

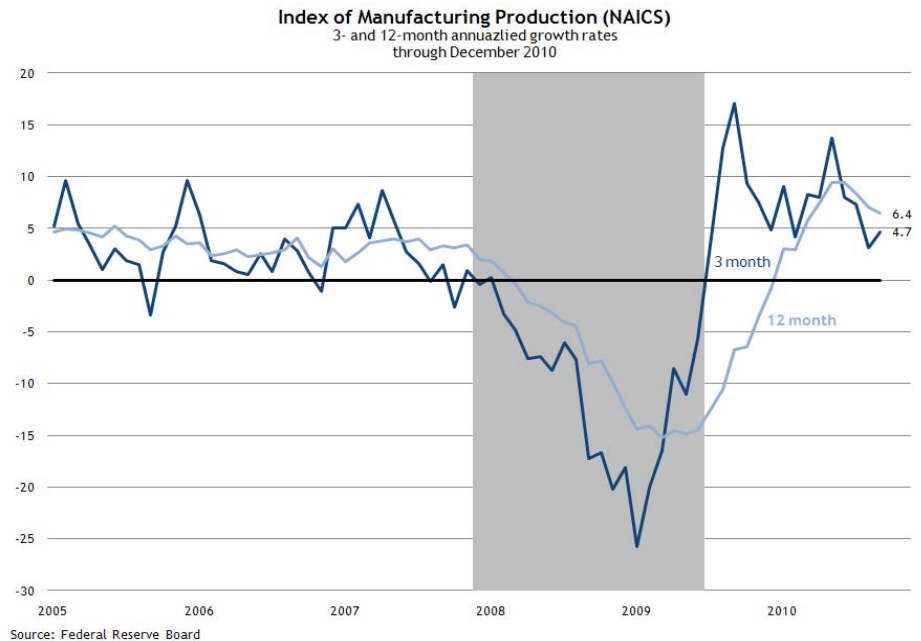
Economic Highlights

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Manufacturing

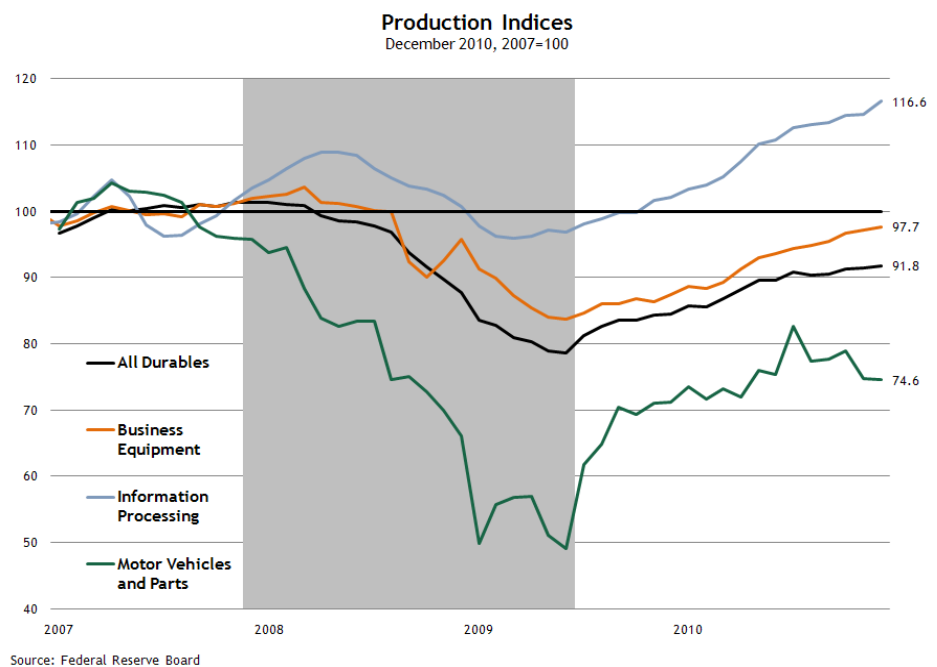
Summary

Overall industrial production added 0.8% in December after gaining 0.3% in November. The production of manufacturers was up 0.4% while mining production added 0.4%. Utility output soared 4.3% over the previous month because of unusually cold weather.



- Industrial production added 0.8% in December after a downwardly revised November gain of 0.3%. September and October, however, had upward revisions.
- Manufacturing production gained 0.4% for the month. Excluding motor vehicles and parts, manufacturing production added 0.5%. Manufacturing production is up 6.4% compared with December 2009.
- Capacity utilization for all industries increased to 76% from 75.4% in November.
- The utilization rate for manufacturers was 73.5% in December, up from 73.2% in November.

