FEDERAL RESERVE BANK of ATLANTA

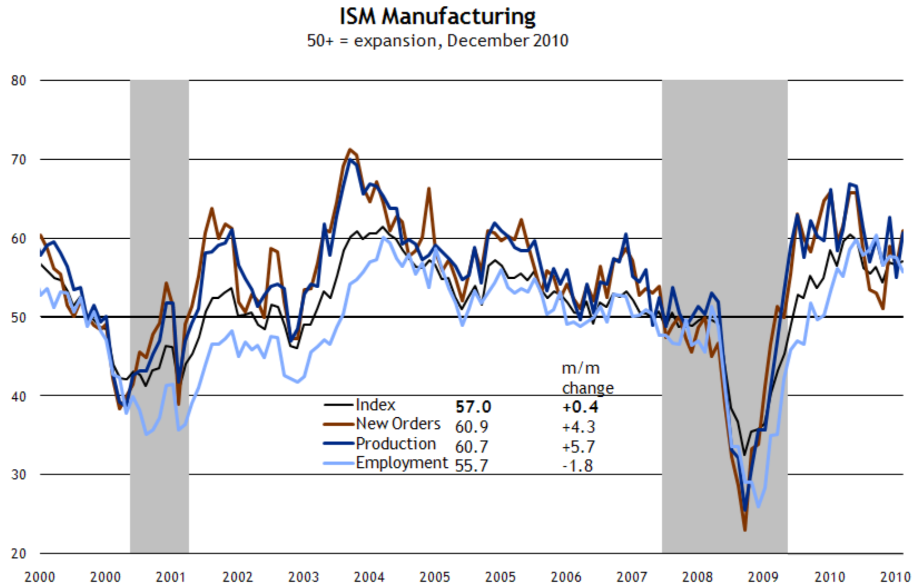
January 5, 2011

Economic Highlights

Manufacturing

Summary

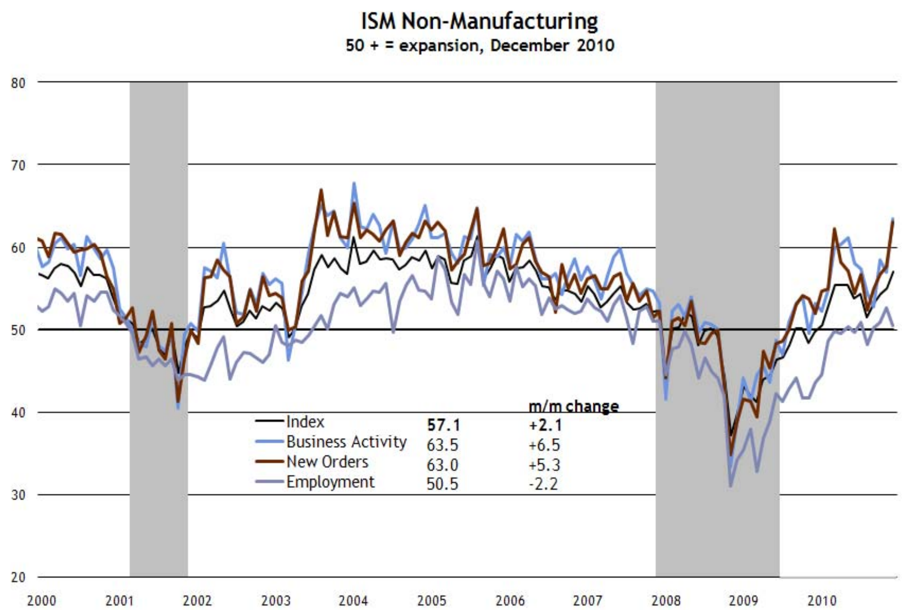
The Institute for Supply Management's (ISM) Purchasing Managers Index (PMI) added 0.4 index points in December, largely a result of firms reporting higher levels of new orders and production.



Source: Institute for Supply Management

- The ISM's PMI indicates that the manufacturing sector grew at a slightly faster pace in December.
- The index for **new orders added a strong 4.3 index points in December** to reach 60.9.
- The largest growth came from the **production index, which added 5.7 index points** to reach 60.7 in December.
- The **employment component dropped 1.8 index points,** a result of 22% of contacts reporting higher manufacturing employment in December compared with 25% reporting the same in November.

The ISM Nonmanufacturing Index added 2.1 index points in December, largely a result of firms reporting higher levels of business activity and new orders.



