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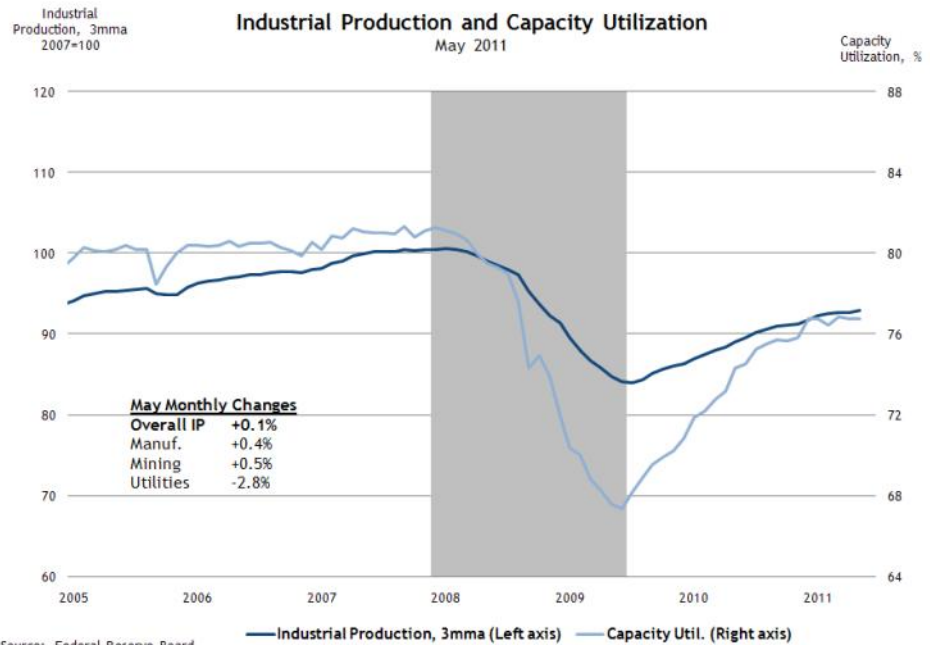
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Manufacturing

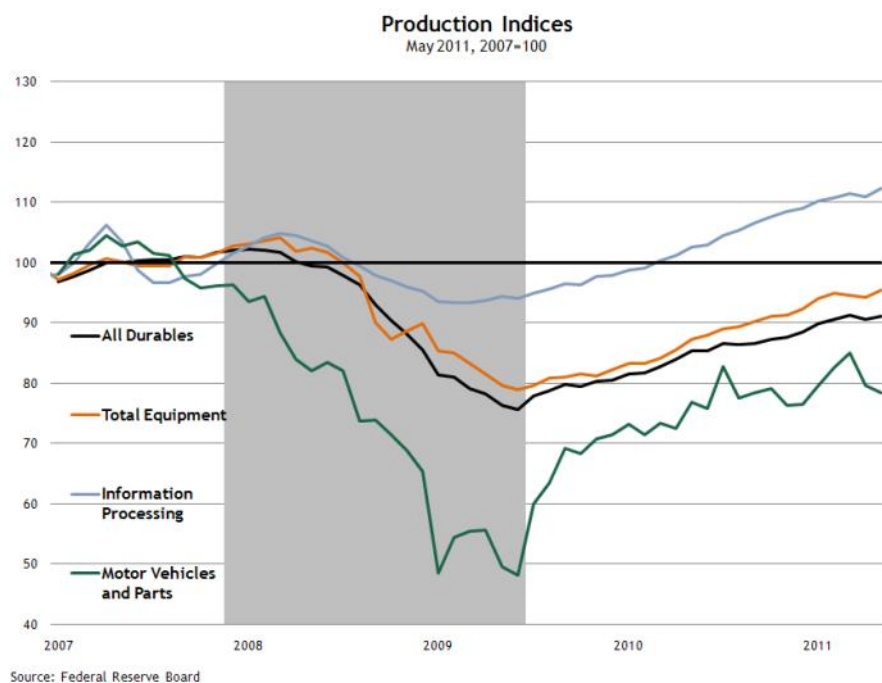
Summary

Industrial production edged up 0.1 percent in May, while the capacity utilization rate stayed flat at 76.7 percent.