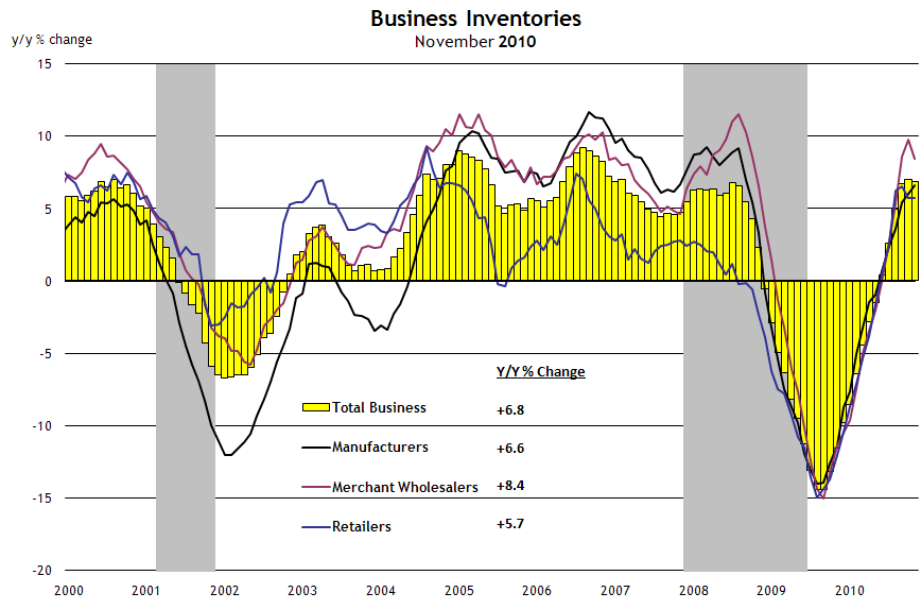
The output of all durable goods increased 0.4% in December. Business equipment production moved up 0.6% for the month and closed the fourth quarter with a 10% annualized growth rate. The production of information processing equipment jumped 2% in December while the production of motor vehicles and parts dipped roughly 0.1%.



Manufacturing

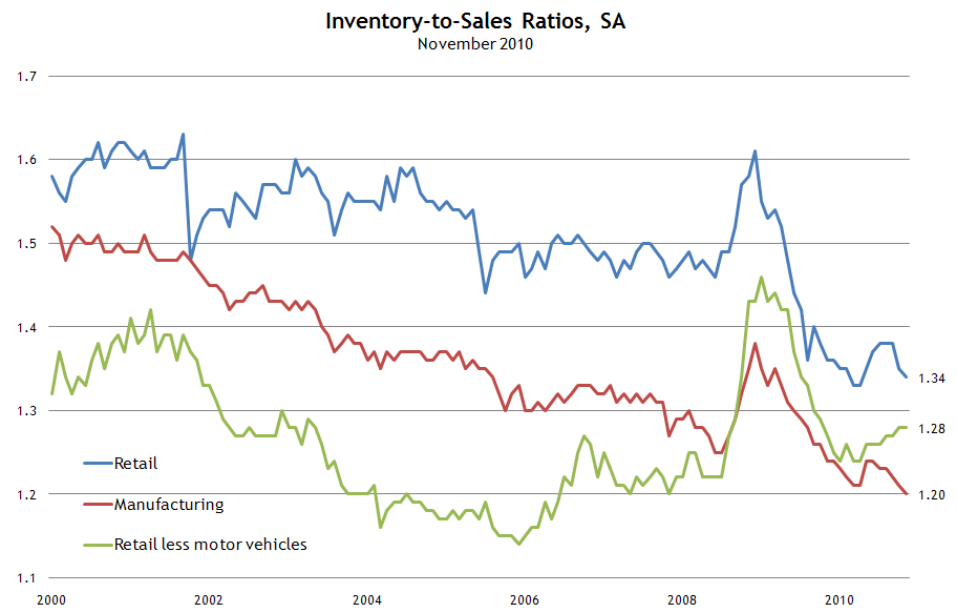
Summary

Inventory at all stages of the supply chain continued to increase in November. Total business inventories were up 0.7% month over month and 6.8% compared with a year earlier.



Source: U.S. Census Bureau

- Business inventories continued to increase in November. From October to November, total business inventories rose 0.7% while compared with a year earlier, inventory levels were up 6.8%.
- Merchant wholesalers' inventories are up the most relative to a year earlier at +8.40% year over year.
- Retail and manufacturing inventory-to-sales (I/S) ratios dropped in November. Excluding motor vehicles and parts, the retail I/S ratio rose to 1.28.



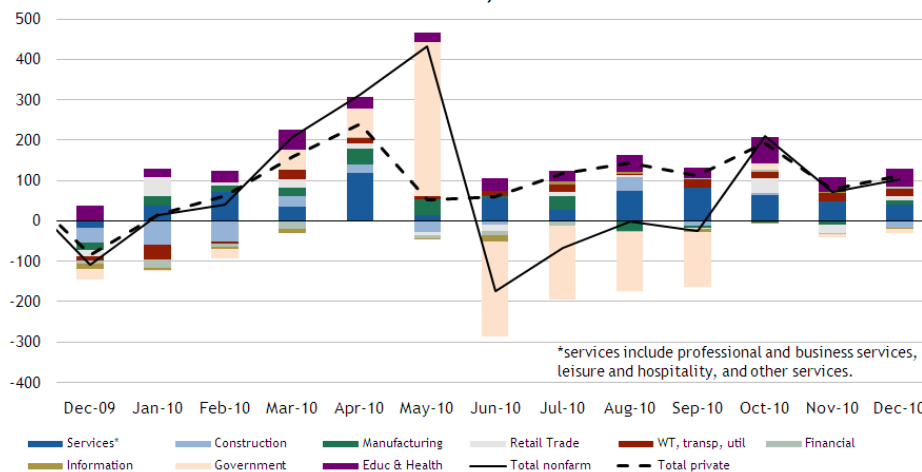
Source: U.S. Census Bureau

Employment

Summary

Payroll employment increased less than expected in December, adding 103,000 nonfarm jobs over the month.

