

## Economic Highlights

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### Consumer Spending

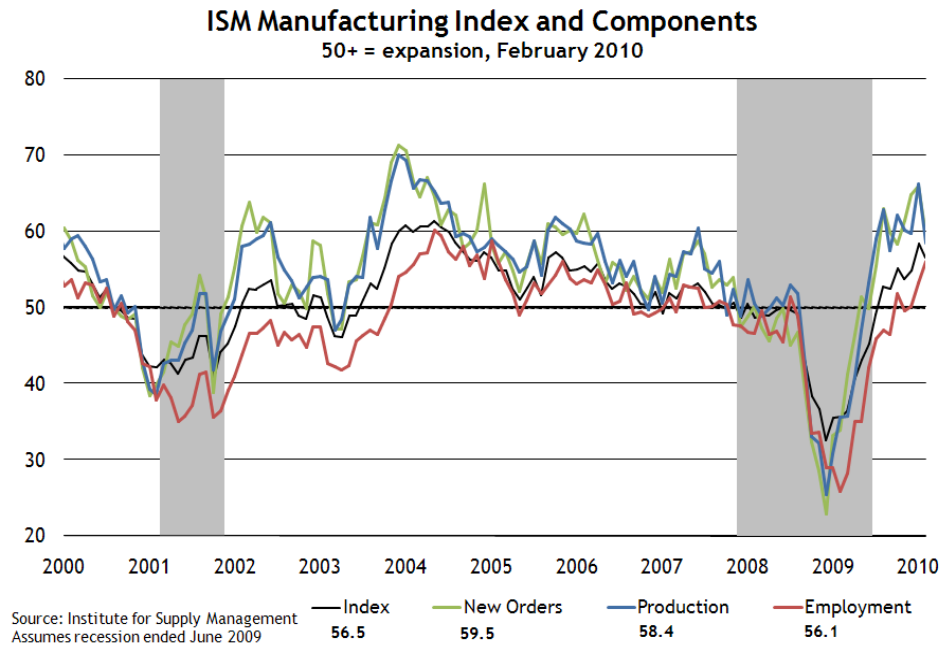
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## Summary

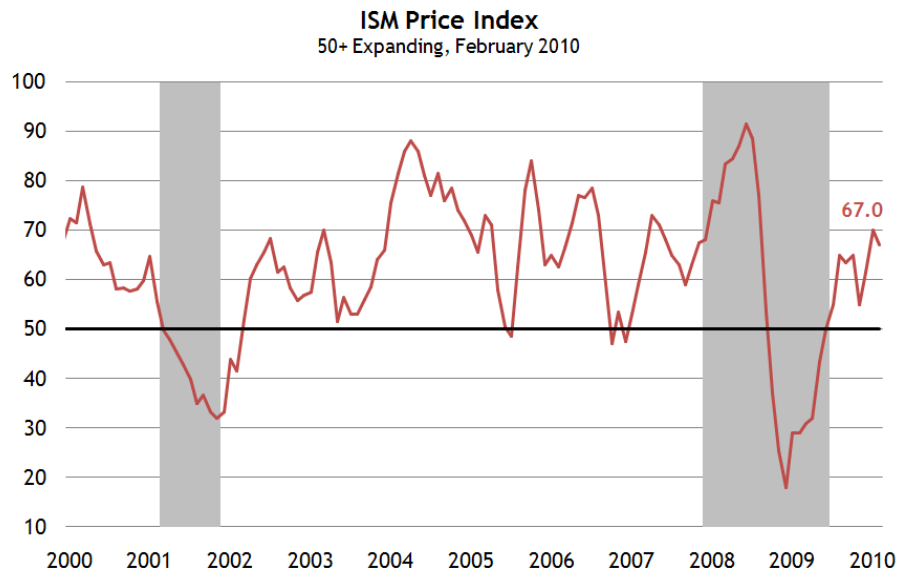
The Institute for Supply Management's Purchasing Managers Index dipped in February as new orders and production components fell from January's highs.



