

Economic Highlights

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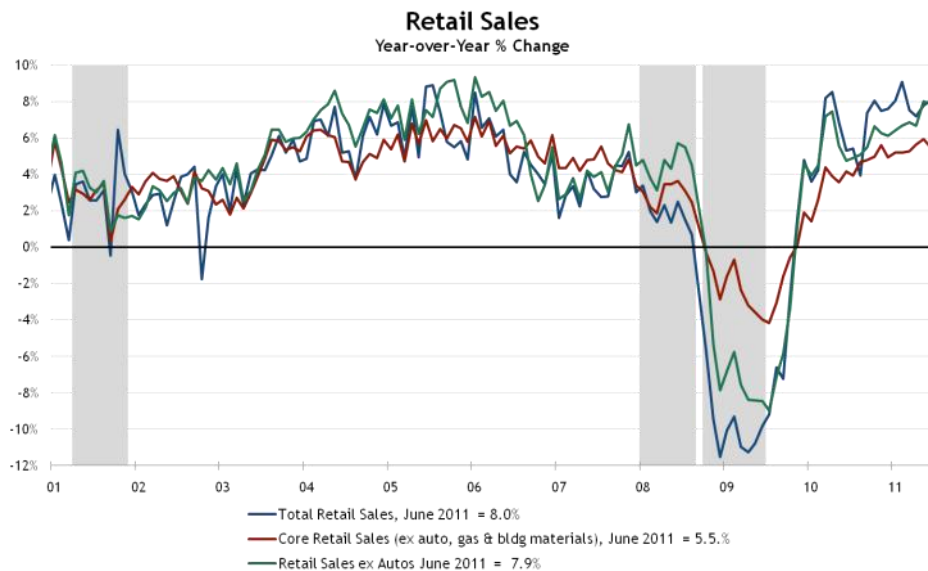
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Consumer Spending

Summary

Retail sales rose in June as a result of higher auto sales.

Sales excluding autos were flat over the month.

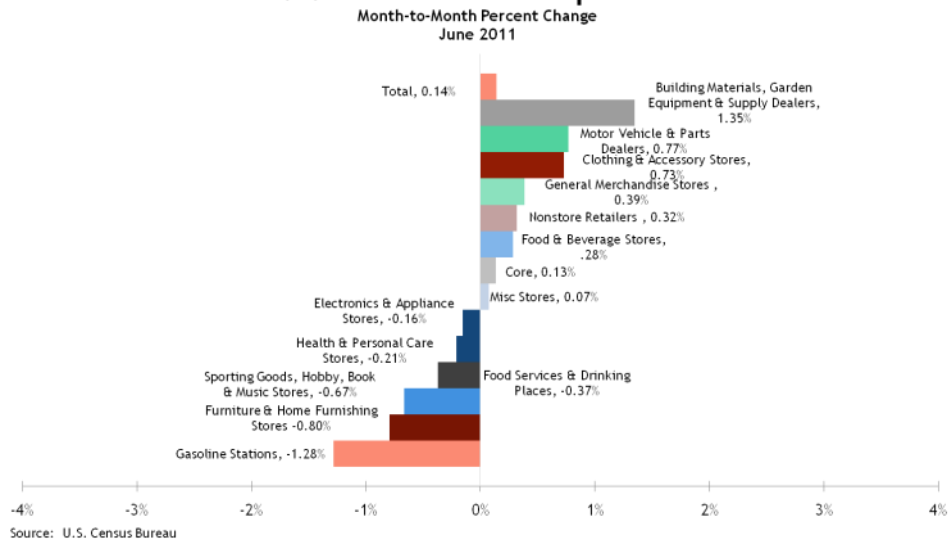


Source: U.S. Census Bureau

- Month over month, total retail sales rose 0.1 percent in June. The gain stemmed from auto sales over the month, which increased 0.8 percent. Excluding auto sales, retail sales increased 0.01 percent. Excluding gas, autos, and building supplies sales, core retail sales increased by 0.13 percent.

