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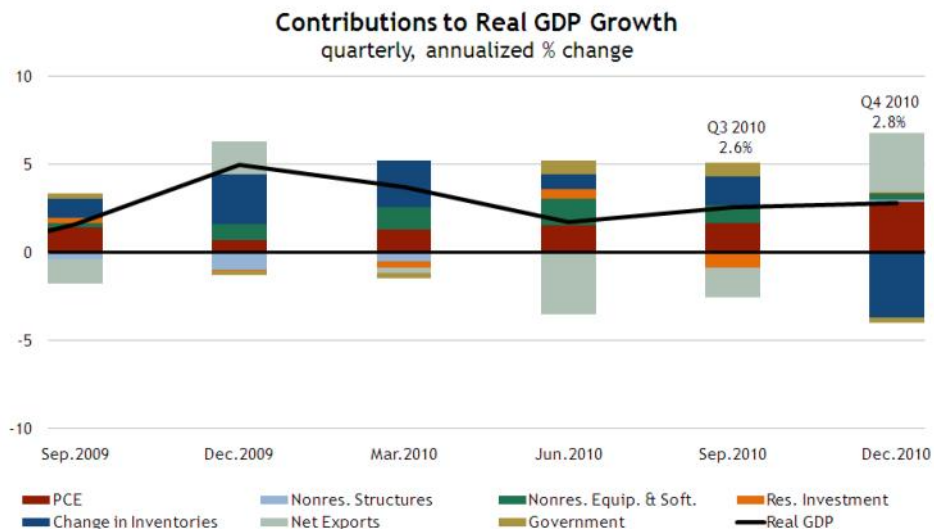
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Economic Activity

Summary

In the second release of real GDP in the fourth quarter of 2010, growth was revised down from 3.2% to 2.8% amid less consumer and government spending than previously estimated.



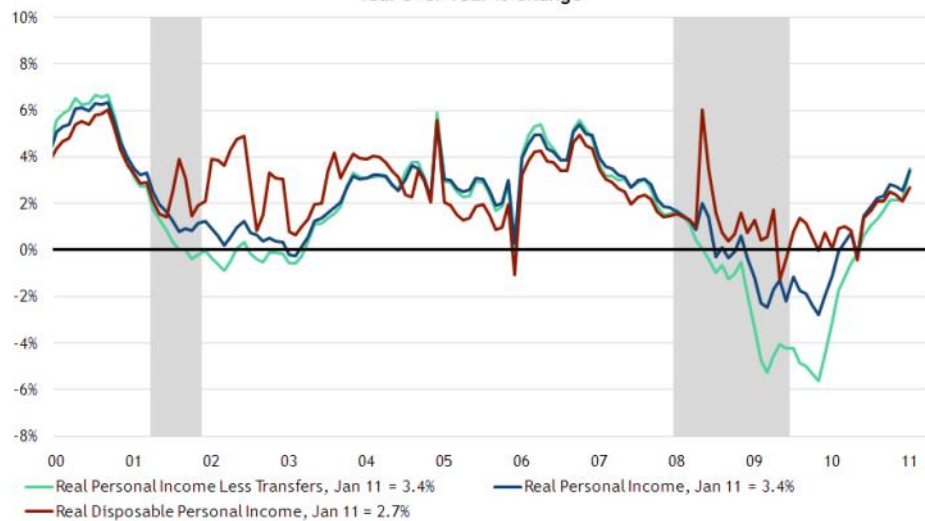
- Real GDP for the fourth quarter of 2010 was revised down from 3.2% to 2.8%, mostly stemming from a downward revision to consumer and government spending.
- **Real personal consumption expenditures (PCE)** was revised down from 4.2% to a still-robust 4.1% for the fourth quarter of 2010. This rate still marks the highest rate of consumer spending since before the recession. Consumer spending on both goods and services were revised lower, but the downward revision of spending on services contributed the bulk of the decline in overall consumer spending.
- **Government spending** at the state and local level was revised down from -0.9% to -2.4% for the fourth quarter of 2010.
- Other components of GDP were revised slightly. Business investment in equipment and software was revised down to 5.5% from 5.8%, while growth of business investment in nonresidential structures was revised up to 4.5% from 0.8%. Residential investment was revised down to 2.8% from the advance estimate of 3.4%.