- The ISM's manufacturing purchasing managers composite index lost 1.9 index points in February to reach 56.5. This decline left the index still safely in expansion territory but slightly lower than January's high.
- The new orders component posted a 6.4 index point loss for the month, down from 65.9 to 59.5.
- The production component, at 58.4, created the greatest drag on the overall index, losing 7.8 index points from January's five-year-high reading of 66.2.
- The employment component added 2.8 index points in February to reach 56.1. This component has now been above 50 for three consecutive months.

## Summary

The Institute for Supply Management's commodity price index dipped in February.



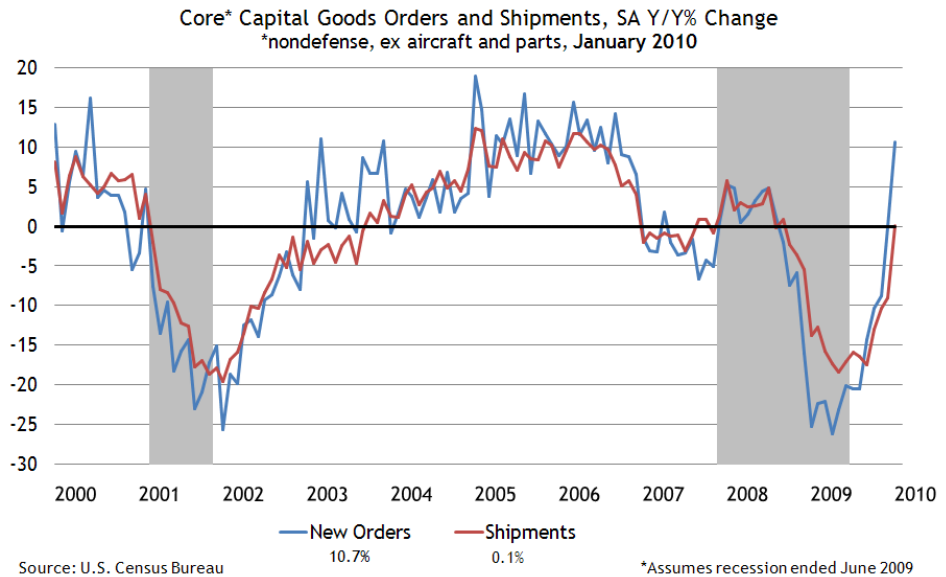
Source: Institute for Supply Management

- The ISM's commodity price index dropped 3 points in February to 67, indicating that commodity prices are still rising but at a slower pace than in January.
- In February, 39% of respondents reported paying higher commodity prices while 54% reported paying the same prices as in January. Only 5% reported paying lower prices in February than in January.
- Commodities reported as up in price in February are aluminum, natural gas, paper, plastics, and steel. Copper was the only commodity reported as down in price.

# Manufacturing

## Summary

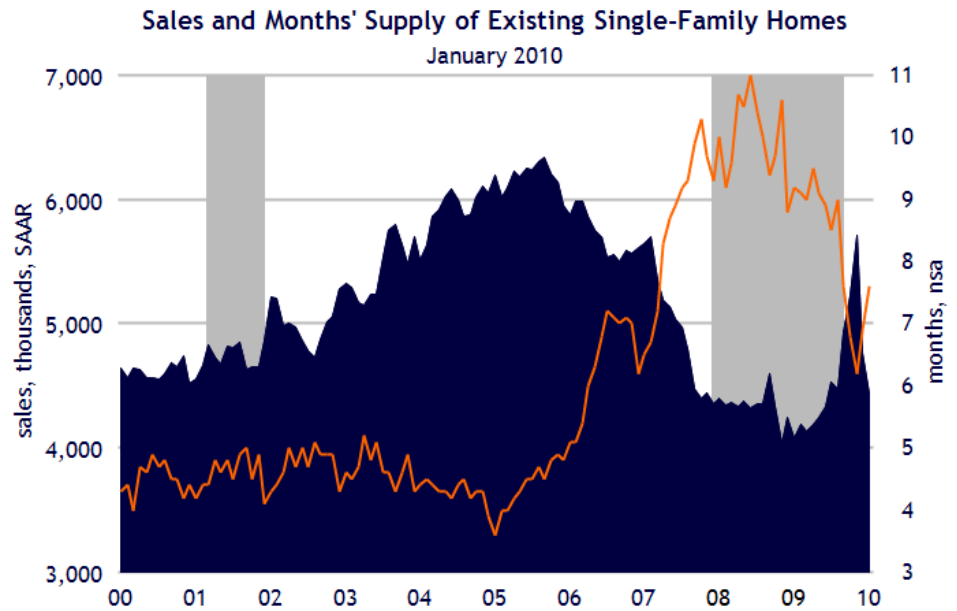
New orders for core capital goods decreased 2.9% in January despite a 3% gain in new orders for all durable goods.



