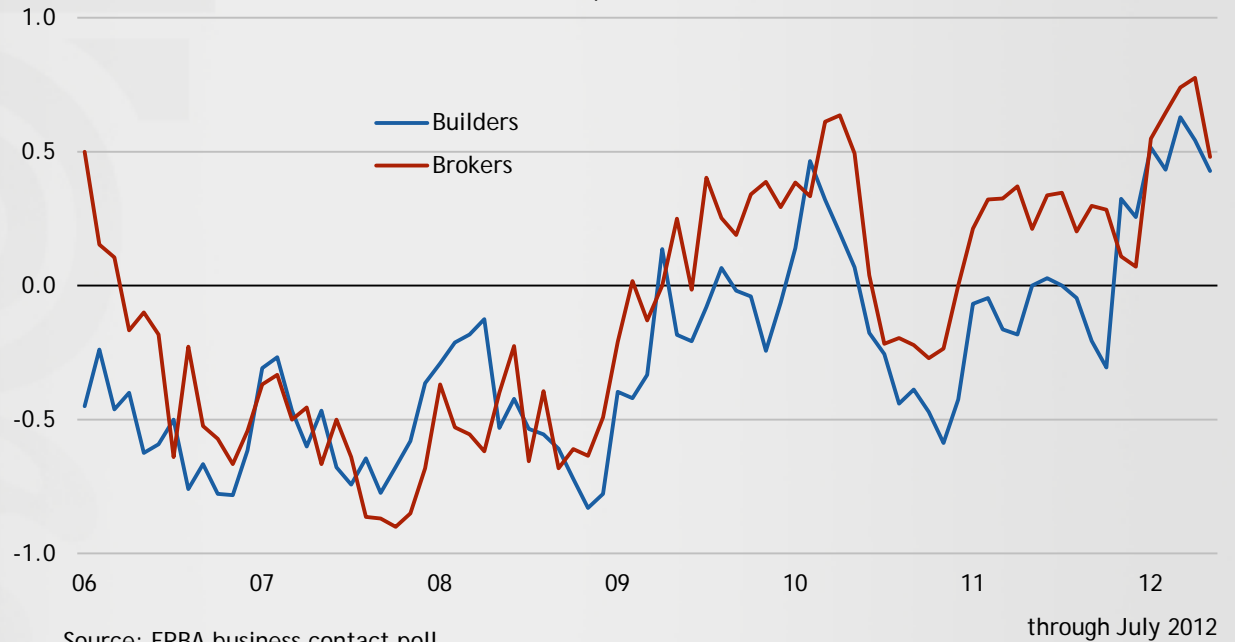
July 2012 poll preliminary results are based on responses from 56 residential brokers and 28 homebuilders and were collected August 6-15, 2012.

# HOUSING

## SUMMARY

Southeast brokers and home builders reported that buyer traffic remained ahead of the year-earlier level in July.

July 2012 Southeast Home Buyer Traffic vs. a Year Earlier  
diffusion index, 0+ = increase



