

## Economic Highlights

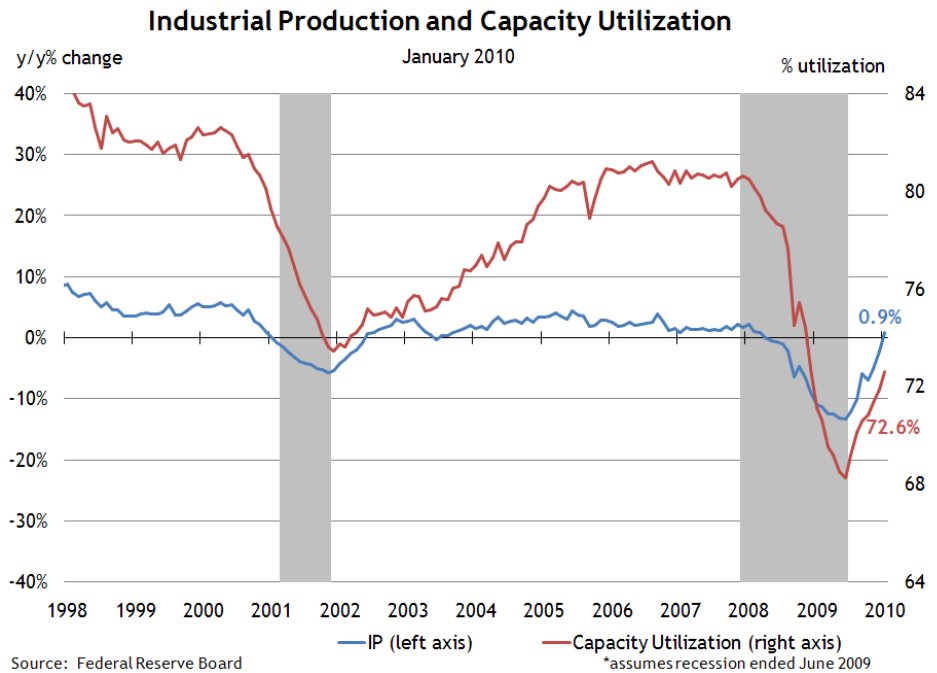
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# Manufacturing

## Summary

Industrial production (IP) rose 0.9% in January from gains in all three sectors. Manufacturing IP gained 1% while utilities and mining both gained 0.7% for the month. The capacity utilization rate rose 0.7 percentage point to reach 72.6%.

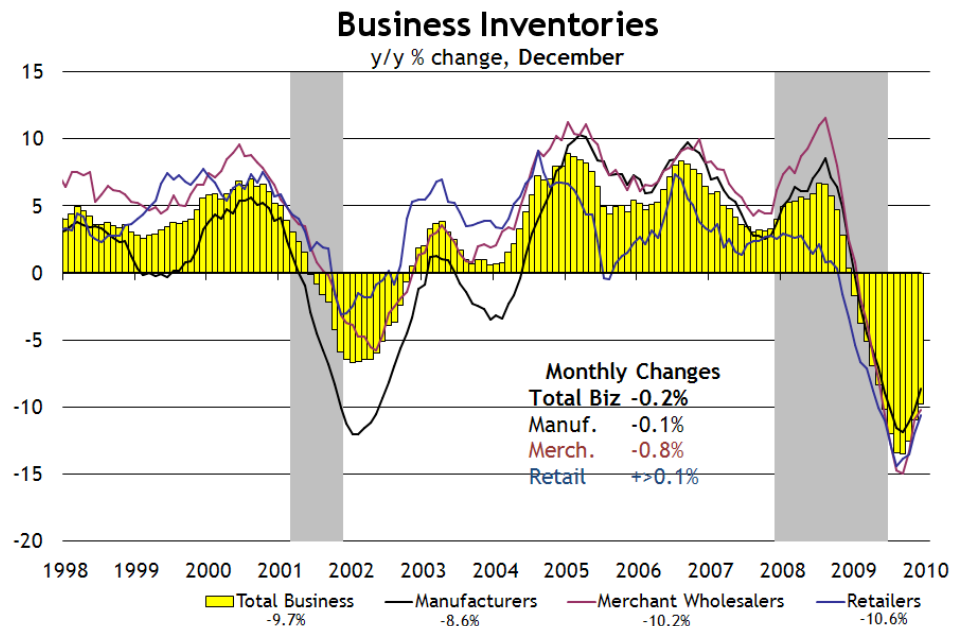


- Total industrial production rose 0.9% in January following an upwardly revised 0.7% monthly gain for December 2009. January marks the first month of a year-over-year gain in IP since March 2008.
- The gain in the total IP figure was broad based: manufacturing production was up 1% for January while utilities and mining both gained 0.7% for the month.
- Within manufacturing production, durable goods production gained 1.4% for the month. All major durable goods industries posted gains, with the exception of furniture and related products, which fell 1.2%.
- The production of nondurable goods was up 0.7% in January.
- The capacity utilization rate added 0.7 percentage point in January to reach 72.6%.

