

## Economic Highlights

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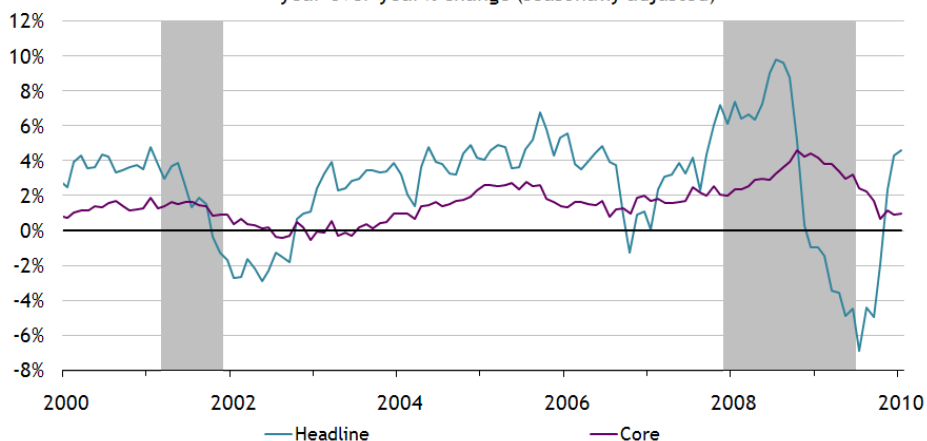
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Summary

Rising energy prices boosted headline producer price inflation at all stages of processing in January.

Finished Goods Producer Price Index

year-over-year % change (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics (through Jan)

\*assumes recession ended June 2009

- The headline producer price index (PPI) for finished goods rose 18.3% (annual rate) in January after rising 4.9% in December. About three-fourths of the January increase was due to higher prices for energy goods, according to the Bureau of Labor Statistics. The energy index jumped 82.5% in January (mostly because of a surge in gasoline prices). Headline PPI is up 5% year over year.
- Core (excluding food and energy) PPI for finished goods increased 4.3% (annual rate) in January. The gain was led by a 24.7% rise in the index for light motor trucks. The index for finished core PPI is up 1% year over year.
- Energy prices also accounted for much of the increases in intermediate and crude goods prices in January.
- Core crude goods prices were supported by a 95.1% (annual rate) increase in the index for iron and steel scrap.

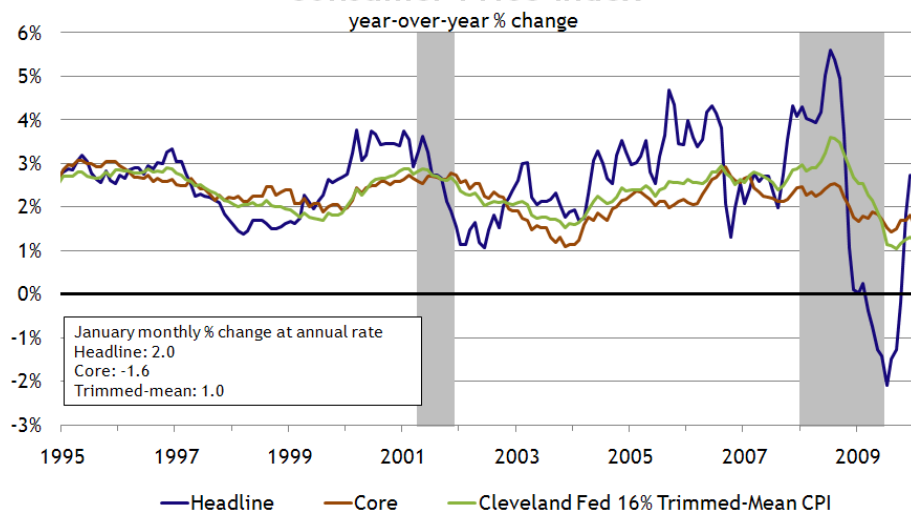
PPI by Stage of Processing					
	1-month*	3-month*	12-month*	2008**	2003-2008**
Finished	18.3	14.0	5.0	-1.2	3.2
Less food & energy	4.3	3.3	1.0	4.5	2.5
Intermediate	23.1	15.0	4.9	-2.6	5.0
Less food & energy	6.3	5.1	1.1	2.9	4.8
Crude	201.1	81.7	25.1	-24.3	4.1
Less food & energy	114.7	47.7	35.1	-24.1	5.4

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

Summary

Core CPI inflation posted the largest decline (monthly annual rate) in nearly 30 years in January, depressed by falling indices for shelter, new vehicles, and airline fares.