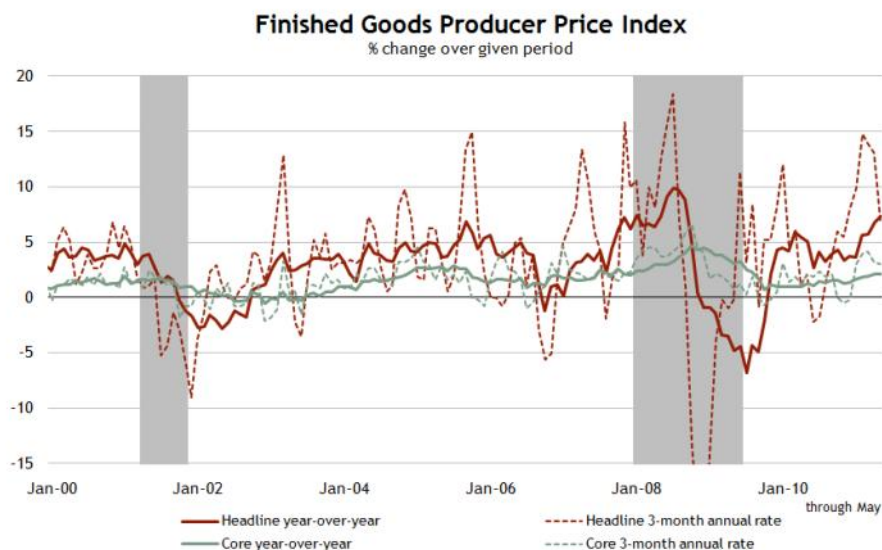
- The Federal Reserve Board's industrial production index edged up 0.1 percent in May, the second month of little or no gain.
- Manufacturing production, the largest subcomponent of overall industrial production, added 0.4 percent in May, after dipping 0.5 percent in April as a result of supply chain disruptions resulting from the Japanese disaster. Excluding motor vehicles, manufacturing production added 0.6 percent in May after falling 0.1 percent in April.
- The output of mines added 0.5 percent in May, while utility production, the most volatile subcomponent, dropped 2.8 percent.
- Capacity utilization remained flat in May at 76.7 percent. This level is 3.7 percentage points below its long run (1972-2010) average.

The production of all durable goods rose 0.5 percent in May after a 0.7 percent drop in April. Both the production of total equipment, as well as the production of information processing equipment, added 1.2 percent in May. The output of motor vehicles and parts dropped another 0.9 percent in May after data reflecting supply chain disruptions showed a roughly 5.5 percent drop in April.