Contributions to Change in Nonfarm Payroll Employment December 2010, thousands

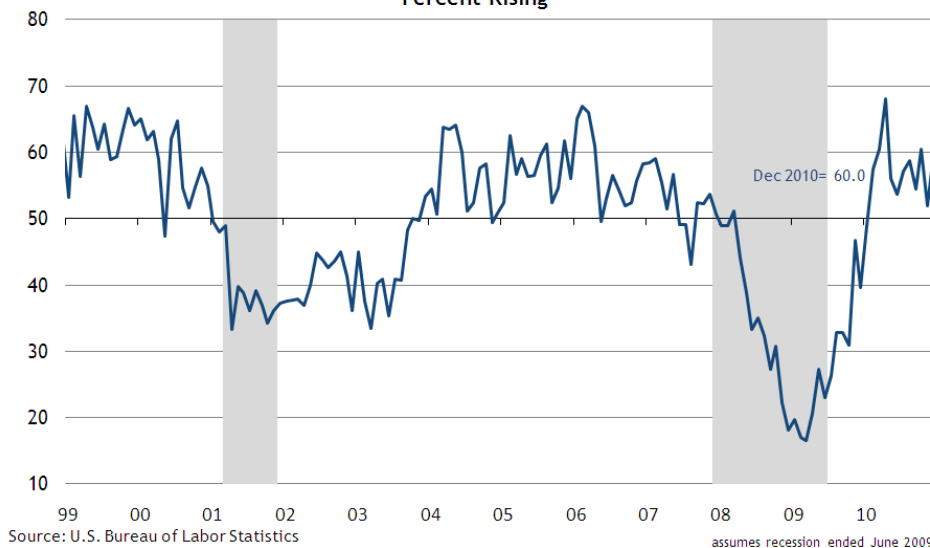


Source: U.S. Bureau of Labor Statistics

- Nonfarm payroll employment increased by 103,000 in December, below expectations of a 150,000 increase. From December 2009, payroll employment has risen by 1.1 million, or an average of 94,000 per month.
- Private payrolls rose 113,000 (below the 178,000 that was expected) in December, with gains concentrated in **leisure and hospitality** (up 47,000) and **education and health care** (up 44,000) sectors while other industries were little changed.
- Within professional and business services, **temporary help services** increased in December for the fifth consecutive month, by 16,000, although posting a smaller gain than in the previous months.
- Meanwhile, payrolls in **manufacturing** and **construction** were little changed in December, posting an increase of 10,000 and a decline of 16,000, respectively.

Despite the soft job growth in December, the diffusion index of private nonfarm payrolls increased to 60.

Diffusion Index of Private Nonfarm Payrolls Percent Rising

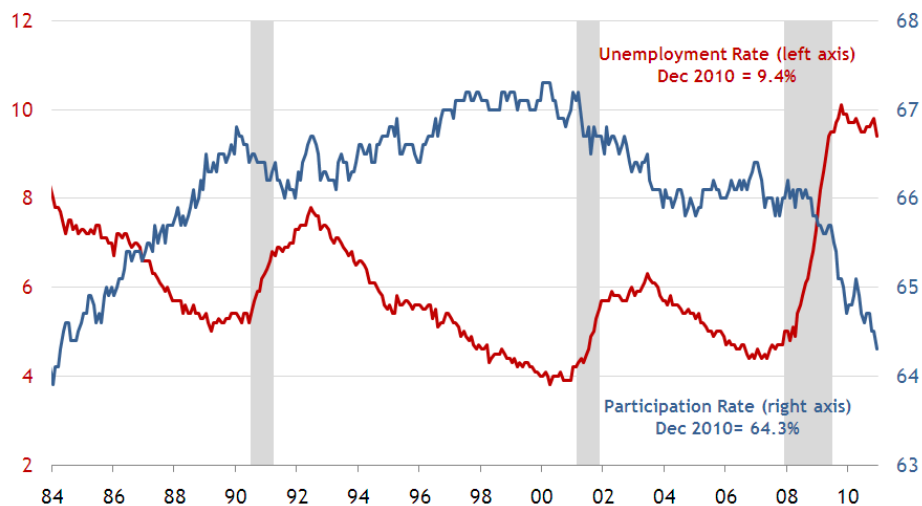


Employment

Summary

The household survey showed a decrease in unemployment rates in December, but the labor force participation rate fell to the lowest rate in more than 20 years.

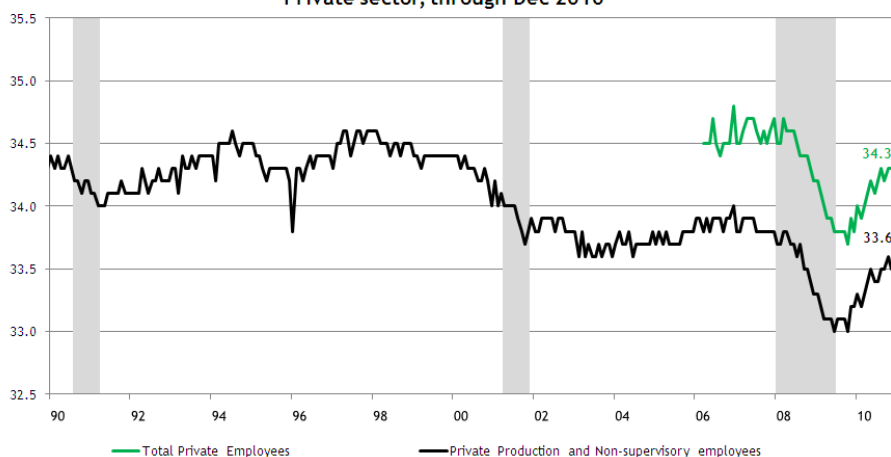
Unemployment and Labor Force Participation Rates Percent, Dec 2010