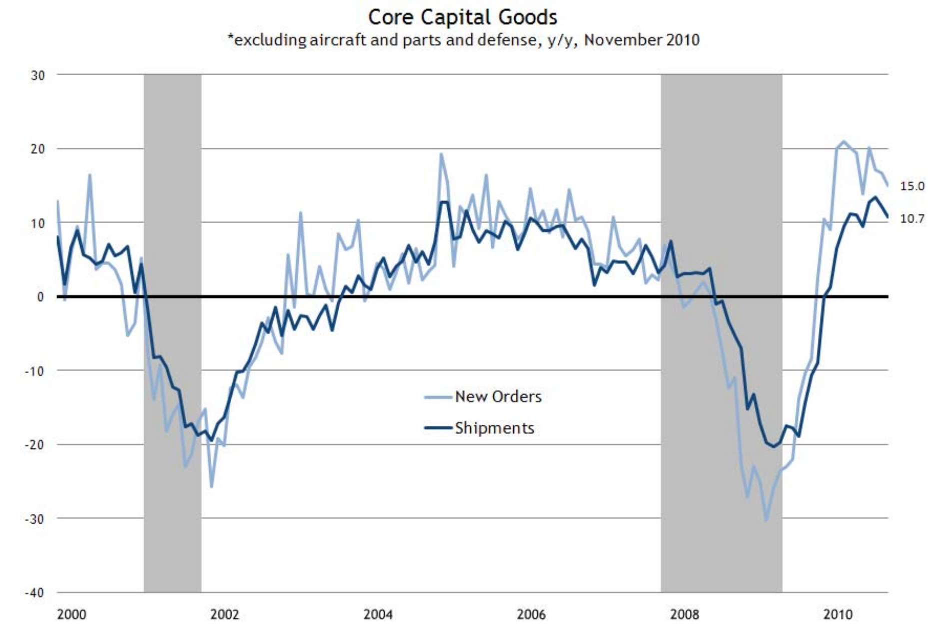
Source: Institute for Supply Management

Manufacturing

Summary

New orders for core capital goods in November 2010 were up 15% compared with November 2009. Shipments of core capital were up 10.7% year over year.

New orders for core capital goods rose 2.6% from October to November while shipments for core capital increased by 1.1%.

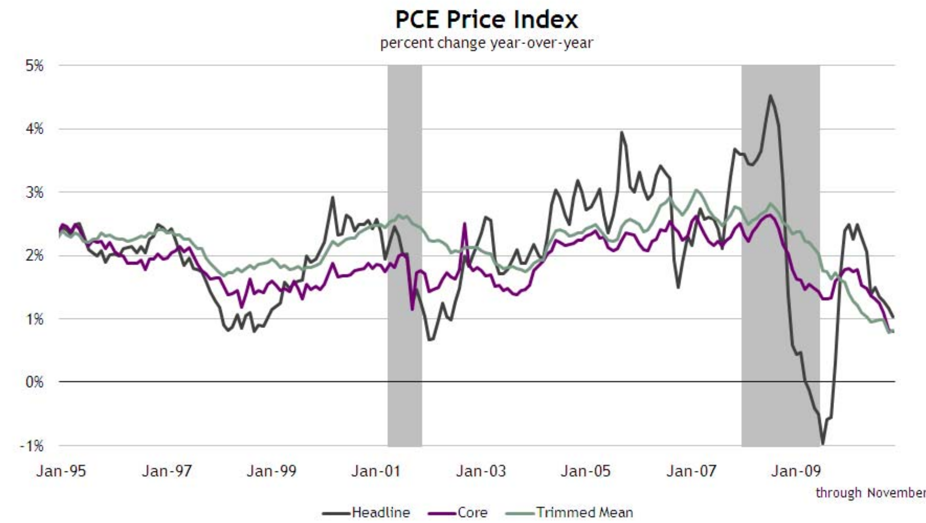


Source: U.S. Census Bureau

Prices

Summary

Headline personal consumption expenditures (PCE) inflation maintained a declining trajectory in November.