Consumer Spending

Summary

Real income increased during the month in January and returned to prerecession rates on a year-over-year basis.

Real Personal Income Year over Year % Change



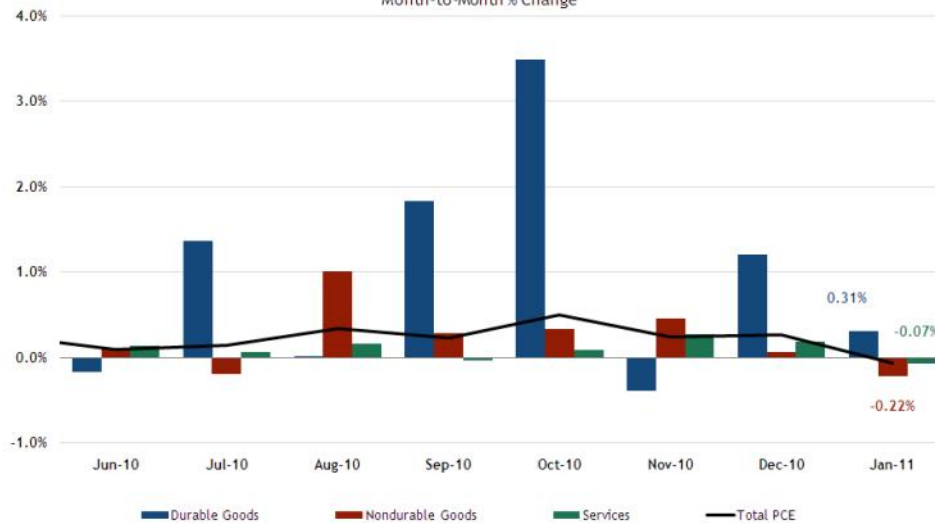
Source: BEA, Haver

- Real personal income increased 0.8% in January. Real disposable personal income increased 0.4%, following three months of 0.2% increases.
- On an annual basis, measures of real personal income increased in January. Real personal income increased to 3.5%, the highest rate since January 2007.

Real personal consumption expenditures (PCE) came in below expectations in January, declining 0.1%.

Meanwhile, PCE is at the highest rate since before the recession on a year-over-year basis.

Real Personal Consumption Expenditures Month-to-Month % Change



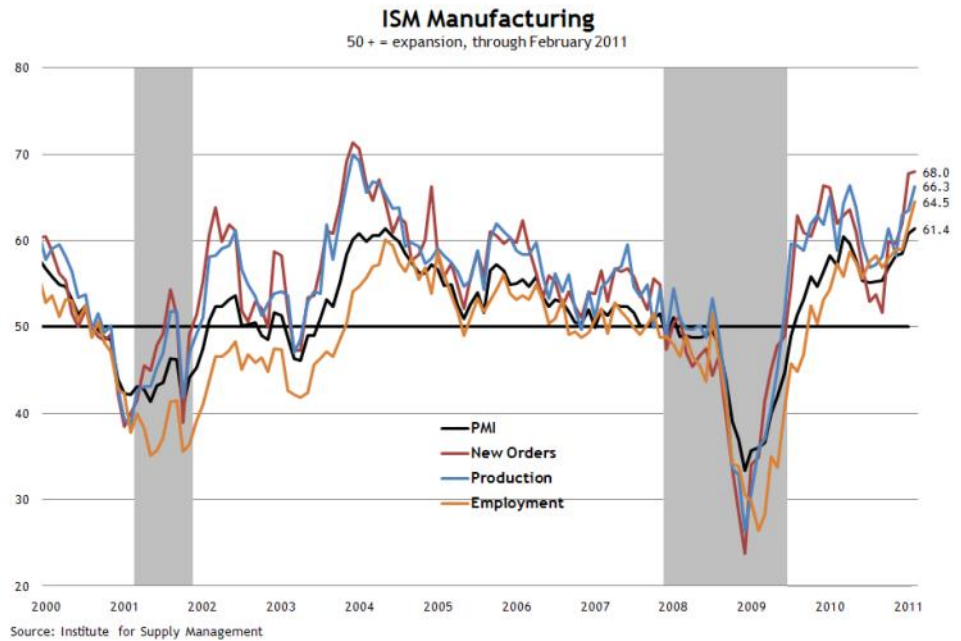
Source: U.S. Census Bureau

- In January, real PCE fell 0.1%, reflecting a 0.2% decline in nondurable spending over the month and a 0.1% decline in spending on services, while durable goods spending increased 0.3%.
- Despite the monthly decline, on a year-over-year basis, real PCE increased 2.8%, the highest rate since February 2007.