- The unemployment rate fell to 9.4% (9.7% was expected) from 9.8% in November, marking the lowest rate since May 2009.
- The labor force participation rate inched down from 64.5 in November to 64.3 in December, marking the lowest rate since 1984.
- The U-6 measure of unemployment (which includes marginally attached workers—those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work in the past 12 months—and part-time workers for economic reasons) edged down to 16.7% in December but still remains near its historical high.
- In addition, the average duration of unemployment inched up to 34.2 weeks in December and is just below the historical high of 34.8 weeks in June 2010.

Average weekly hours and average hourly earnings were little changed in December.

Average Weekly Hours Private sector, through Dec 2010



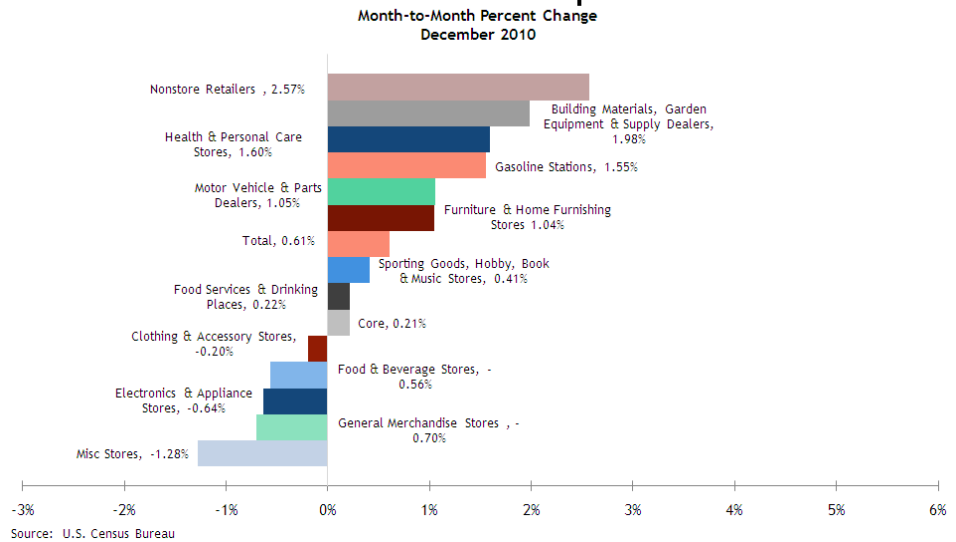
- Average weekly hours for all employees remained at 34.3 for the third consecutive month (34.3 was expected). Manufacturing hours for all employees fell by 0.1 to 40.2.
- Average hourly earnings for all employees increased 0.1% in December and rose 1.8% year over year.

Consumer Spending

Summary

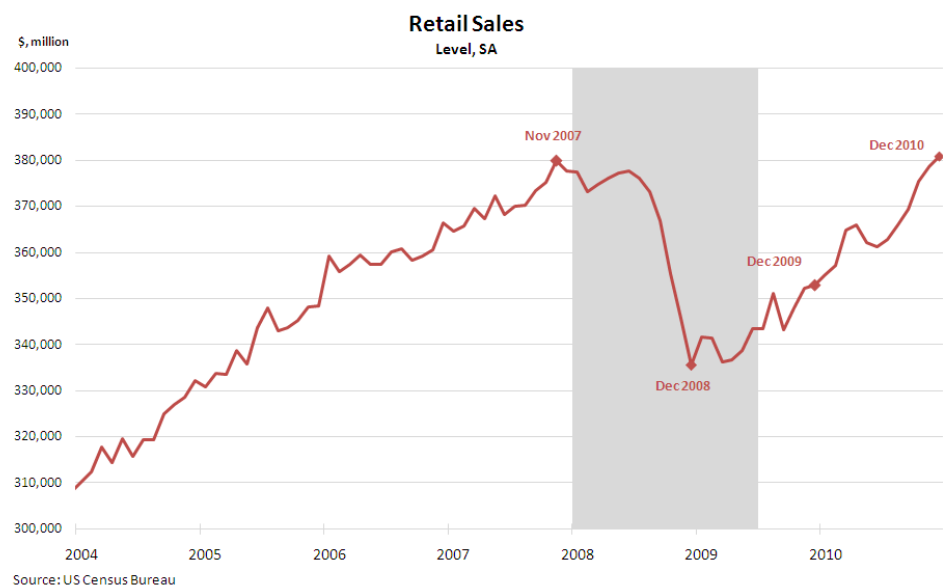
Retail sales increased less than expected in December, but still point to an acceleration in consumer spending for the fourth quarter.