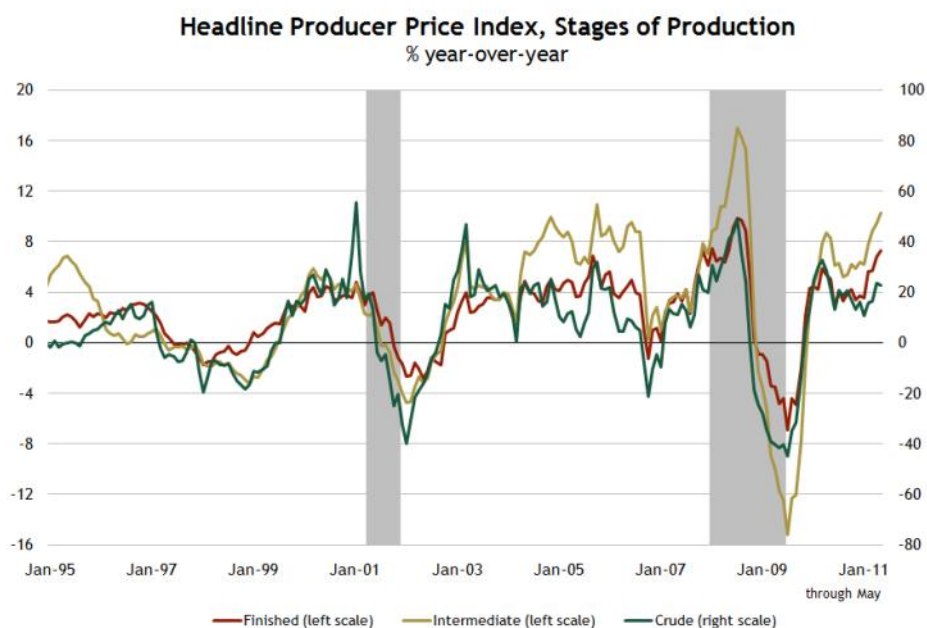


Summary

Headline and intermediate producer price indexes (PPI) decelerated in May, while the crude PPI declined.



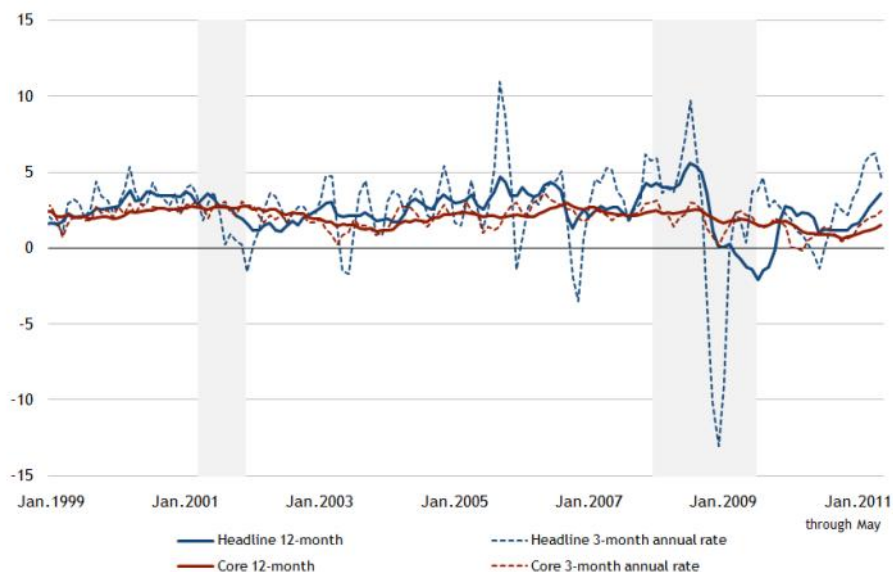
- The May headline producer price index (PPI) for finished goods rose 2.5 percent (annual rate), the smallest one-month gain since July 2010. Most of the May gain can be attributed to a 19.8 percent rise in the PPI for finished energy goods—a component which had increased at an annual rate of 38 percent over the previous five months. Excluding food and energy, PPI rose 2.1 percent in May, a deceleration from 3.5 percent in April. The core index for finished goods was supported by rising prices for plastic products and converted paper and paperboard products. The 12-month core PPI, which has been trending higher since early 2010, was 2.1 percent in May, unchanged from the previous month.
- Looking at earlier stages of production, intermediate PPI rose 12 percent, supported by rising costs of industrial chemicals and energy goods. Recent declines in prices for commodities were reflected in the crude PPI figures. Headline PPI at the crude level declined 39.5 percent (annual rate) in May, following an average advance of 51.3 percent over the previous seven months amid declines in the indices for crude food and energy goods. Excluding food and energy, crude PPI declined 2.6 percent in May. Crude PPI remains 22.8 percent above year-ago levels.



Summary

The core consumer price index (CPI) rose 3.5 percent in May, the largest gain since May 2006.