Manufacturing

Summary

The ISM's purchasing managers index (PMI) gained ground again in February, adding 0.6 index point to the overall index. Gains were seen in every category except inventories. New orders saw moderate gains while production and employment saw the largest gains. The employment index hit a historic high in February.



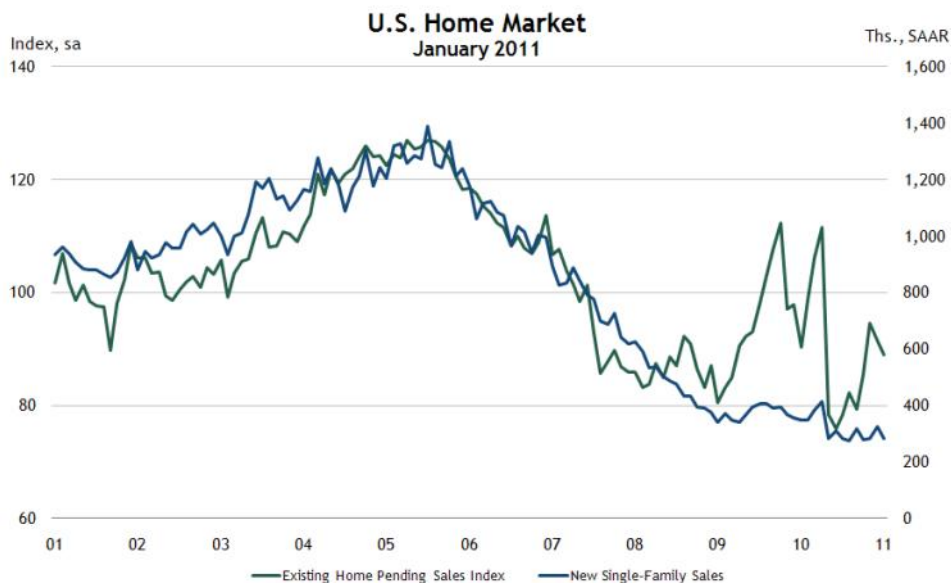
- The Institute for Supply Management's manufacturing index added 0.6 points in February to reach 61.4.
- The new orders index had a moderate gain, growing 0.2 points to reach 68. The new orders index is at its highest level since January 2004.
- The employment and production indexes also saw additions of 2.8 points. The manufacturing employment index is at a historic high of 64.5, the highest reading since the series was created in January 1980.

Employment	% Higher	% Same	% Lower	Net	Index
Feb. 2011	35	56	9	+26	64.5
Jan. 2011	24	69	7	+17	61.7
Dec. 2010	22	66	12	+10	58.9

Summary

The National Association of Realtors reported that pending existing home sales eased again in January 2011, down 2.8% from December 2010 and 1.5% below the year earlier level.

The U.S. Census Bureau also reported that new single-family home sales, based on contracts signed, softened as well in January 2011, down 12.6% below the December 2010 level and 18.6% below the year-earlier level.



Source: National Association of Realtors; U.S. Census Bureau and U.S. Department of Housing and Urban Development

Weekly data from the Mortgage Bankers Association on purchase applications through February 25, 2011, indicate that home sales will remain weak in the near term.