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

U.S. Retail Sales Components

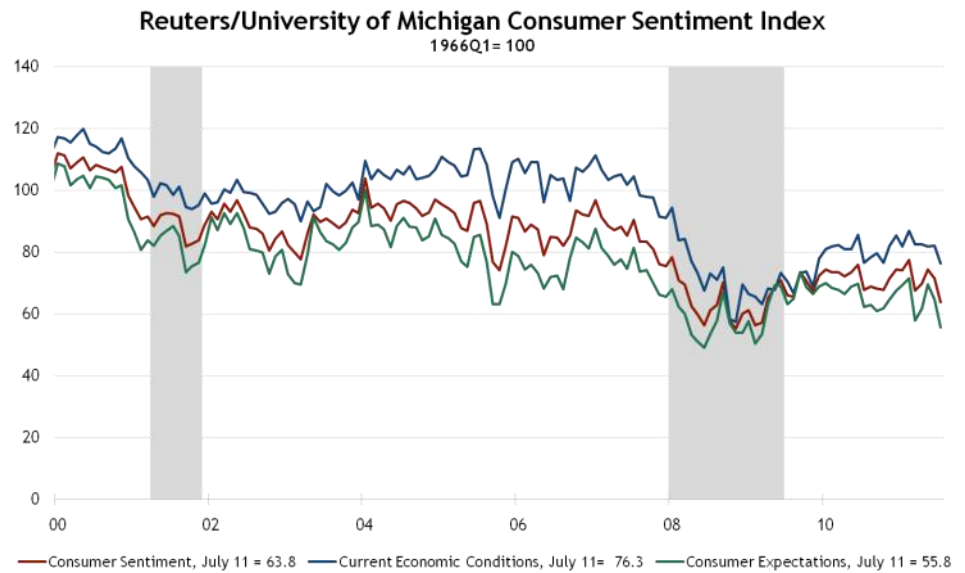


Source: U.S. Census Bureau

Consumer Spending

Summary

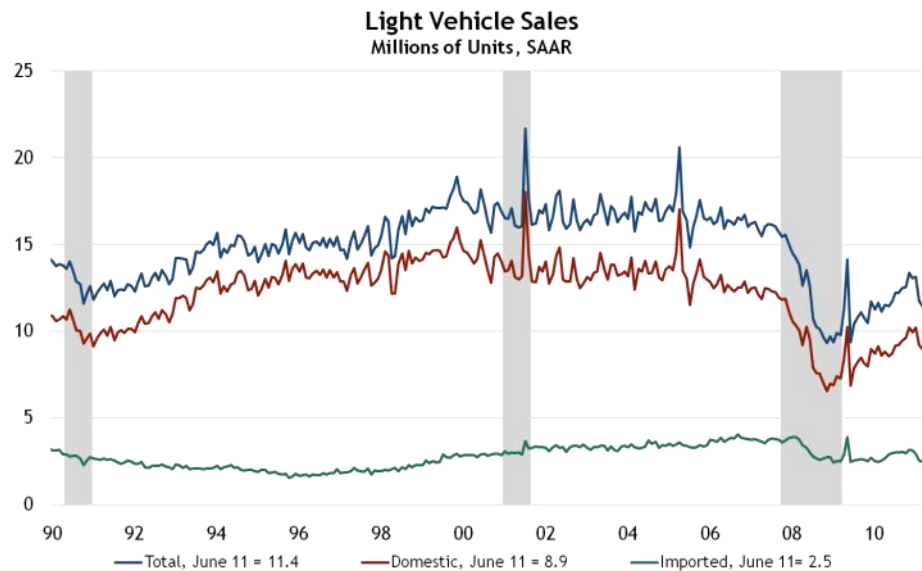
Preliminary July data from the University of Michigan's consumer sentiment index fell to 63.8 points, the lowest level since March 2009.



Source: Reuters/University of Michigan

- The University of Michigan overall consumer sentiment index fell 7.7 points in July to 63.8 points.
- Both the current conditions and expectations components declined.
- Expectations for inflation fell from June. The one-year-ahead expectation (not shown) dropped to 3.4 percent from 3.8 percent.

Light vehicle sales dropped in June across the board.