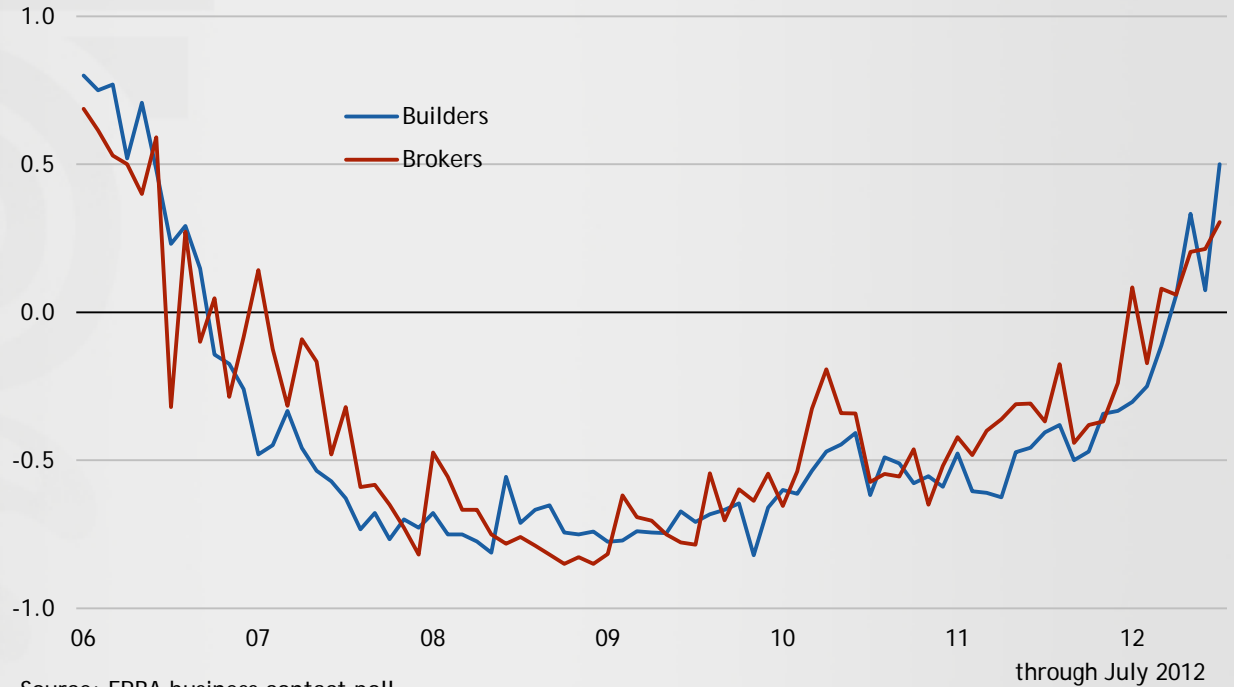
Source: FRBA business contact poll

# HOUSING

## SUMMARY

More than half of Southeast home builders and brokers indicated that home prices were ahead of the year-earlier level in July.

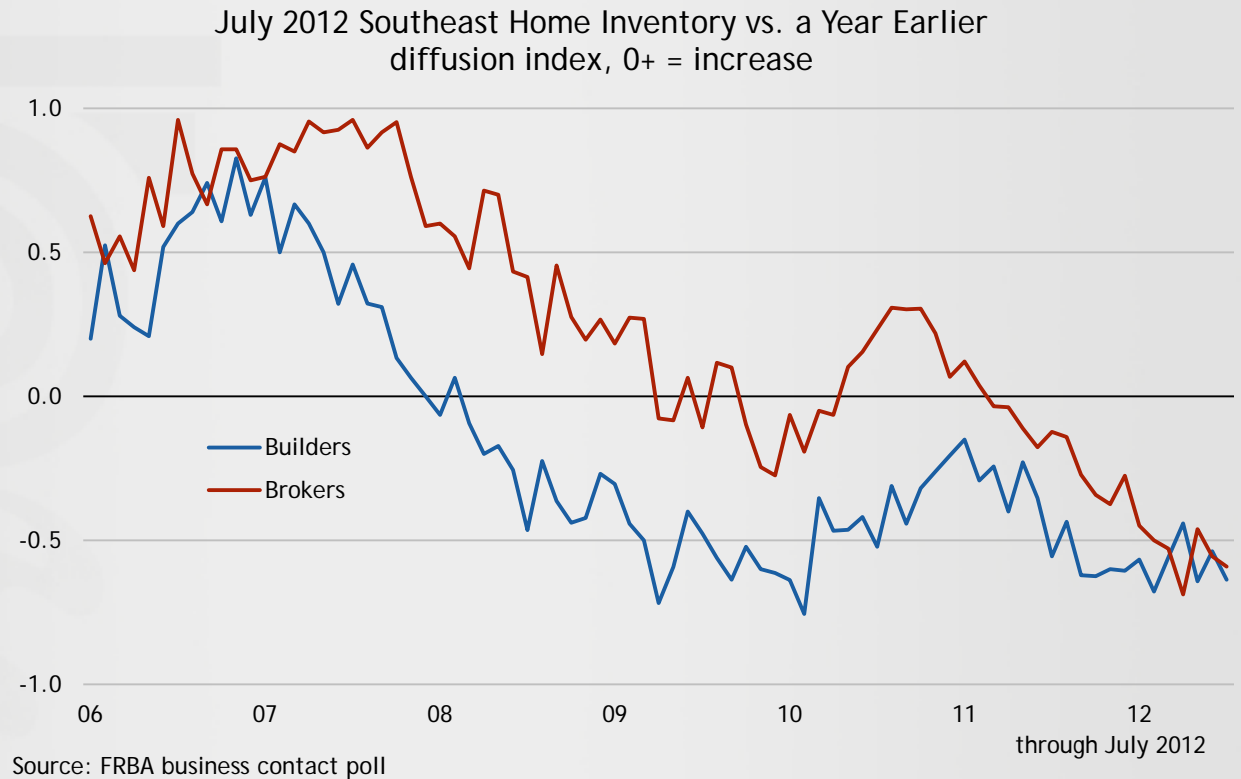
July 2012 Home Price vs. a Year Earlier  
diffusion index, 0+ = increase