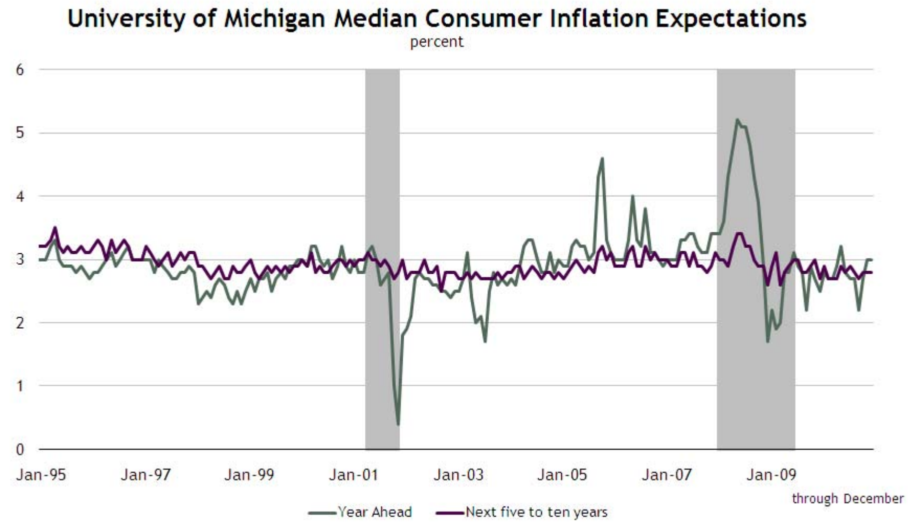
Source: Bureau of Economic Analysis, FRB Dallas

- November headline inflation, as measured by the consumer spending deflator, was up 1.1% on an annualized monthly basis, decelerating from a 2% annualized pace in October. Headline PCE prices were up 1% year over year.
- Core (less food and energy) PCE prices increased by 1% (annual rate) in November, up from 0.1% the month before. Year-over-year core PCE inflation was 0.8%, unchanged from the month before.
- The Dallas Fed trimmed-mean PCE inflation rose 1.4% (annual rate) in November, up notably from October's growth rate of 0.2%. The inflation statistic remained steady at 0.8% on a 12-month basis and accelerated slightly to 1% on a six-month annualized basis in November.

Prices

Summary

Survey data compiled in December by the University of Michigan showed both near- and longer-term consumer inflation expectations unchanged from November.



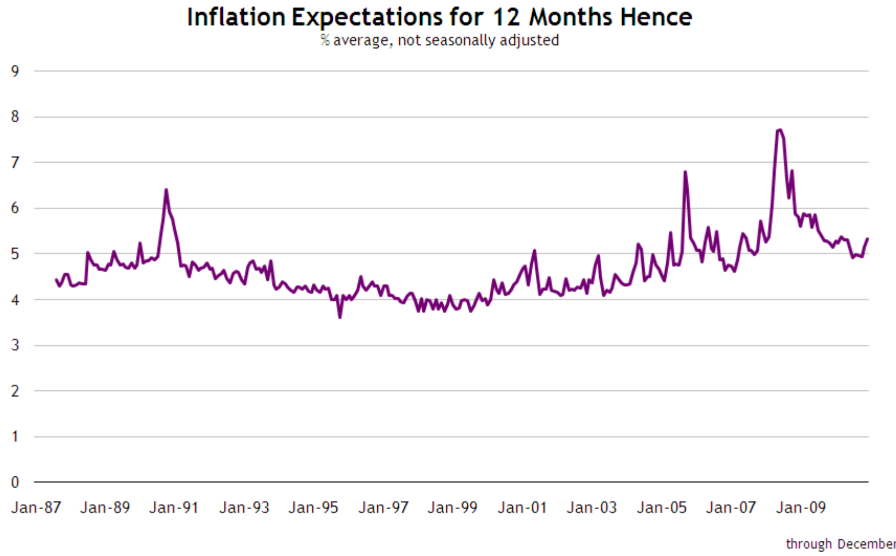
Source: University of Michigan

- According to the University of Michigan's inflation expectations survey, the median inflation rate expected by consumers 12 months out was 3% in December, unchanged from November estimates, the highest reading since May 2010.
- The median expectation for inflation in five to 10 years was 2.8%, unchanged for three consecutive months.

Prices

Summary

According to the Conference Board survey, consumer inflation expectations increased in December.