Source: BEA

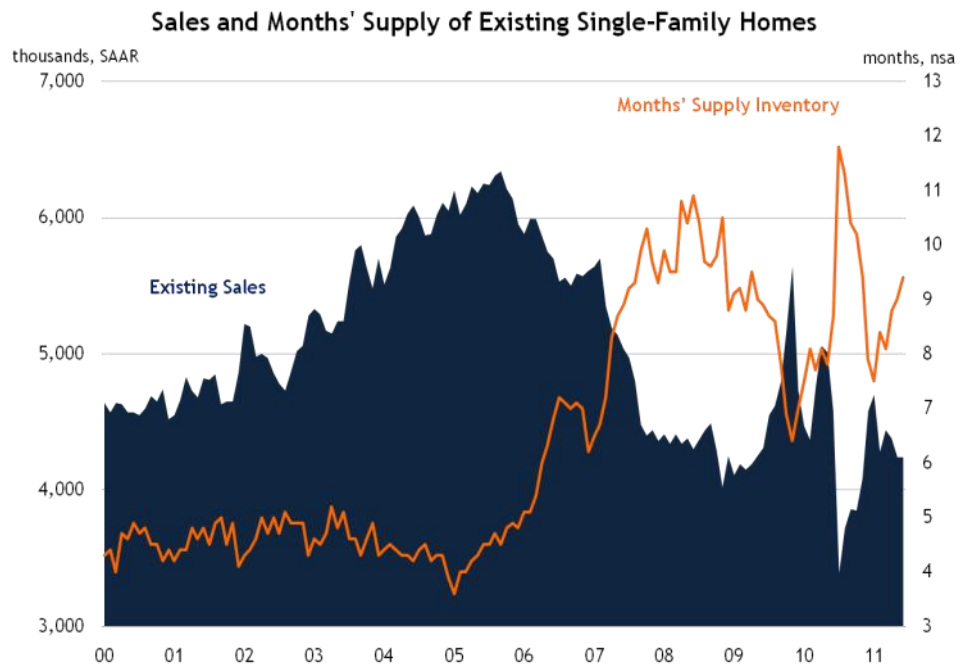
- Light vehicle sales fell to a pace of 11.4 million annual units in June from 11.8 million annual units in May.

Summary

The National Association of Realtors reported that total sales of existing homes fell 0.8 percent in June.

Sales of existing single-family homes were flat over the month.

Months' supply increased from 9 months to 9.4 months.



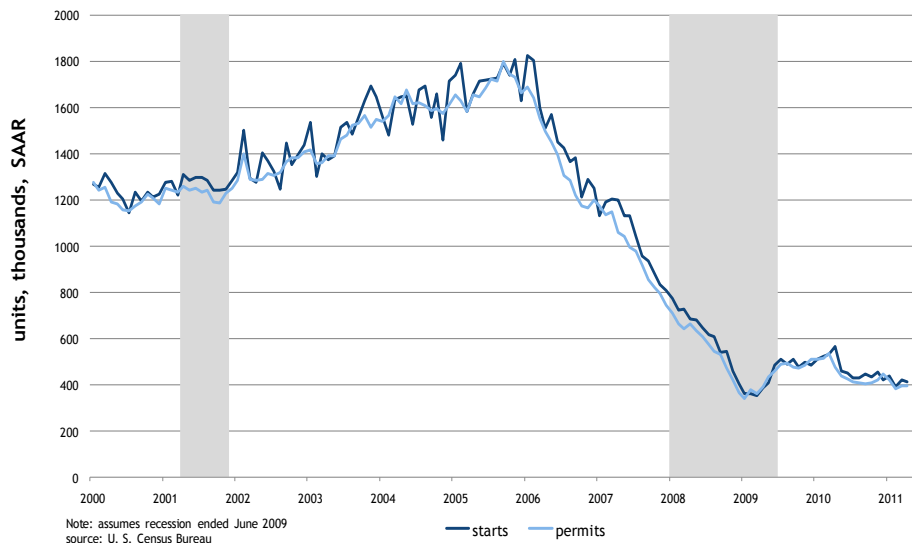
Source: National Association of Realtors

Summary

U.S. total housing starts increased to 629,000 in June.

Both single-family and multifamily starts and permits increased over the month.

US Single Family Home Construction
June 2011



- Single-family and multifamily starts rose strongly.