# Manufacturing

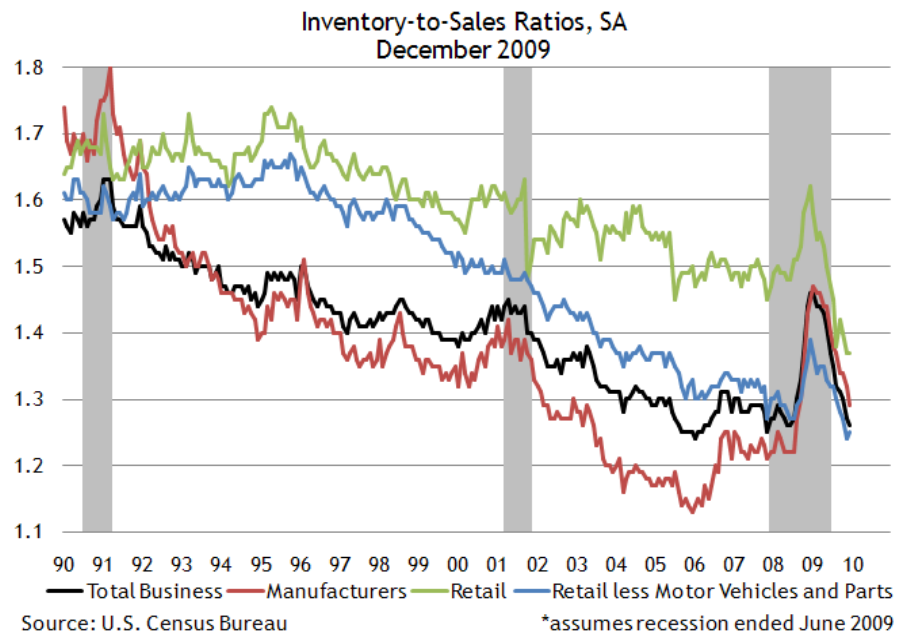
## Summary

After two consecutive months of gains, total business inventories declined 0.2% in December.



- In December, total business inventories declined by 0.2% compared to November levels. On a year-over-year basis, total business inventories are down 9.7%.
- The December total business inventories figure was pulled down most by merchant wholesale inventories, which were down 0.8% from November and down 10.2% from December 2008.
- Inventories of manufacturer's shed 0.1% in December.
- Retail inventories added a slight 0.05% in December but remain 10.6% lower on a year-over-year basis.

Most December I/S ratios continued to dip slightly. The total business I/S ratio was 1.26 for December 2009.



- In December 2009, the I/S ratio declined from 1.27 to 1.26, considerably lower than the December 2008 I/S ratio of 1.46.
- Merchant wholesale and manufacturing I/S ratios dropped to 1.12 and 1.29, respectively, while the retail I/S ratio remained unchanged. Retail less motor vehicles and parts rose slightly.