Consumer Price Index

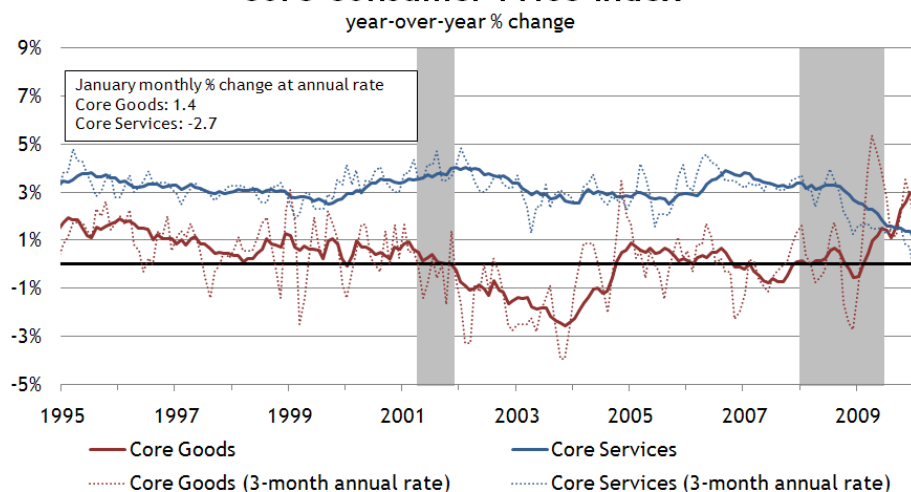


Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of Cleveland \*assumes recession ended June 2009

- **Headline inflation**, measured by the consumer price index (CPI), was up 2% (annual rate) in January. The overall index was boosted by a 39% (annual rate) increase in the energy index. Overall CPI is 2.6% above year-earlier levels; note that much of the year-over-year increase comes from a lower comparison level.
- The **core** (excluding food and energy) measure of consumer prices declined 1.6% (annual rate) in January from the month before largely because of declines in indices for shelter, new vehicles, and airline fares, according to the Bureau of Labor Statistics. The indices for medical care and used vehicles both posted sizable (6.5% and 19.6%, respectively) increases in January. Year-over-year core CPI increased 1.6% in January, a deceleration from 1.8% the month before.

The Shelter component of CPI, which accounts for almost a third of the overall index, continues to indicate price disinflation.

Core Consumer Price Index



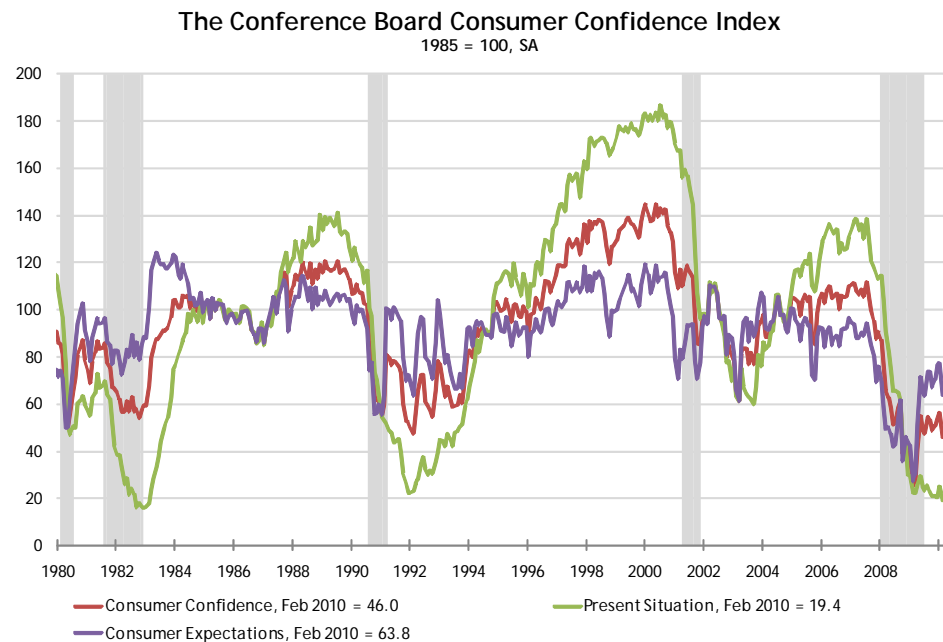
Source: U.S. Bureau of Labor Statistics \*assumes recession ended June 2009

- **Core services** inflation continues to decelerate as the shelter index—which makes up 32% of the overall CPI index—declined 0.2% in November from the previous month. The core services index is up a mere 1.1% from a year earlier, the smallest annual increase in the series' 53-year history.