U.S. Retail Sales Components



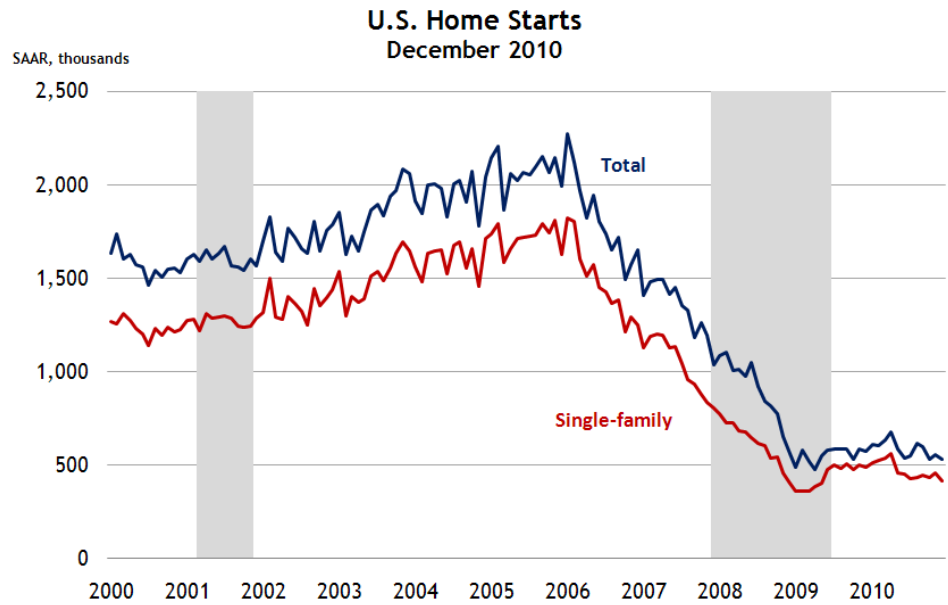
- Retail sales increased 0.6% in December, slightly less than expected (0.8%). Total retail sales were up 7.9% compared with December 2009.
- Core retail sales (excluding autos, building supplies, and gas stations) increased 0.2% in December following a 0.8% increase in November. On a year-over-year basis, December core retail sales remained at 5.6% for the second consecutive month.
- Sales among retail categories were mixed over the month; nonstore retailers (online retailers), health and personal care stores, building supplies, gas stations, and autos contributed to the monthly gain.

The level of retail sales has returned to the level seen just before the recession, in November 2007.



Summary

The U.S. Census Bureau reported that total home starts declined 4.3% from November to December.



Source: U.S. Census Bureau

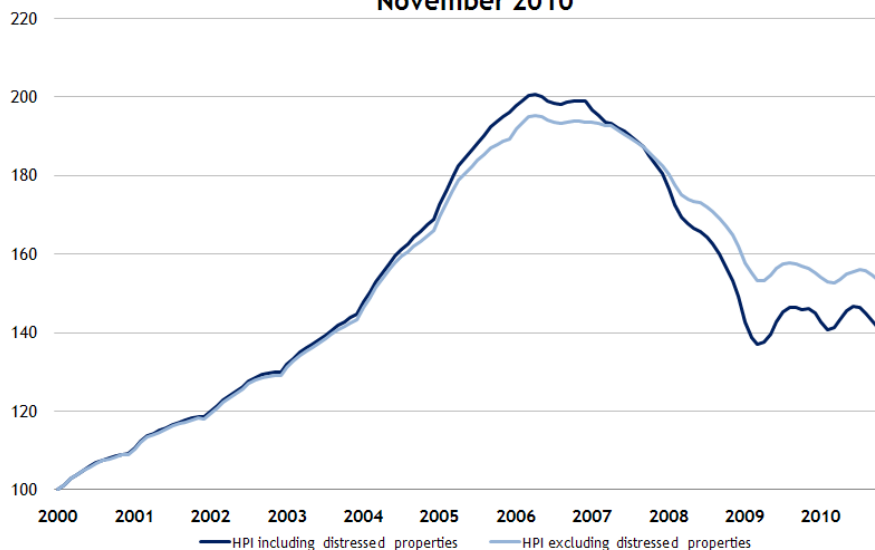
| December 2011 permits, SAAR | | M/M(sa) | Y/Y |
|-----------------------------|------|---------|--------|
| Total | 635k | 16.7% | -6.8% |
| Single-family | 440k | 5.5% | -14.9% |
| Multifamily | 195K | 53.5% | 18.9% |

| December 2010 starts, SAAR | | | |
|----------------------------|------|-------|--------|
| Total | 529K | -4.3% | -8.2% |
| Single-family | 417K | -9.0% | -14.2% |
| Multifamily | 112k | 17.9% | 24.4% |

Summary

CoreLogic® reported that, on a month-to-month basis, the home price index (HPI) declined for the fifth consecutive month while the HPI excluding distressed sales declined for the fourth consecutive month.

U.S. CoreLogic® Home Price Indexes
November 2010



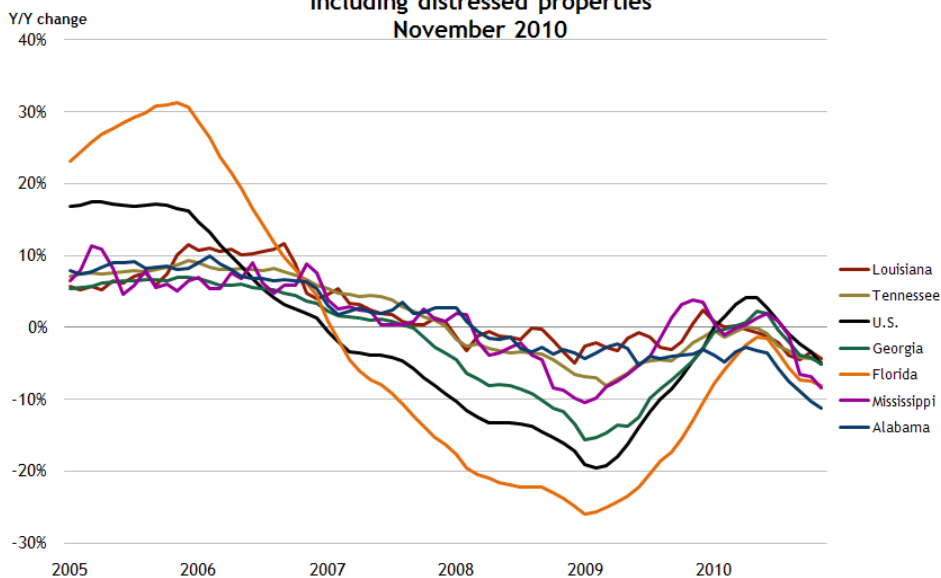
Note: January 2000 = 100
Source: CoreLogic®