Consumer Price Index percent change over given period



Source: Bureau of Labor Statistics

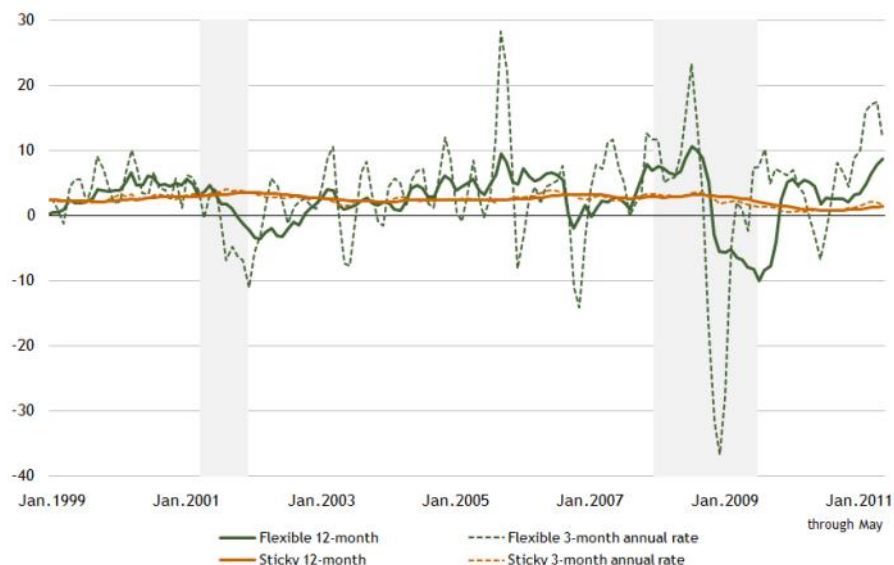
- The headline consumer price index (CPI) rose at a 2 percent annual rate in May, a deceleration from 2.5 percent in April. The energy index declined 11.2 percent, the first decline since June 2010, and the food index increased 4.3 percent. Excluding food and energy, the CPI rose 3.5 percent (annual rate) in May, marking the largest one-month increase since May 2006. The indexes for apparel, shelter, new vehicles, and recreation all contributed to the acceleration. On a year-over-year basis, headline CPI in May was up 3.6 percent, and core CPI was up 1.5 percent.
- According to the Federal Reserve Bank of Cleveland, the median CPI, computed from the same data used to construct the headline CPI, rose 2.1 percent (annualized) in May following a 2.8 percent increase in April, and above the measure's 1.5 percent 12-month trend. In addition, the Cleveland Fed's trimmed-mean CPI rose at a 2.8 percent annual rate in May, up from April's 3.3 percent pace. Both inflation measures continued their upward trends on a 12-month basis in May.

Summary

The Atlanta Fed's sticky price CPI was up 1.7 percent in May.

Sticky and Flexible CPI

percent change over given period



Source: Bureau of Labor Statistics, Atlanta Fed

- Growth in the sticky price CPI measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose 1.7 percent (annualized) in May. The 12-month index rose 1.4 percent, up one tenth from the 1.3 percent gains in March and April, though still below the longer-term trend for the series.
- The sticky price index increased 1.6 percent (annualized) on a core basis (excluding food and energy) in May, and the 12-month index rose 1.3 percent, accelerating since midyear 2010.
- The flexible cut of the CPI—a weighted basket of goods that change price relatively frequently—rose at a 2.3 percent annual rate in May and was up 8.7 percent from year-earlier levels. Excluding food and energy, flexible CPI rose 13.7 percent (annual rate) and was up 2.6 percent from year-earlier levels.