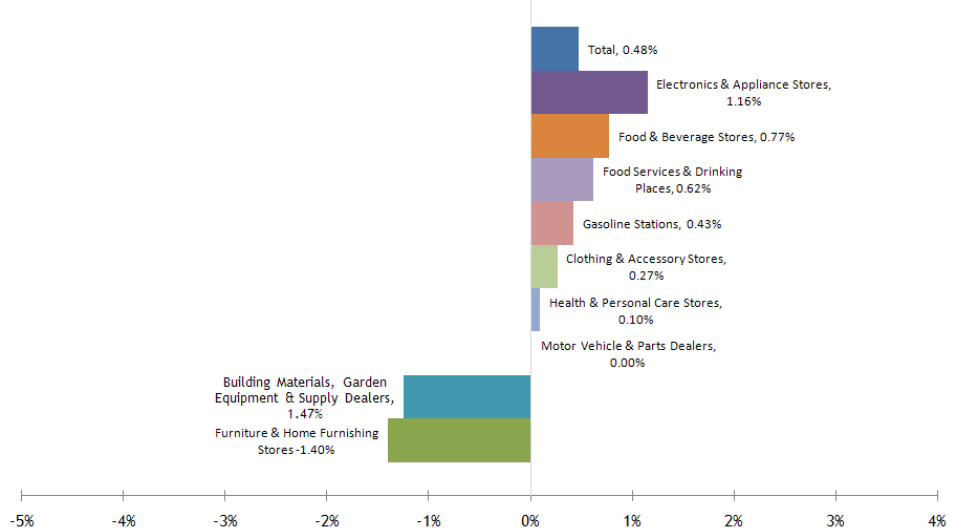
# Consumer Spending

## Summary

Retail sales came in modestly higher than analysts' projections.

In January on a month-to-month basis, retail sales rose 0.5% from December.

**U.S. Retail Sales Components**  
Month to Month % Change  
January 2010

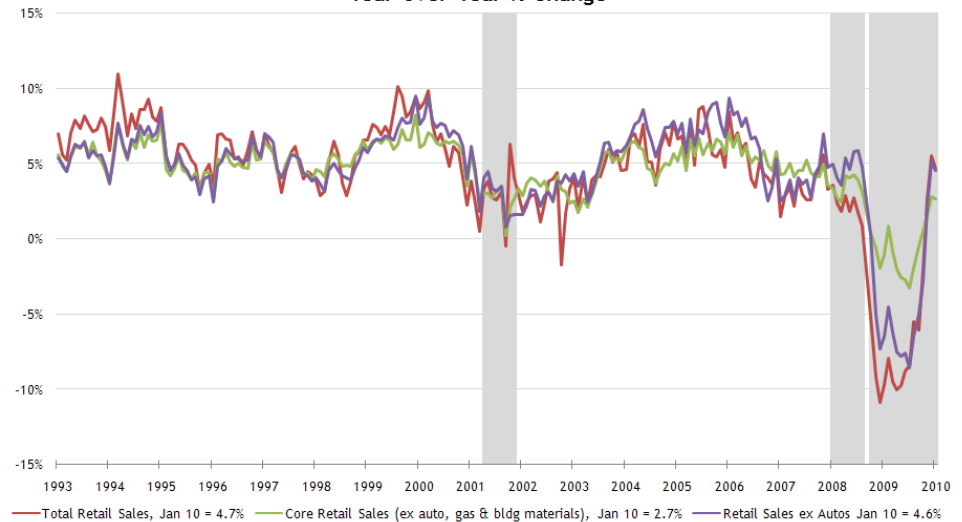


Source: U.S. Census Bureau

- Retail sales came in modestly strong in January, increasing 0.5% from December; Bloomberg's market consensus expectation was an increase of 0.3%. On a year-over-year basis, total retail sales are up 4.7%.
- From December to January, retail sales excluding autos increased 0.6%, and core retail sales rose 0.8%. Retail sales excluding autos and core retail sales (total excluding gas, autos, and building supplies) were up 5.2% and 2.7%, respectively, from a year earlier.
- The increase in retail sales was led by electronics and appliances, which increased 1.2% from December to January. Building materials and furniture continue to be the weakest components.

Total retail sales rose on a yearly basis in January for the third consecutive month.