# HOUSING

## SUMMARY

More than two-thirds of Southeast homebuilders and residential brokers indicated that home inventories continued to decline on a year-over-year basis.

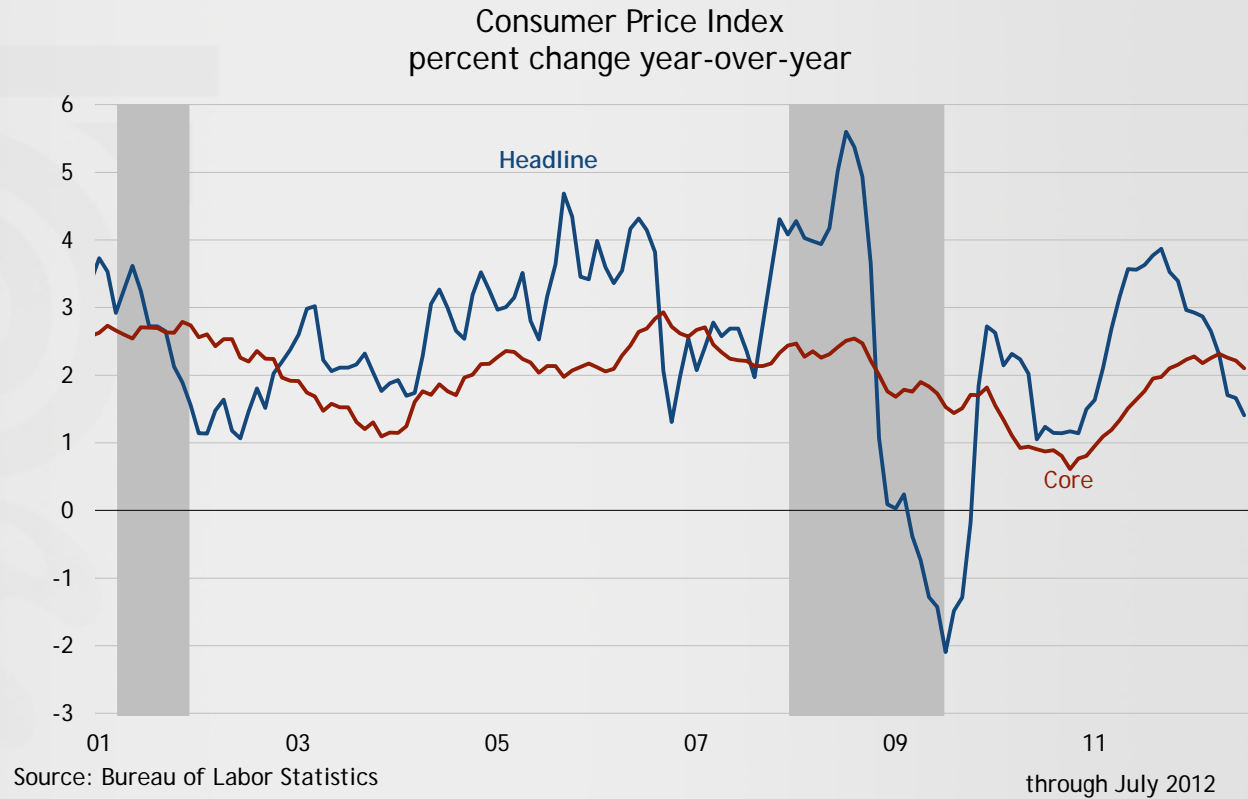


# INFLATION

## SUMMARY

The headline consumer price index (CPI) rose at a 0.6 percent annualized rate in July, as declines in the indices for energy, airline fares, new and used vehicles, and recreation were offset by increases in indices for food, shelter, medical care, furnishings, and apparel. Excluding food and energy, core consumer inflation decelerated to 1.1 percent (annualized) in July.