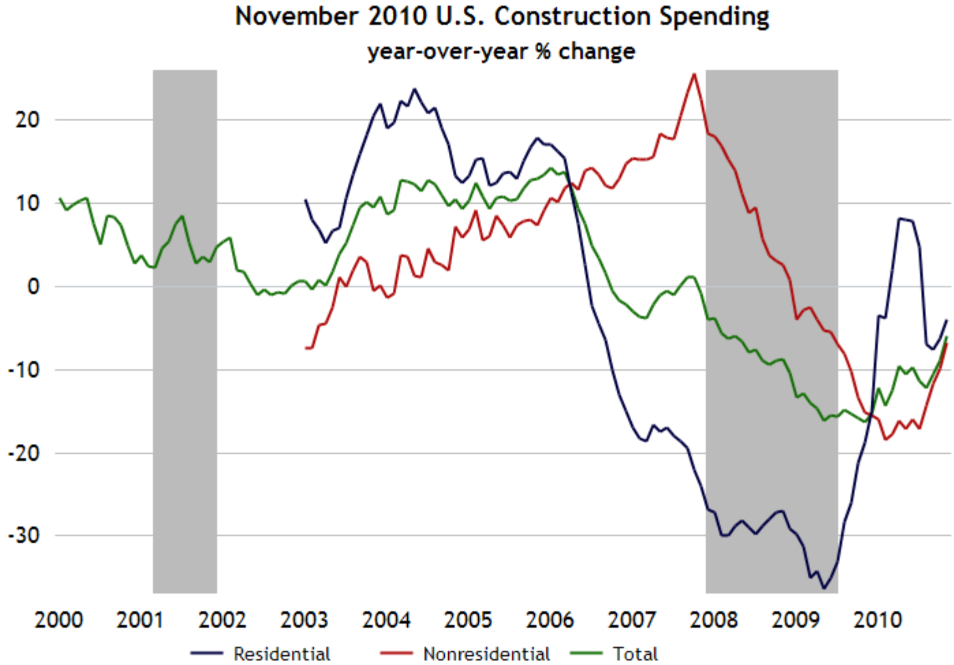
Source: The Conference Board

- Twelve-month-out **inflation expectations** were **5.3%** in **December,** up from 5.2% in November. The series averaged 5.2% over the 12 months ending December 2010.

Real Estate

Summary

The U.S. Census Bureau reported that construction spending remained at low levels but continued to improve on a year-over-year basis.



Source: U.S. Census Bureau

November 2010 Construction Spending Put in Place

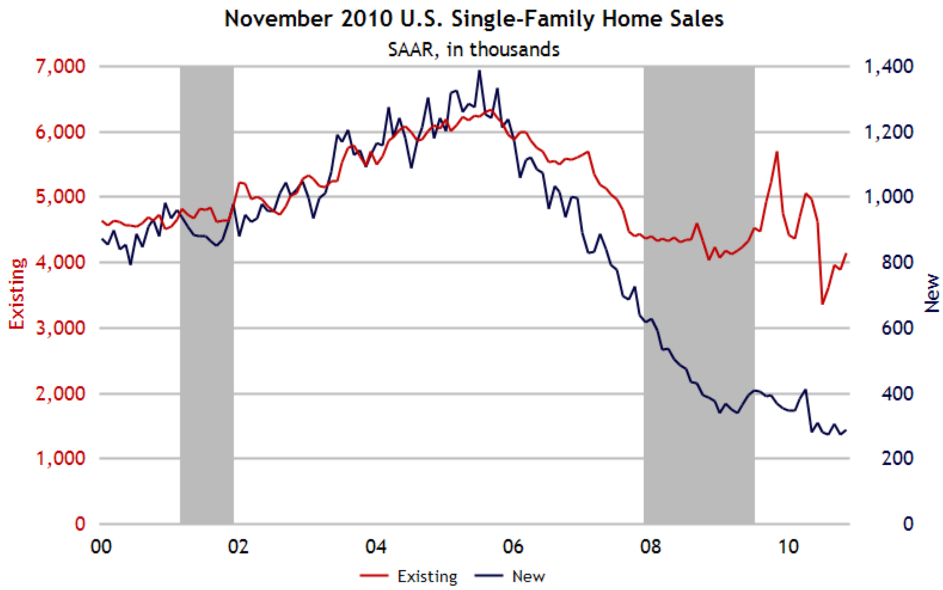
	billions, SAAR	y/y change	m/m change
Total	810.2	-6.0%	0.4%
Total private	491.8	-11.5%	0.3%
Total public	318.5	4.2%	0.7%
Total nonresidential	563.4	-6.8%	0.3%
Private nonresidential	256.1	-16.5%	-0.1%
Public nonresidential	307.4	3.3%	0.6%
Total residential	246.8	-4.0%	0.7%
Private residential	235.7	-5.3%	0.7%