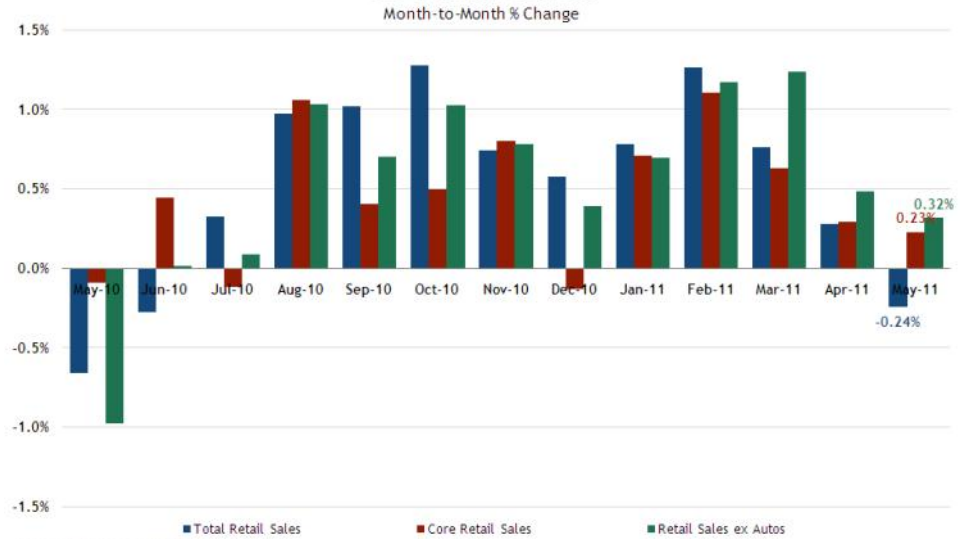
Consumer Spending

Summary

Retail sales fell in May amid a drop in auto sales.

Excluding autos, retail sales posted the smallest monthly increase this year and were revised down for April and March.

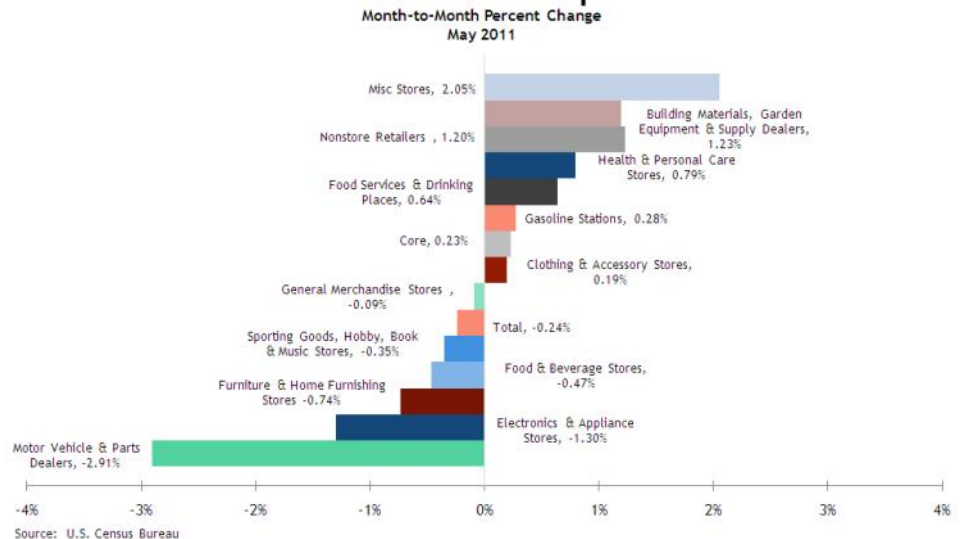
US Retail Sales



- Total retail sales fell 0.2% in May. Much of the decline stemmed from auto sales over the month, which fell 2.9%. Excluding auto sales, retail sales increased 0.3%. Excluding gas, autos and building supplies sales, core retail sales increased by 0.2% over the month.
- Retail sales for April were revised down slightly from 0.5% increase to a 0.3% increase, and March retail sales were also revised down, from 0.9% to 0.8%.

Sales were mixed among different types of retailers over the month.