June Permits, SAAR

Total	624k	6.7% y/y	2.5% m/m
Single-family	407k	-3.8% y/y	0.3% m/m
Multifamily	217k	33.9% y/y	6.9% m/m

Source: U.S. Census Bureau

June Starts, SAAR

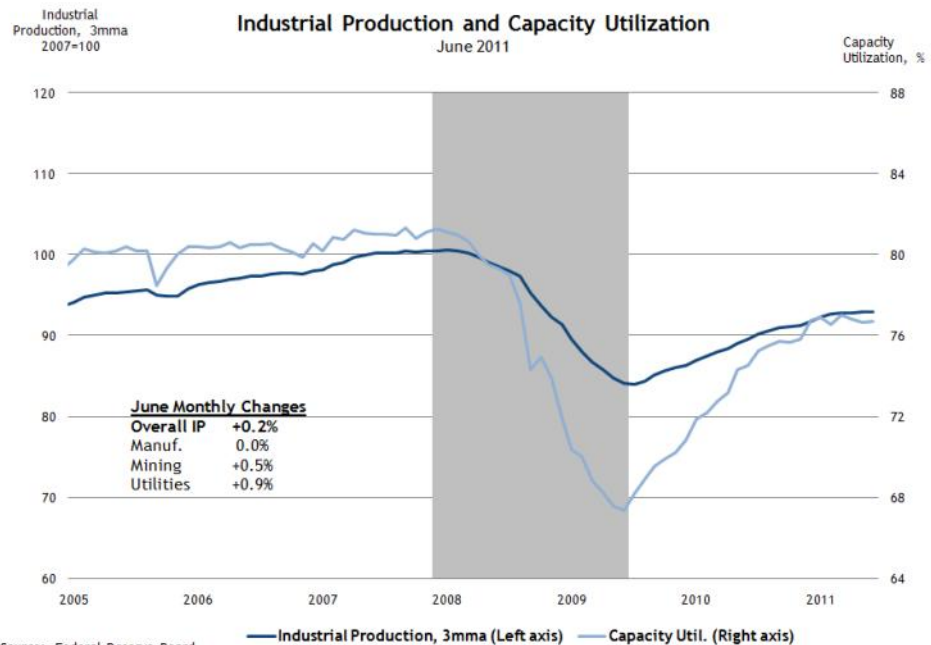
Total	629k	16.7% y/y	4.6% m/m
Single-family	453k	0.4% y/y	9.4% m/m
Multifamily	176k	100% y/y	30.4% m/m

Source: U.S. Census Bureau

Manufacturing

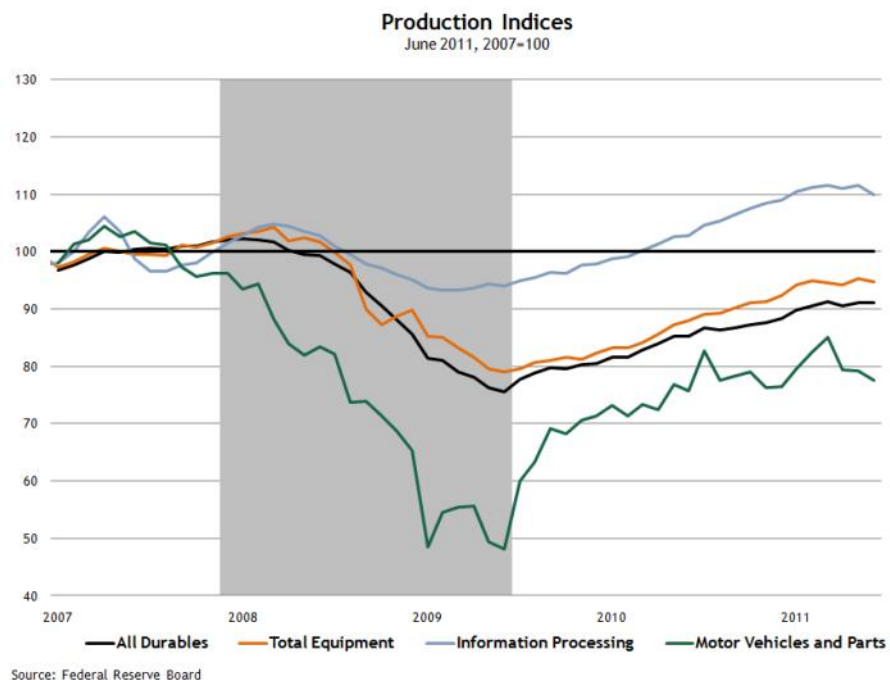
Summary

Industrial production edged up 0.2 percent in June, while the capacity utilization rate stayed flat at 76.7 percent.