Source: U.S. Census Bureau

Real Estate

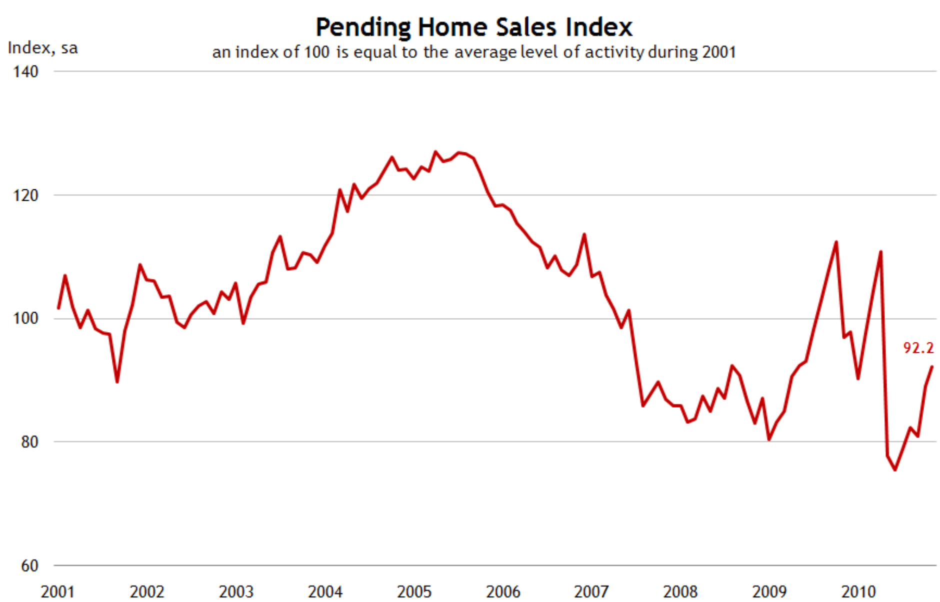
Summary

Both existing and new single-family home sales increased in November, rising 7% and 5% respectively. However, sales remained well below year-earlier levels.



Source: U.S. Census Bureau and National Association of Realtors

According to the National Association of Realtors, pending home sales in November edged up again to 92.2 but remained below the year-earlier level.

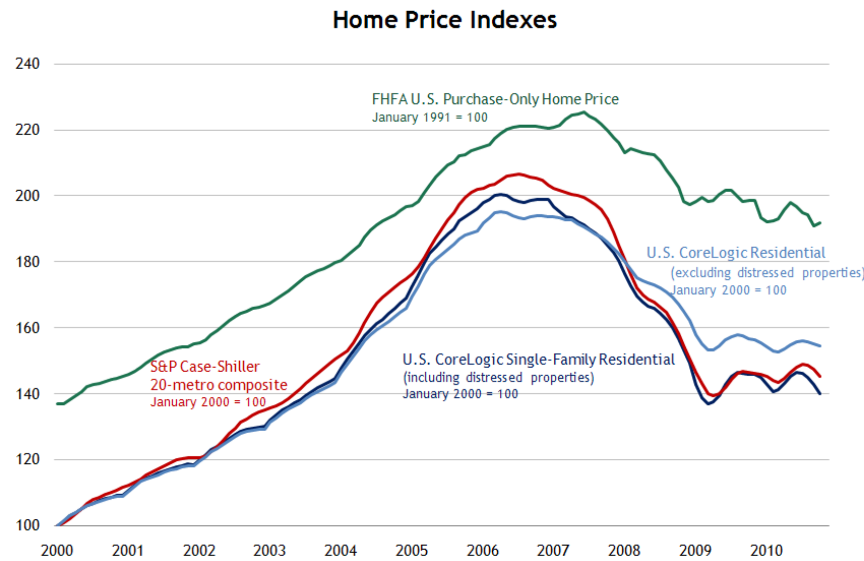


Source: National Association of Realtors

Real Estate

Summary

Home prices weakened from September to October and on a year-over-year basis among home index measures with the exception of the FHFA purchase-only index, which rose slightly from the prior month.



Source: CoreLogic; Standard & Poor's and Fiserve Inc.; Federal Housing Finance Agency

	Oct. (nsa)	Oct. (sa)	M/M (nsa)	M/M(sa)	Y/Y
S&P/Case-Shiller®					
20-city composite	145.3	143.5	-1.3%	-1.0%	-0.8%
10-city composite	159.0	157.2	-1.2%	-0.9%	0.2%
Atlanta	103.3	101.9	-2.9%	-2.1%	-6.2%
Miami	144.0	143.0	-1.1%	-1.2%	-3.4%
Tampa	135.2	134.0	-0.9%	-0.2%	-3.6%
U.S. FHFA Purchase-Only	191.8	190.8	0.7%	0.5%	-3.4%
U.S. CoreLogic®					
Combined*	140.0		-1.9%		-3.9%
Combined* excl. distressed	154.4		-0.5%		-1.5%
Single-family detached	138.9		-1.9%		-3.7%
Single-family attached	146.1		-1.9%		-5.2%

*Combined refers to single-family attached and single-family detached homes.

CoreLogic reported that home prices continued to weaken across most of the Southeast in October.