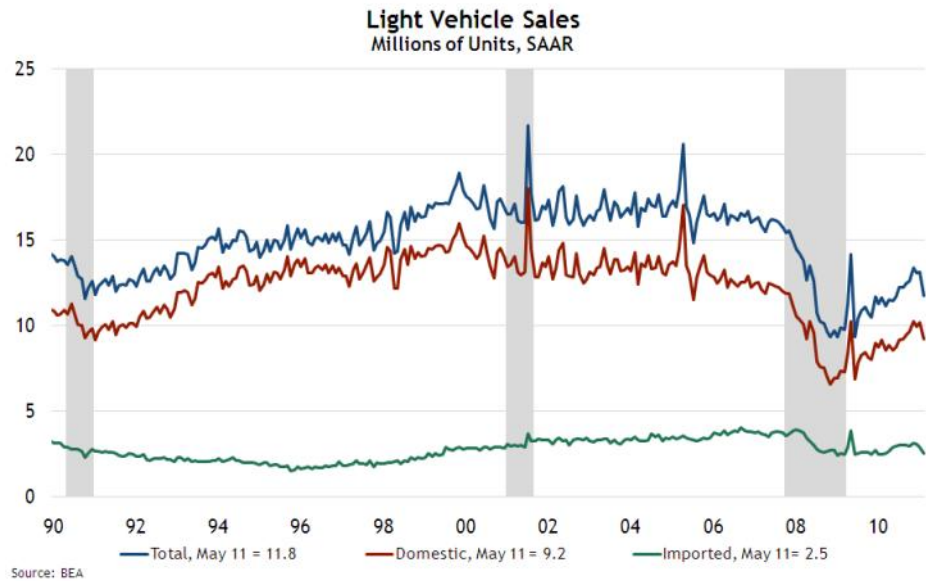
U.S. Retail Sales Components



Consumer Spending

Summary

Light vehicle sales dropped in May across the board.



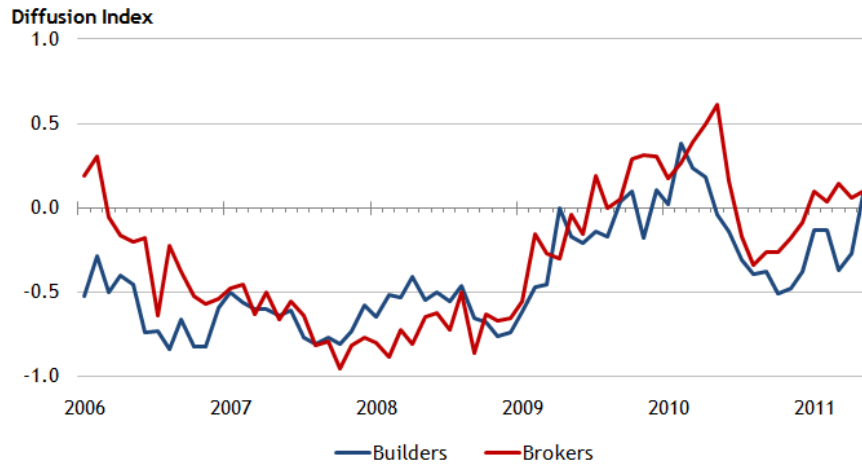
- Light vehicle sales fell to a pace of 11.8 million annual units in May from 13.2 million annual units in April, well below expectations of 12.4 million units.
- The decrease in sales was felt across all categories, autos and light trucks as well as domestic and imported vehicles.
- Supply chain disruptions from Japan likely had an impact on sales over the month.

Summary

Southeast Realtors reported that home sales growth in May remained slightly ahead of sales last year that were boosted by the housing stimulus. However, builders reported that sales improved in May on a year-over-year basis for the first time since last spring.

Note: The housing survey's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity while negative values indicate decreased activity.