On a 12-month basis, headline CPI was at 1.4 percent, while core inflation was 2.1 percent.

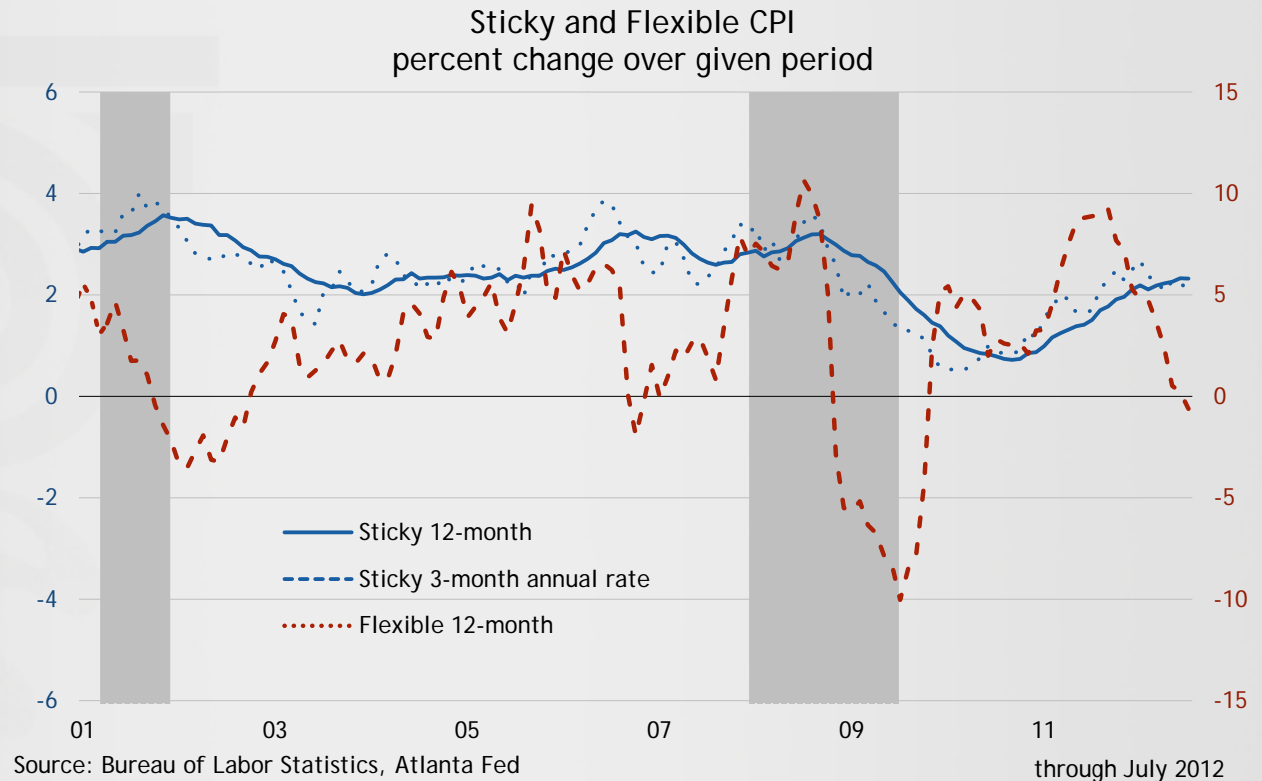




# INFLATION

## SUMMARY

The Atlanta Fed's sticky price CPI measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose 1.8 percent (annualized) in July, following 2.3 percent growth in June. The 12-month index was 2.3 percent, unchanged for the third consecutive month.