# Consumer Spending

## Summary

The Conference Board Consumer Confidence Index plunged unexpectedly in February. Both components of the index, present situation and consumer expectations, experienced large declines.



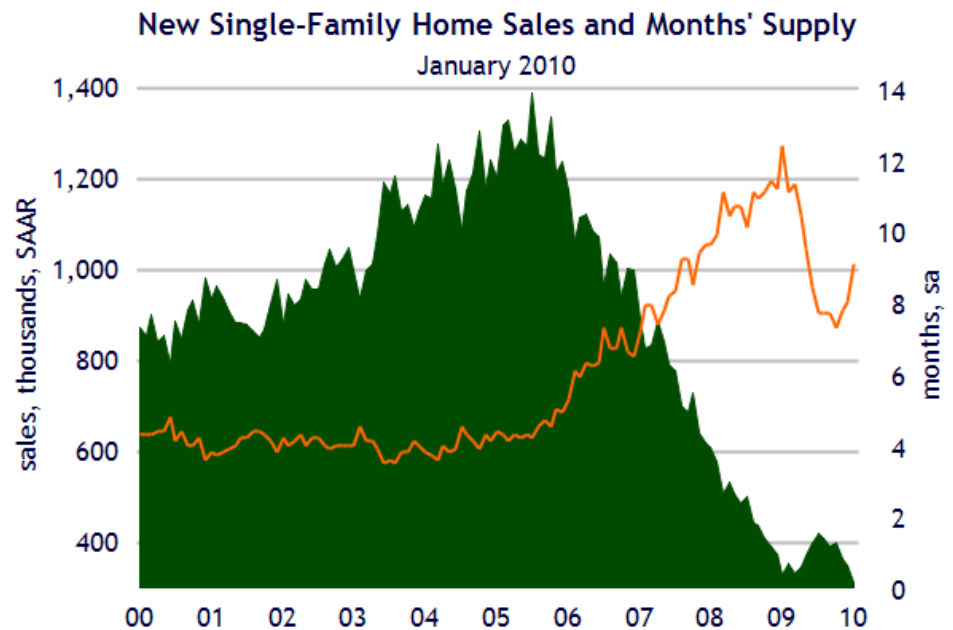
Source: The Conference Board

Assumes recession ended June 2009

- In February, the Conference Board Consumer Confidence Index deteriorated, falling 10.5 points to 46; Bloomberg's market expectation was a much more modest decrease of 1.5.
- Both components of the index experienced large declines in February. The consumer expectations component led the decrease, plunging 13.5 points from January to reach 63.8. The present situation component fell 3.8 points in February to 19.4.
- The low confidence is likely driven by poor views of labor markets, as consumers' assessments of the labor market worsened in February. A reported 47.7% of respondents said jobs were hard to get, up from 46.5% in January; 3.6% reported jobs were plentiful, down from 4.4% in January.
- On a positive note, the percentage of respondents planning to buy houses and appliances in the next six months increased in February to 2.7 and 27.1, respectively.

## Summary

According to the U.S. Census Bureau, new single-family home sales fell to a record low in January. Inventory levels held steady, but weak sales drove the months' supply figure to 9.1 months.



Source: U.S. Census Bureau

- New single-family home sales fell 11.2% in January from the prior month, the sharpest decline since a year earlier.
- New single-family home sales remained below the year-earlier level, down 6.1%.
- On an unadjusted basis, the number of new single-family homes for sale at the end of January was unchanged from December, while on a seasonally adjusted basis inventory increased 0.4%.