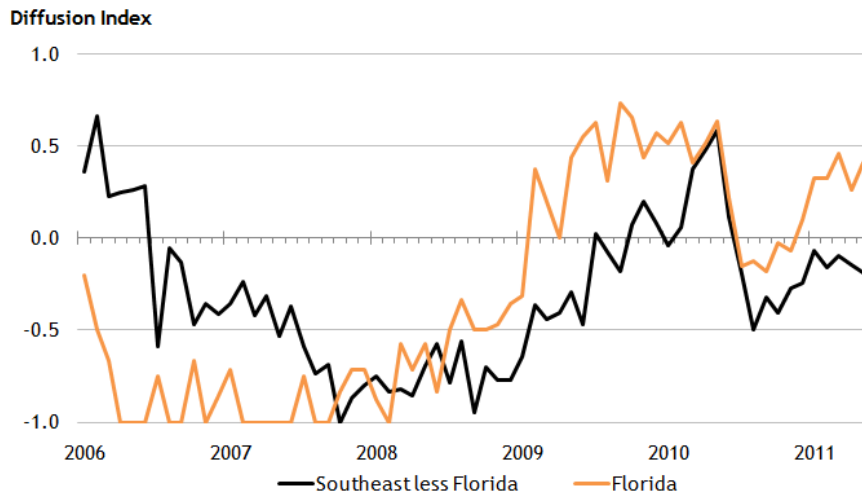
May 2011 Southeast Home Sales vs. a Year Earlier



Source: FRBA business contact poll

Reports from Florida residential brokers indicated that sales rebounded somewhat in May while elsewhere in the region sales softened on a year-over-year basis.

May 2011 Broker Home Sales vs. a Year Earlier



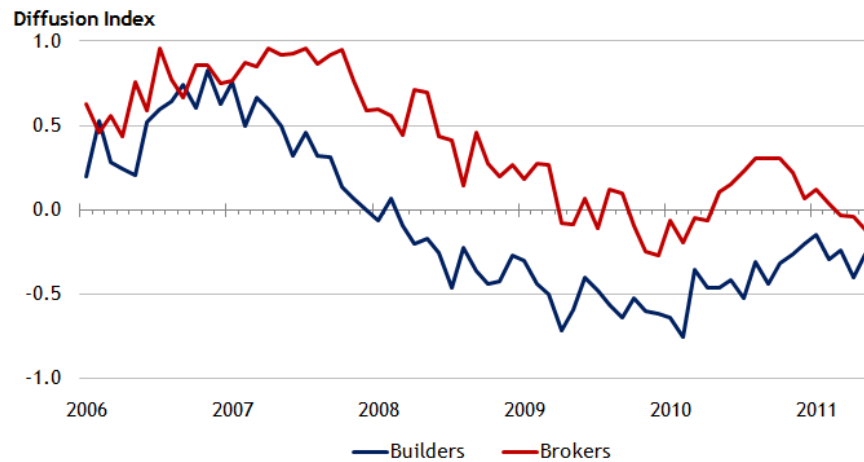
Source: FRBA business contact poll

Note: May poll preliminary results are based on responses from 83 residential brokers and 37 homebuilders and were collected June 6-15.

Summary

Southeast brokers indicated that home inventory levels eased on a year-over-year basis again in May while most builders reported that inventories were flat to down.

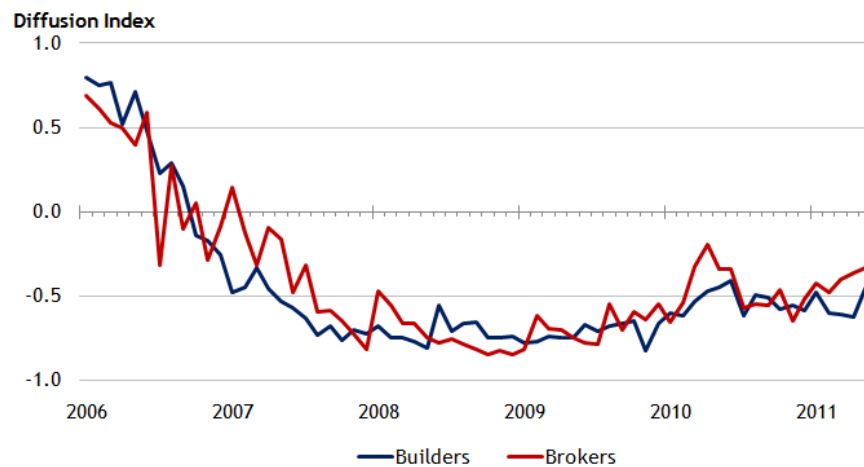
May 2011 Southeast Home Inventory vs. a Year Earlier



Source: FRBA business contact poll

Southeast brokers and builders indicated that home price declines eased in May. However, contact comments continued to note downward pressure on prices as buyers remained most interested in deep discounts.