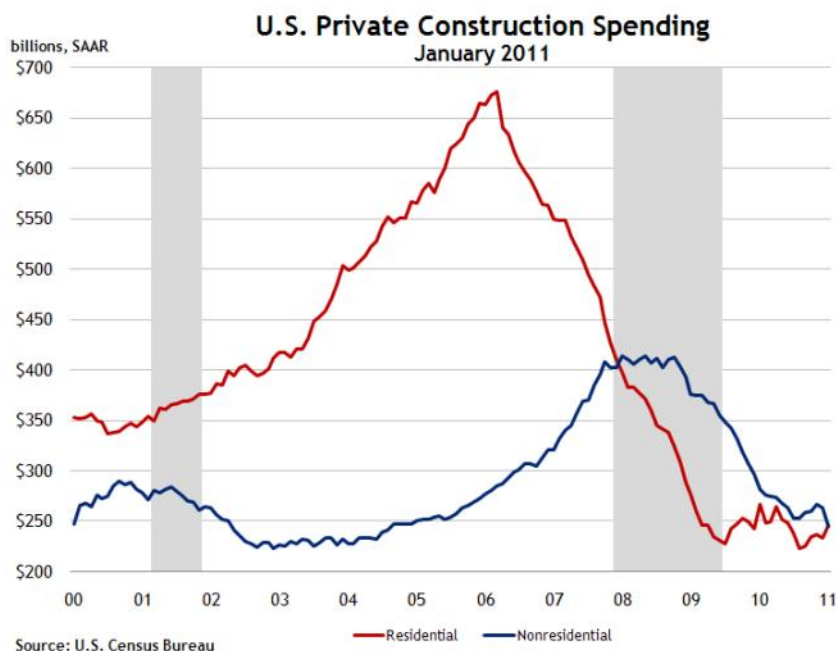


Source: Mortgage Bankers Association: Weekly Mortgage Applications Survey

Summary

The U.S. Census Bureau reported that private residential construction spending rose 5.3% from December 2010 to January 2011 following the January rise in private residential housing starts.

Private nonresidential construction spending weakened notably in January, down 6.9% from the prior month. Construction spending in January was on par with 2004 spending levels.

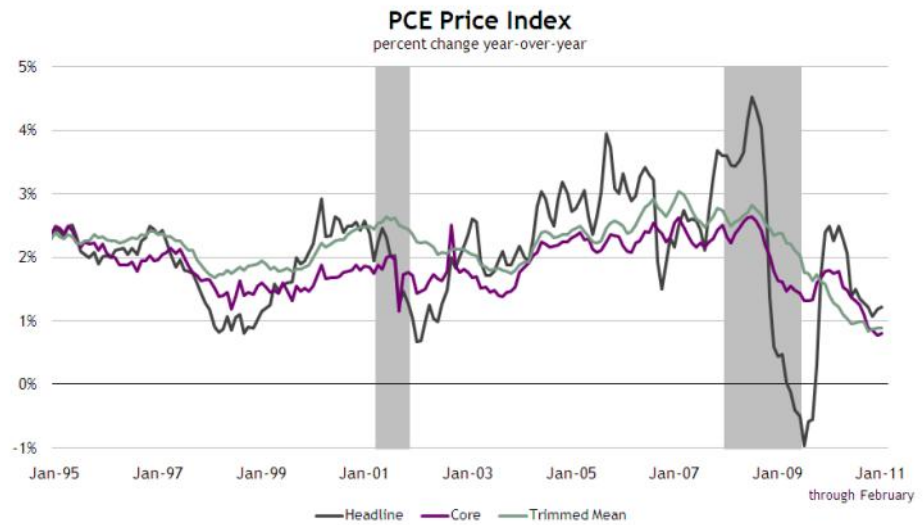


January 2011 Construction Spending Put in Place

	billions, SAAR	yr/yr change	mo/mo change
Total	791.8	-5.9%	-0.7%
Total Private	490.0	-10.5%	-1.2%
Total Public	301.8	2.9%	0.1%
Total Nonresidential	536.7	-5.3%	-3.3%
Private Nonresidential	244.4	-13.2%	-6.9%
Public Nonresidential	292.3	2.5%	0.0%
Total Residential	255.1	-7.0%	5.1%
Private Residential	245.6	-7.7%	5.3%

Summary

Despite a headline gain, core PCE inflation remained subdued in January.



Source: Bureau of Economic Analysis, FRB Dallas

- January headline inflation, as measured by the consumer spending deflator, was up 3.5% on an annualized monthly basis, following a similar gain in December, as food and energy inflation measures continue to rise. Headline PCE prices were up 1.2% year over year. Core (less food and energy) PCE prices increased by 1.5% (annual rate) in January, driven by a rise in goods prices, as services prices remain subdued. Twelve-month core PCE inflation was 0.8%.
- The Dallas Fed trimmed-mean PCE inflation rose 1% (annual rate) in January after rising 1.1% in December. The inflation statistic remained steady at 0.9% on a 12-month basis for the third consecutive month and 1.1% on a six-month annualized basis in January.