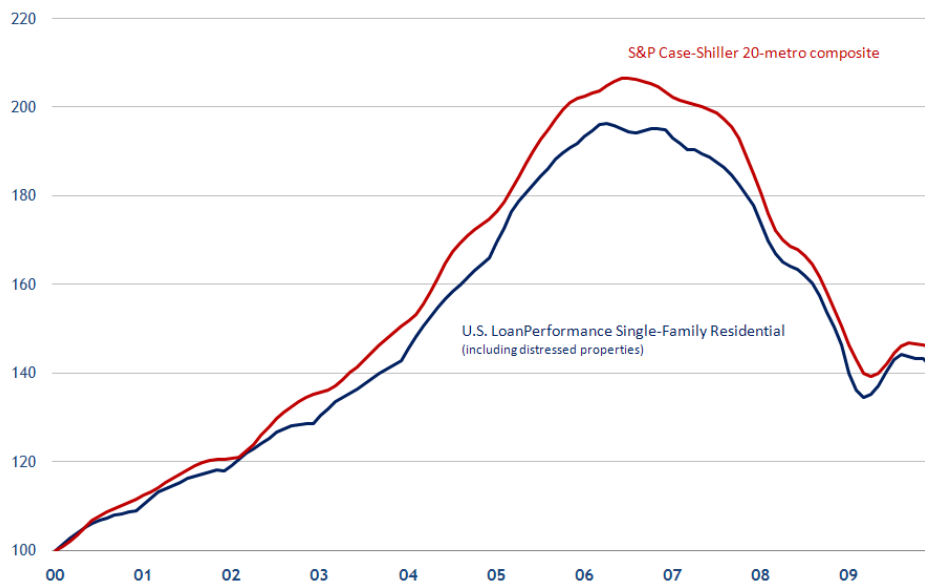
## Summary

According to the Case-Shiller and LoanPerformance unadjusted home indexes, home prices continued to soften on a month-to-month basis. However, the seasonally adjusted Case-Shiller composite indexes improved modestly.

Both series remained below the year-earlier level, but declines continued to subside.

## December 2009 Home Price Indexes

January 2000 = 100, nsa



Source: First American CoreLogic; Standard & Poor's and Fiserve Inc.

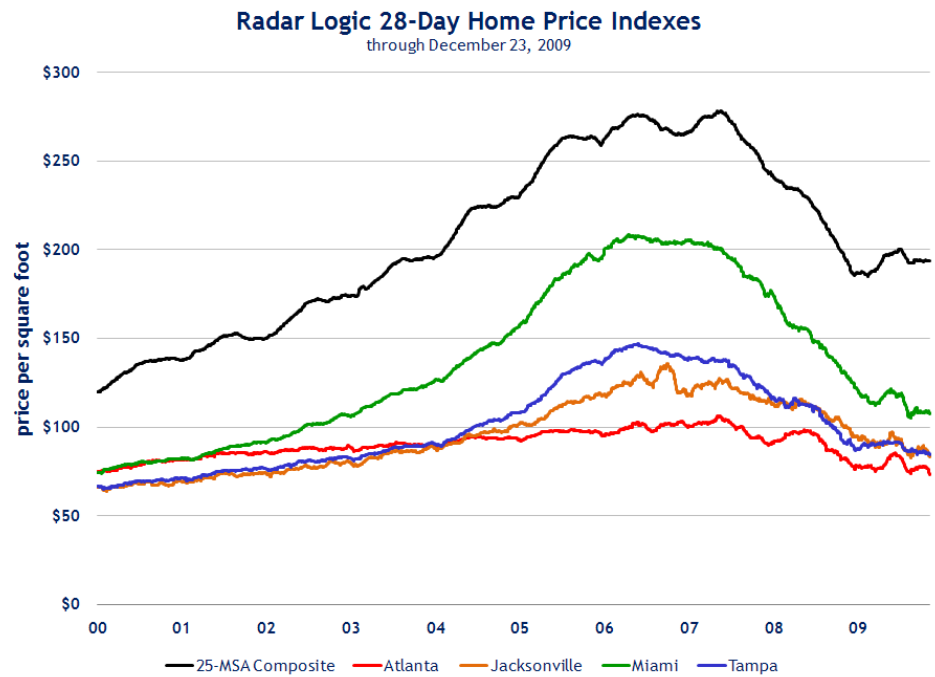
	Dec. (NSA)	Dec. (SA)	M/M (NSA)	M/M(SA)	Y/Y
<b>Case-Shiller</b>					
20-city index	145.9	145.9	-0.2%	0.3%	-3.1%
10-city index	158.2	158.1	-0.2%	0.3%	-2.4%
Atlanta	108.5	109.1	-0.7%	0.0%	-3.9%
Miami	148.7	147.7	-0.3%	-0.2%	-9.9%
Tampa	138.9	138.0	-0.6%	-0.4%	-11.0%
<b>U.S. LoanPerformance</b>					
Combined*	143.4		-1.0%		-3.7%
Combined* excl. distressed	154.0		-0.2%		-3.3%
Single-family detached	141.5		-1.2%		-3.4%
Single-family attached	153.2		-0.3%		-5.3%

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

## Summary

Radar Logic Analytics' home price index, which measures home prices in terms of price per square foot, indicated that prices held steady again in December, up 0.2% from November.

However, data on Southeastern markets indicated that home prices fell back slightly.



Note: The 28-day daily price index reflects all transactions that day and the preceding 27 days.  
Source: Radar Logic