- In January, new orders for core capital goods dropped 2.9% despite the headline new orders figure gaining 3%. This difference is in large part due to the 126% surge in new orders for commercial aircraft, a volatile series, and a 19% jump in orders for defense capital goods, which are not included in the core capital goods figure.
- The largest drag on core capital goods orders in January was a drop in new orders for machinery, which were down 9.7% for the month. Some other durable goods categories fared better: New orders for computers and related equipment gained 4.6% while new orders for electrical equipment gained 1.4%.
- New orders for motor vehicles and parts lost 2.2% from December levels.
- Shipments of core capital goods decreased 1.5% in January. The largest decrease was in the machinery category, which slipped 6.2% from December's level of shipments.

## Summary

According to the National Association of Realtors, single-family home sales fell again in January, below consensus expectations. Existing inventory fell slightly, but weak sales drove the months' supply figure up to 7.6 months.



Source: National Association of Realtors

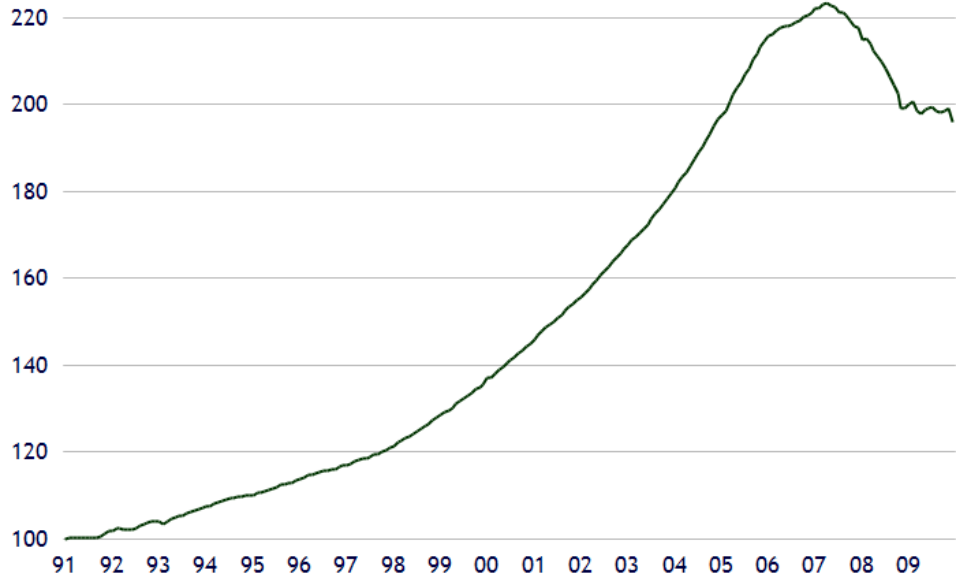
### January Existing Home Sales

	thousands, SAAR	y/y change	m/m change
Total	5,050	11.5%	-7.2%
Single-family	4,430	8.6%	-6.9%
Multifamily	620	38.1%	-8.5%

## Summary

In December, the FHFA purchase-only home price index fell 1.6% from November and 1.5% on a year-over-year basis following a slightly positive reading in November.