| | Nov. (nsa) | M/M (nsa) | Y/Y |
|-----------------------------|------------|-----------|-------|
| U.S. CoreLogic Index | | | |
| Combined* | 138.7 | -1.7% | -5.1% |
| Combined* excl. distressed | 152.9 | -0.3% | -2.2% |
| Single-family detached | 137.5 | -1.8% | -4.8% |
| Single-family attached | 144.9 | -1.2% | -6.2% |

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

CoreLogic® reported state HPI measures in the Southeast weakened in November on a year-over-year basis.

CoreLogic Home Price Indexes
including distressed properties
November 2010



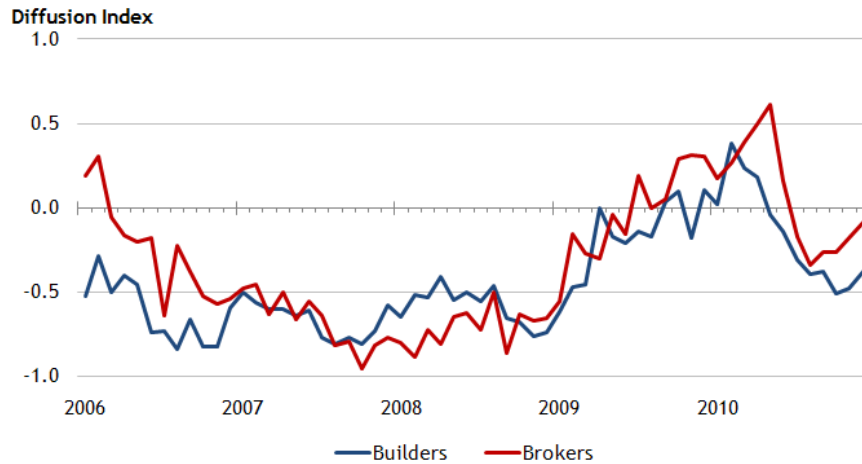
Source: CoreLogic®

Summary

Reports from Southeastern homebuilders and residential brokers indicated that home sales in the region improved in December but remained below the year-earlier level.

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.

December 2010 Southeast Home Sales vs. a Year Earlier



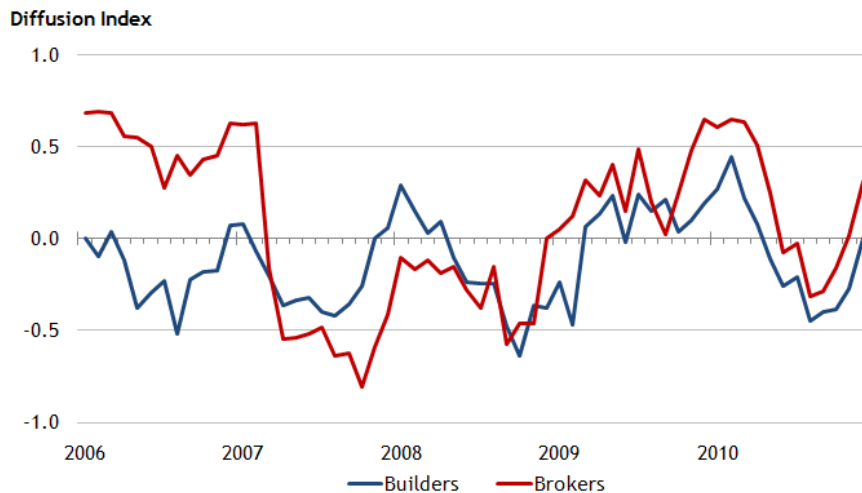
Source: FRBA business contact poll

Note: December survey results are based on initial responses from 111 brokers and 41 homebuilders and were collected January 3-12.

- More than half of home builders reported that sales were down in December compared with a year earlier. A little more than a third said that sales in December were below the November level compared with close to half reporting declines the prior month.
- Reports from residential brokers were more mixed. A third reported increasing sales on a year-over-year basis while 40% reported declines. The most positive reports came from Florida brokers.

Overall, the outlook among Southeast contacts continued to improve in December.