May 2011 Home Price vs. a Year-ago

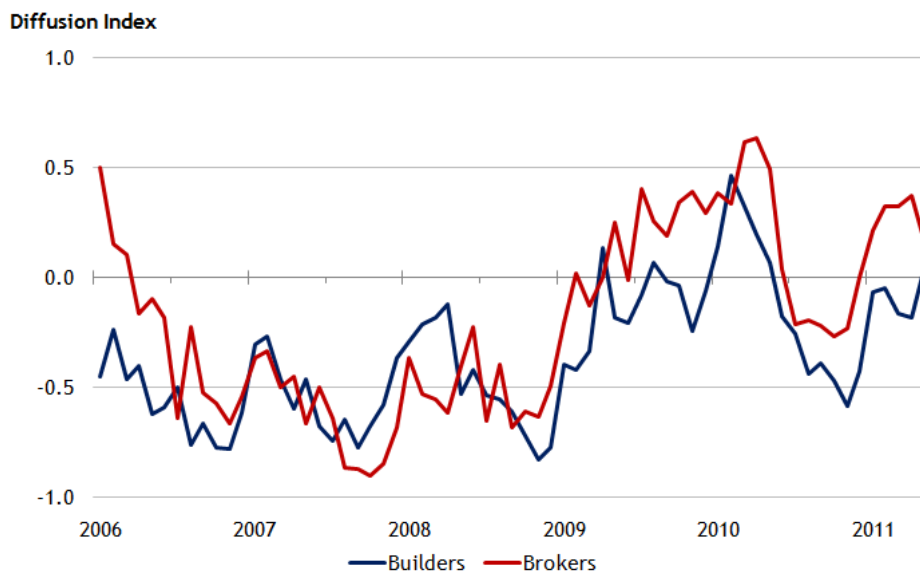


Source: FRBA business contact poll

Summary

Southeast brokers reported that buyer traffic eased in May on a year-over-year basis while builders noted a pick-up in buyer interest. However, both builders and brokers noted that buyer traffic eased from April to May.

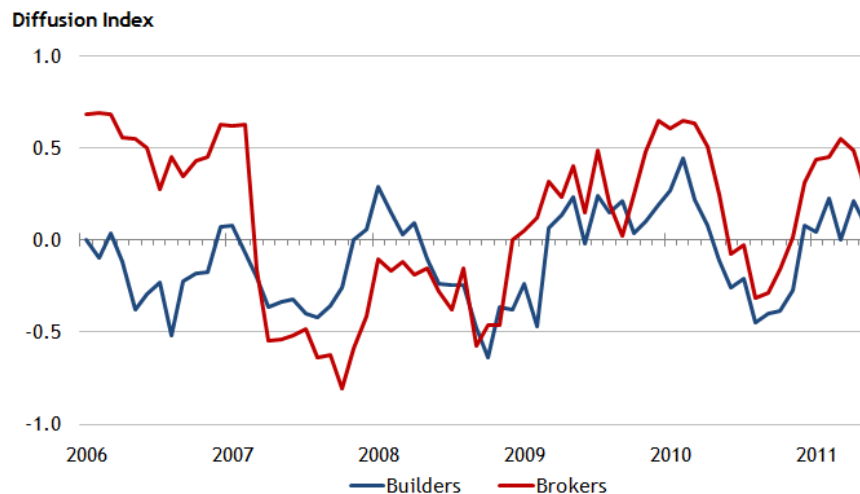
May 2011 Southeast Buyer Traffic vs. a Year Earlier



Source: FRBA business contact poll

Southeast brokers and builders anticipate home sales growth will soften somewhat over the next several months.

May 2011 Southeast Home Sales Outlook vs. a Year Earlier



Source: FRBA business contact poll