**Retail Sales**  
Year-over-Year % Change



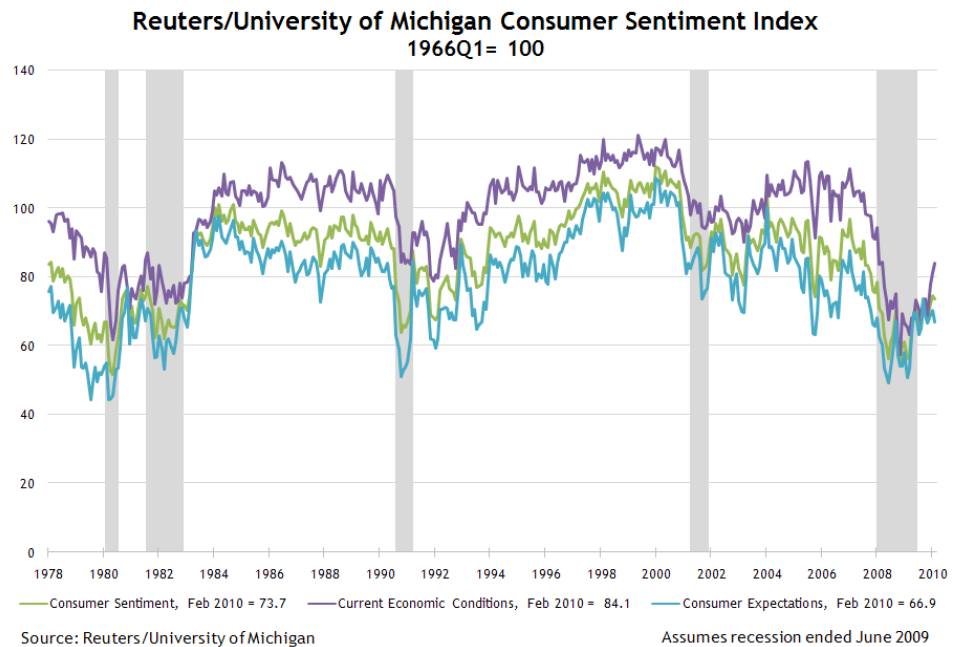
Source: U.S. Census Bureau

Assumes recession ended June 2009

## Consumer Spending

### Summary

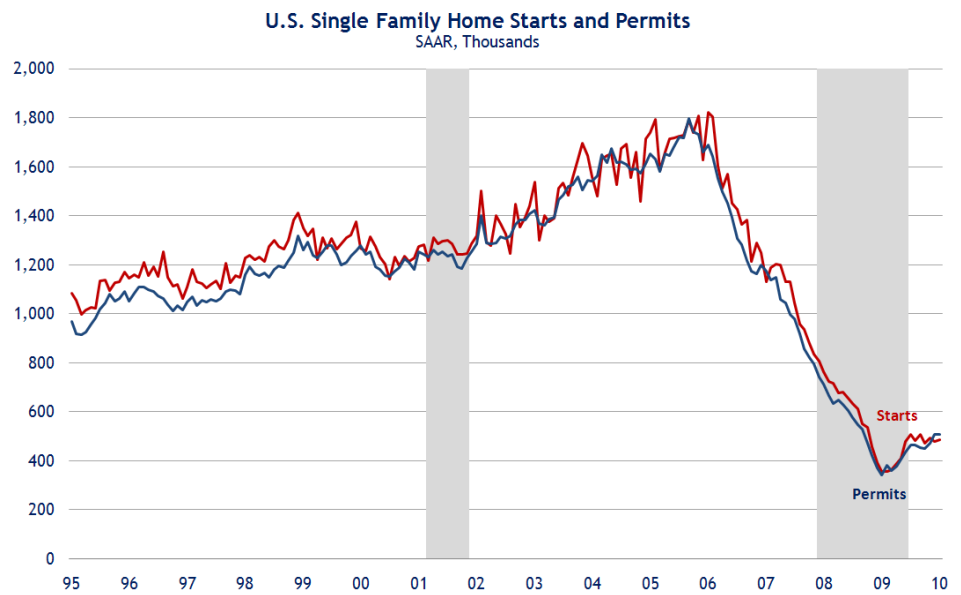
The Reuters/University of Michigan Consumer Sentiment Index decreased slightly in its preliminary February release.



- The February preliminary Reuters/University of Michigan Consumer Sentiment Index decreased 0.7 points to 73.7, falling short of analysts' expectations of 75. The current economic conditions component increased 3 points to 84.1, its highest level in almost two years, but was offset by the consumer expectations component, which declined 3.9 points.
- The Reuters/University of Michigan index is now approximately 27 points above its cyclical low in November 2008 but remains 38 points below the peak of 112 in January 2000.
- Inflation expectations held mostly steady. The median one-year-ahead expected inflation rate decreased from 2.8% to 2.7% from January to February while the median five-to-ten-year outlook also decreased from 2.9% to 2.8%.

## Summary

U.S. home starts were up 2.8% in January from December. However, permits fell 4.9%.



Source: U.S. Census Bureau

### January starts, SAAR

Total	591k	21.1% y/y	2.8% m/m
Single-family	484k	35.6% y/y	1.5% m/m
Multifamily	107k	-18.3% y/y	9.2% m/m

### January permits, SAAR

Total	621k	16.9% y/y	-4.9% m/m
Single-family	507k	48.3% y/y	0.4% m/m
Multifamily	114k	-39.7% y/y	-23.0% m/m