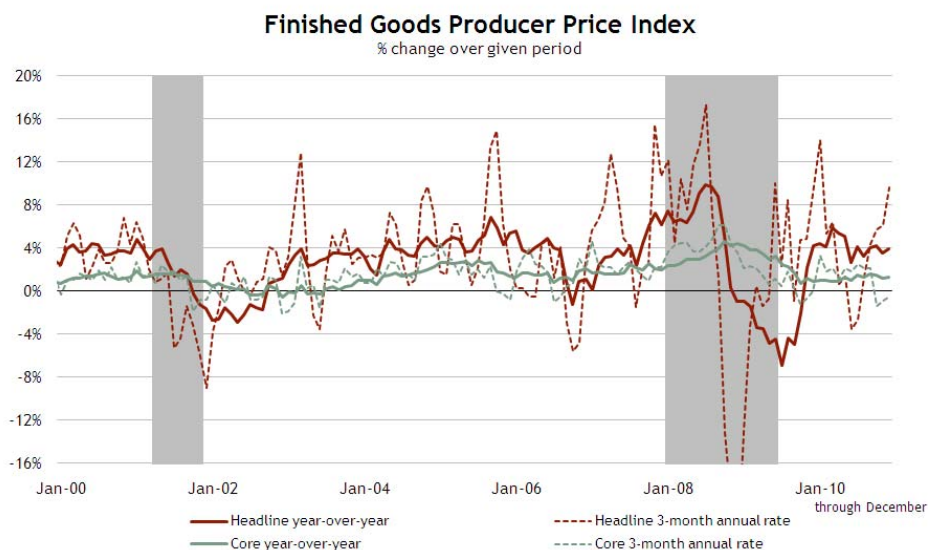
December 2010 Southeast Home Sales Outlook vs. a Year Earlier



Source: FRBA business contact poll

Summary

Higher energy and food prices boosted the producer price index (PPI) at all stages of processing in December; core PPI remained subdued.



Source: Bureau of Labor Statistics

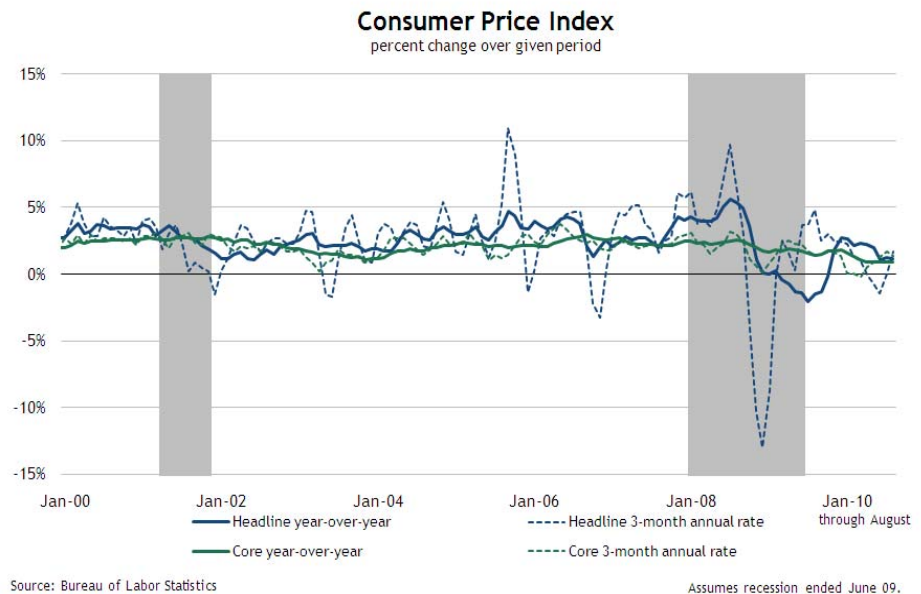
- The headline producer price index (PPI) for finished goods rose 14% (annual rate) in December, marking the largest one-month gain since January 2010. About three-quarters of the monthly rise can be attributed to a jump in prices for finished energy goods: gasoline prices rose 111.5% (annual rate) in December, and the indexes for home heating oil and liquefied petroleum gas also rose. Headline PPI was up 4% on a 12-month basis.
- Core (less food and energy) PPI for finished goods increased 2.1% (annual rate) in December. According to the Bureau of Labor Statistics, nearly 60% of the December increase can be attributed to rising cigarette prices. The index for finished core PPI was up 1.3% year over year.
- Rising energy costs also pushed up the headline PPI above 12-month trends on both an intermediate and core basis in December. Crude core prices increased at a 44.4% annual rate in December mostly because of a gain in metal scrap prices. Higher metals prices have been pushing crude materials costs upward over the past several months.

| PPI by Stage of Processing | | | | | |
|----------------------------|----------|----------|-----------|--------|-------------|
| | 1-month* | 3-month* | 12-month* | 2008** | 2003-2008** |
| Finished | 14.0 | 9.7 | 4.1 | -1.2 | 3.2 |
| Less food & energy | 2.1 | -0.5 | 1.4 | 4.5 | 2.5 |
| Intermediate | 12.9 | 14.3 | 6.6 | -2.6 | 5.0 |
| Less food & energy | 4.7 | 6.6 | 4.5 | 2.9 | 4.8 |
| Crude | 59.5 | 41.1 | 15.6 | -24.3 | 4.1 |
| Less food & energy | 44.4 | 39.1 | 28.1 | -24.1 | 5.4 |

*Seasonally adjusted annualized rates of change in price indices for given period ending December 2010
 **Seasonally adjusted annualized rates of change in price indices for given period
 Source: U.S. Bureau of Labor Statistics