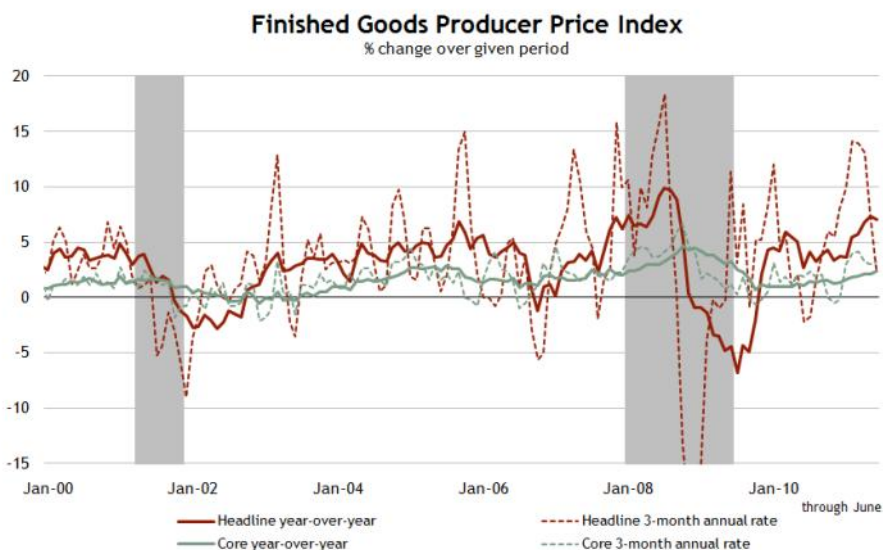
- The Federal Reserve Board's industrial production Index edged up 0.2 percent in June, the third month of little or no gain.
- Manufacturing production, the largest subcomponent of overall industrial production, was essentially unchanged in June, much like May. Excluding motor vehicles, manufacturing production added 0.1 percent in June.
- The output of mines added 0.5 percent in June, while utility production, the most volatile subcomponent, rose 0.9 percent.
- Capacity utilization remained flat in June at 76.7 percent. This rate is 3.7 percentage points below its long run (1972-2010) average of 80.4 percent.

The production of all durable goods was essentially flat in June, after rising 0.6 percent in May. Both the production of total equipment, as well as the production of information-processing equipment, declined 0.8 percent in June. The output of motor vehicles and parts dropped another 2 percent in June.



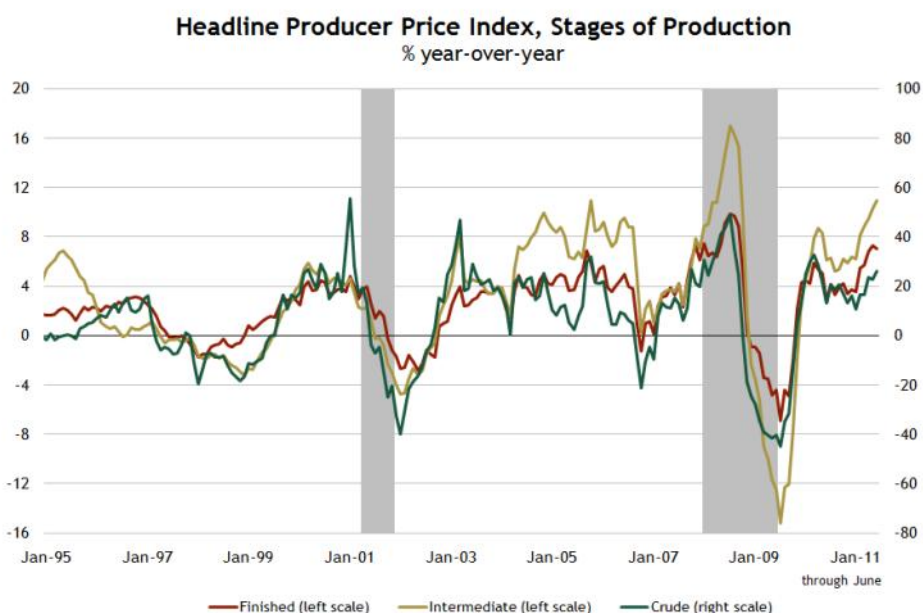
Summary

The headline finished producer price index (PPI) declined, and core pushed higher.