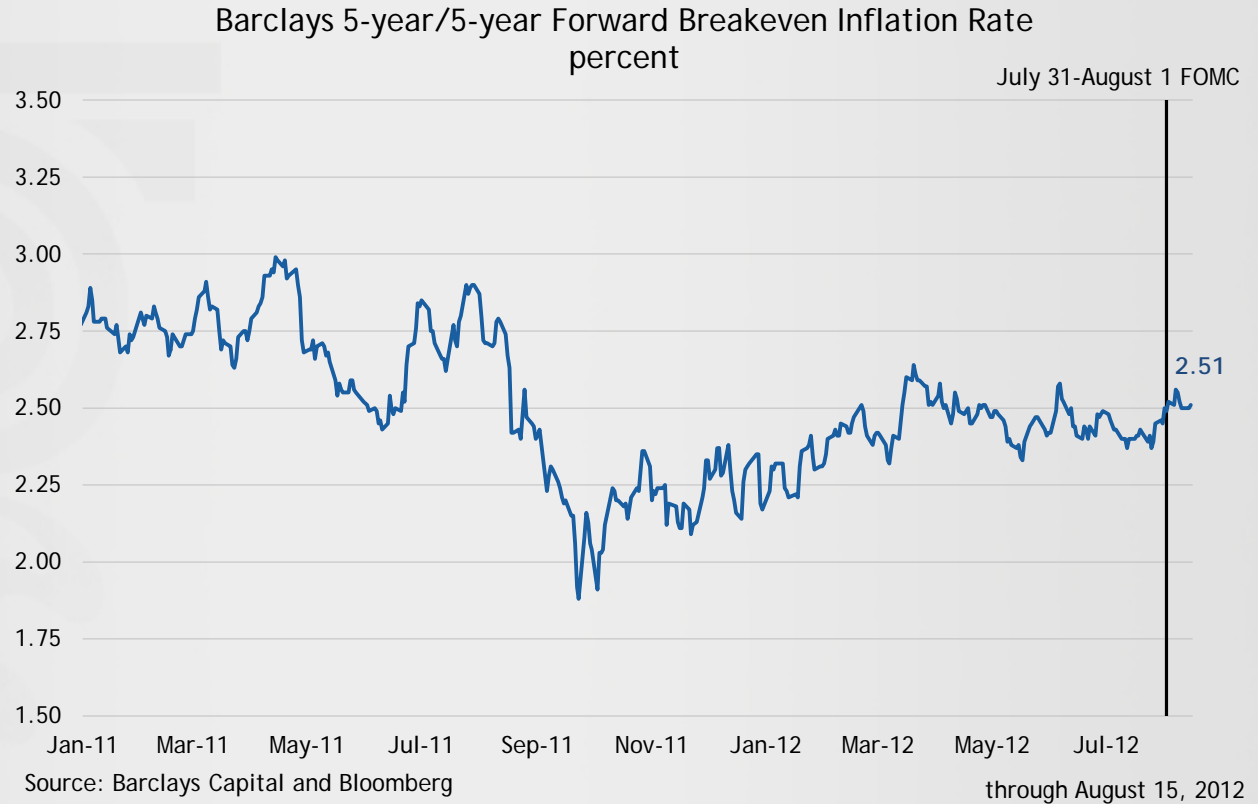
## ADDITIONAL DETAIL

- The sticky price index increased 1.8 percent (monthly annualized) on a core basis (excluding food and energy) in July, and the 12-month index rose 2.3 percent. Excluding shelter, the sticky CPI index rose 1.3 percent (monthly annualized), the smallest one-month gain since July 2011.
- The flexible cut of the CPI—a weighted basket of goods that change price relatively frequently—declined for the fourth consecutive month in July, falling at a 2.3 percent monthly annualized pace. The flexible CPI is now 0.6 percent below year-ago levels.

# INFLATION

## SUMMARY

The breakeven inflation rate, as derived from the TIPS market, has remained between 2.4 percent and 2.6 percent in recent months.



## ADDITIONAL DETAIL

- The 5-year/5-year forward breakeven inflation rate is derived from TIPS securities, which are inflation-protected U.S. Treasuries. The "breakeven" rate represents TIPS investors' expected inflation rate over five years, beginning five years hence (or years six to ten out from today). Such breakeven rates are an important indicator of inflation expectations. This particular series is calculated, then adjusted, by Barclays.

# EUROPE

## SUMMARY

European bond spreads (against German equivalents) — particularly for Spain and Italy— continue to be elevated, though they have come down from their recent highs in late July. Through August 14, Spain's spread is at 534 basis points (bps), down 6 bps from a week before. Italy's spread has narrowed 7 bps over the same period, to 429 bps.

European Bond Spreads  
basis points, 10-year bond spread to German bonds