Summary

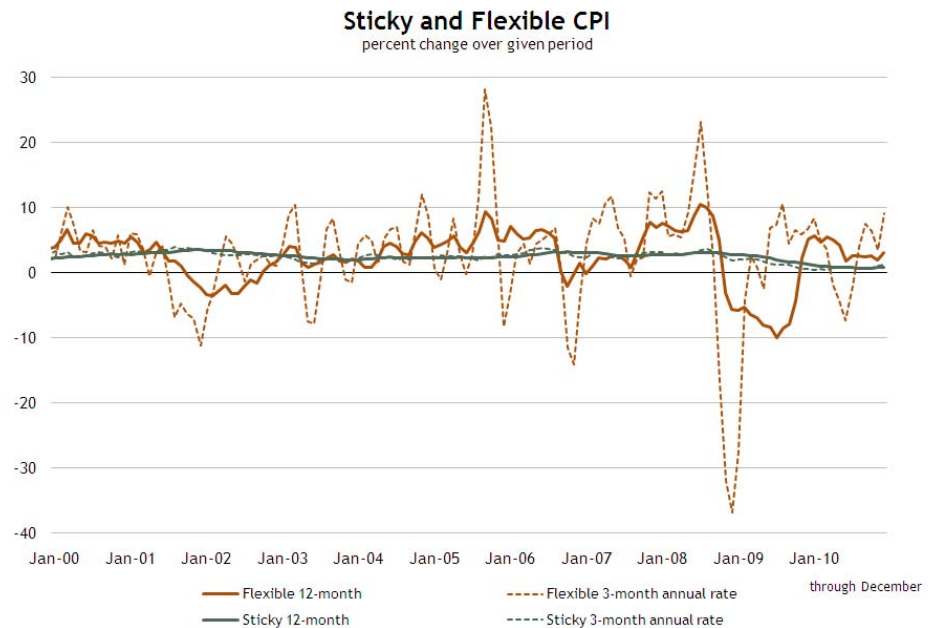
Rising gasoline prices pushed the headline consumer price index (CPI) up 6.2% in December; core CPI rose 1.1%.



- **Headline inflation**, measured by the consumer price index (CPI), was up 6.2% (annual rate) in December, the largest one-month gain since June 2009. A sharp rise in the gasoline index accounted for about 80% of the monthly increase in the headline index. Headline CPI is 1.5% above year-earlier levels.
- The **core** (excluding food and energy) CPI rose 6.2% (annual rate) in December as a large jump in the index for shelter, airline fares, medical care, and apparel prices more than offset declines in the indexes for communication, recreation, and household furnishings. Year-over-year core CPI was 0.8% in December.
- The **median CPI** as calculated by the Federal Reserve Bank of Cleveland was up a 1.7% (annualized) in December, more than double its 12-month pace. Meanwhile, the Cleveland Fed's trimmed-mean CPI rose 1.6% (annualized), also about twice its 12-month pace.

Summary

The Atlanta Fed's sticky price CPI rose 1.2% in December.

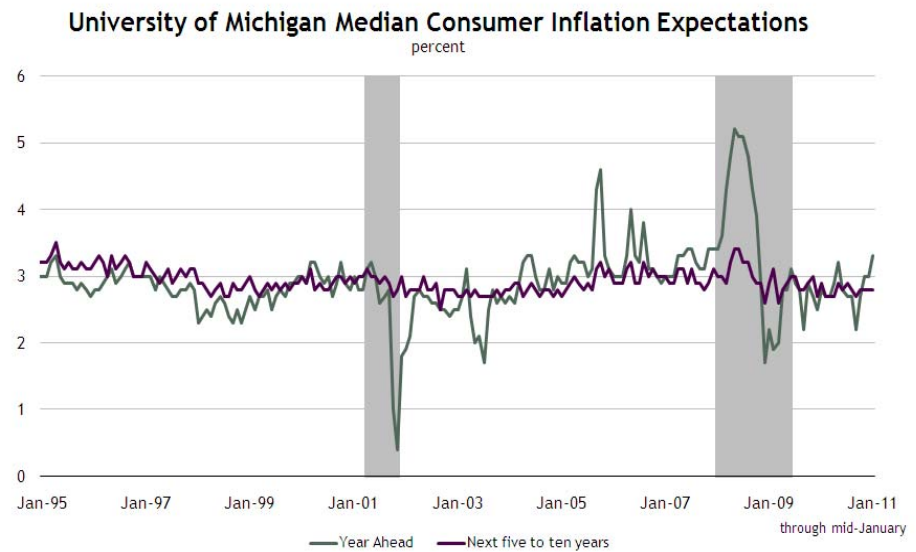


Source: Atlanta Fed, Bureau of Labor Statistics

- Growth in the **sticky** price measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose 1.2% (annualized) in December following a 1.7% jump in November. The 12-month index rose 0.9%, a slight increase from the 0.7-0.8% range seen midyear though still below the longer-term trend for the series.
- The sticky price index increased 1.2% (annualized) on a core basis (excluding food and energy), above recent 12-month trends in the 0.65-0.9% range.
- The **flexible** cut of the CPI—the weighted basket of goods that change price relatively frequently—rose at a 20% annual rate and was up 3.1% from year-earlier levels in December, an acceleration from earlier in the year. Excluding food and energy, flexible CPI rose 1.9% (annual rate) and was up 0.6% from year-earlier levels.

Summary

Survey data compiled in early January showed near-term consumer inflation expectations higher and longer-term expectations unchanged.



Source: University of Michigan

- The median inflation rate expected by consumers 12 months out rose to 3.3% in mid-January, the highest rate since October 2008 and above the series' 10-year average of 3%.
- Expectations for inflation in five to 10 years were 2.8% in mid-January (median), unchanged for the fourth consecutive month.