Source: Bureau of Labor Statistics

- The June headline producer price index (PPI) for finished goods declined 4.3 percent (annual rate), marking the first decline in a year. The June decline can be attributed to a 29.3 percent fall in the PPI for finished energy goods—a component that had increased at an annual rate of 35 percent over the previous six months. Excluding food and energy, PPI rose 4.1 percent in June, an acceleration from 2.1 percent in May. The core index for finished goods was supported by rising prices for light motor trucks and plastic products. The 12-month core PPI, which has been trending higher since early 2010, was 2.4 percent in May, up from 2.1 percent the previous month.
- Looking at earlier stages of production, intermediate PPI was about unchanged (up 0.1 percent) in June, as falling energy prices were offset by rising prices for food and chemicals. Headline PPI at the crude level declined 7.4 percent (annual rate) in June amid declines in the index for crude energy goods, only partially offset by advances in carbon steel scrap and corn prices. Excluding food and energy, crude PPI advanced 13.7 percent in June. Crude PPI remains 25.6 percent above year-ago levels.



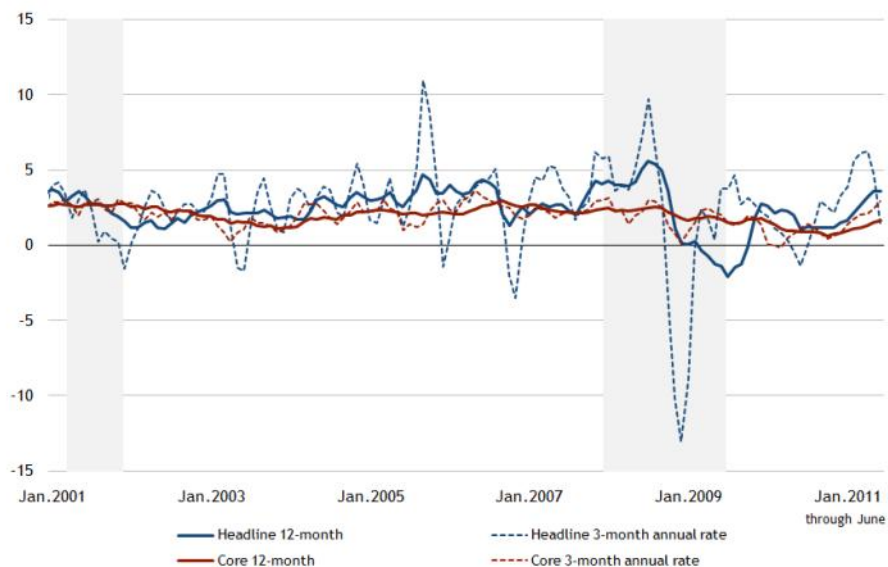
Source: Bureau of Labor Statistics

Summary

Energy CPI declined sharply in June, and core posted a broad-based increase.

Consumer Price Index

percent change over given period



Source: Bureau of Labor Statistics

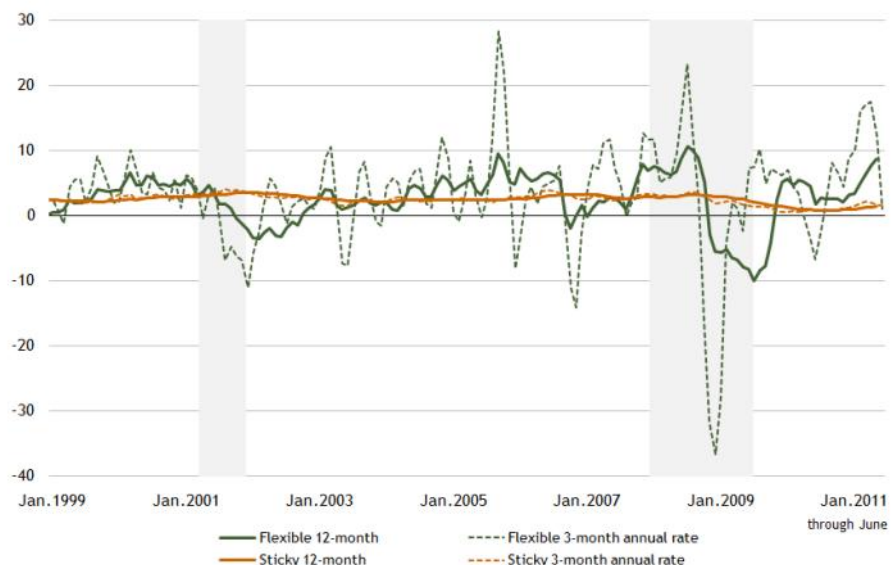
- The headline consumer price index (CPI) fell at a 2.6 percent annual rate in June, marking the first monthly decline in a year. A 41.7 percent monthly (annualized) fall in the energy index was responsible for the headline decline. Food prices rose 2.5 percent, the smallest one-month gain since December 2010.
- Excluding food and energy, the CPI rose 3.1 percent (annual rate) in June, following a 3.5 percent increase in May. The gain in the core index was broad-based; the indexes for shelter, apparel, new vehicles, used cars and trucks, and medical care all contributed to the rise in June.
- On a year-over-year basis, headline CPI in May was up 3.6 percent for the second consecutive month, and core CPI was up 1.6 percent, the largest 12-month change since December 2009.
- According to the Federal Reserve Bank of Cleveland, the median CPI, computed from the same data used to construct the headline CPI, rose 1.7 percent (annualized) in June following a 2.1 percent increase in May, though still above the measure's 1.5 percent 12-month trend. In addition, the Cleveland Fed's trimmed-mean CPI decelerated to a 1.2 percent annual rate in June, down from an average 3.1 percent in the first five months of the year.

Summary

Atlanta Fed's sticky price CPI decelerated on both a headline and core basis in June.

Sticky and Flexible CPI

percent change over given period

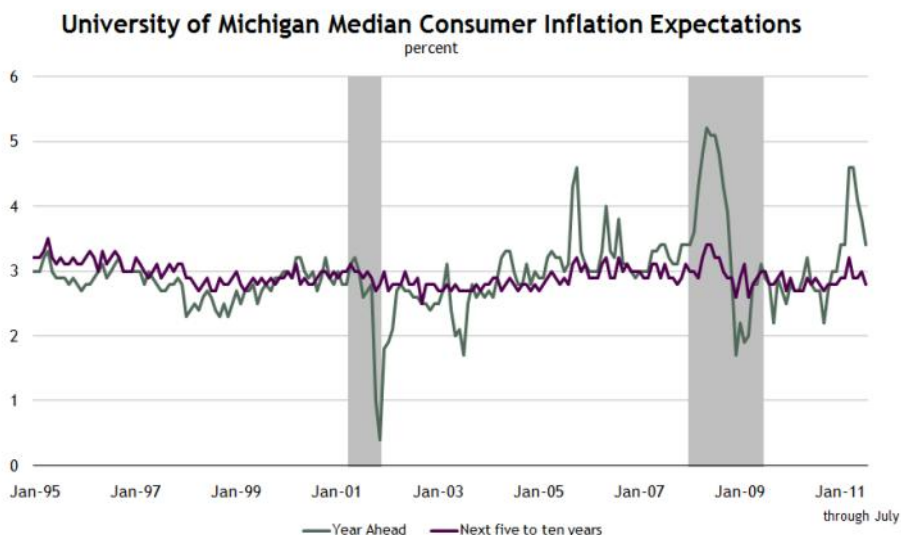


Source: Bureau of Labor Statistics, Atlanta Fed

- Growth in the sticky price CPI measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose 1 percent (annualized) in June. The 12-month index rose 1.4 percent, below the longer-term trend for the series.
- The sticky price index increased 0.8 percent (annualized) on a core basis (excluding food and energy) in June, and the 12-month index rose 1.3 percent, accelerating since mid-year 2010.
- The flexible cut of the CPI—a weighted basket of goods that change price relatively frequently—declined at a 11.4 percent annual rate in June and was up 8.6 percent from year-earlier levels. Excluding food and energy, flexible CPI rose 15.5 percent (annual rate) and was up 3.4 percent from year-earlier levels.

Summary

Both near-term and longer-term household inflation expectations declined in early July, according to the University of Michigan.



Source: University of Michigan

- According to survey data collected by the University of Michigan in the first half of July, the median inflation rate expected by households for the year ahead is 3.4 percent, down from 3.8 percent in June and a high of 4.6 percent in March and April. Near-term inflation expectations tend to closely track gasoline prices, which have come down over the past several weeks.
- The expectation for inflation in five to 10 years, which is generally more stable, also declined in the first two weeks of July, at 2.8 percent; the median longer-term expectation is the lowest it has been since December 2010. The long-term expectations are roughly at their 10-year average rate (of 2.9 percent), while 12-month expectations remain above the series' 10-year trend of 3 percent.