December 2009 FHFA U.S. Purchase-only Home Price Index  
January 1991 = 100, sa

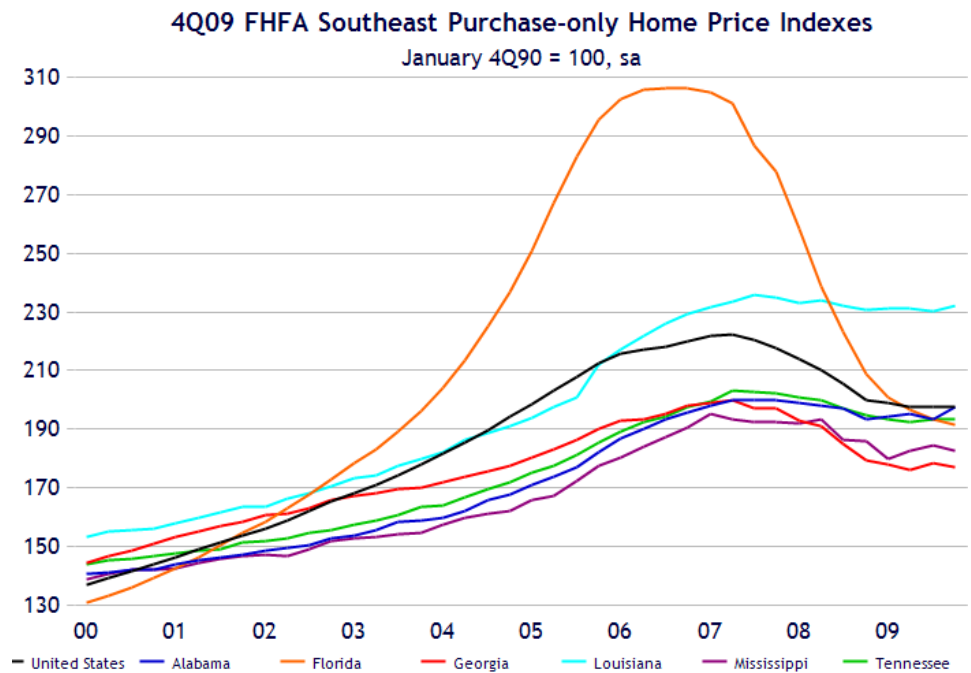


Source: Federal Home Finance Agency

December FHFA Home Price Index	Index (SA)	y/y change	m/m change
U.S. purchase-only	196.10	-1.5%	-1.6%

## Summary

According to the Federal Home Finance Agency purchase-only quarterly home price indexes in the Southeast were mixed in 4Q09. However, on a year-over-year basis declines continued to moderate, turning positive in Alabama and Louisiana.



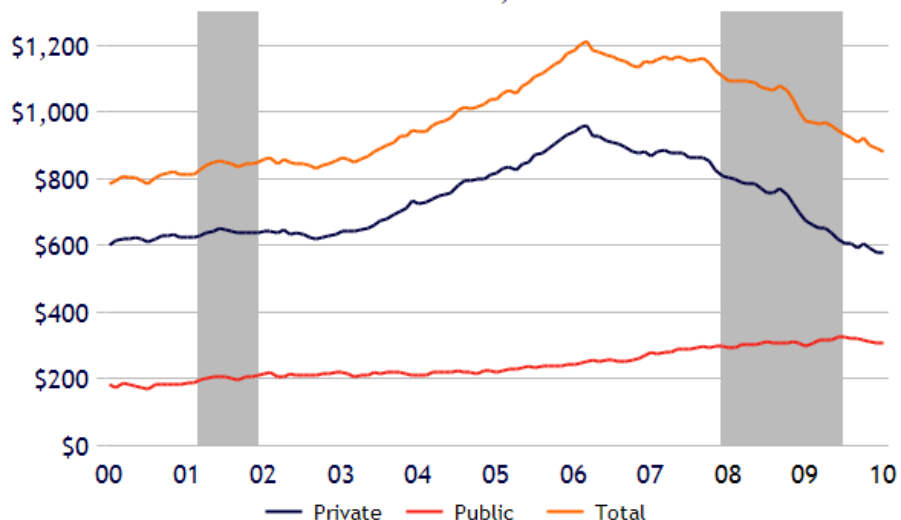
4Q2009 FHFA Home Price Index	Index (SA)	y/y change	q/q change
U.S.	197.6	-1.2%	-0.1%
Alabama	197.8	2.1%	2.1%
Florida	191.7	-8.2%	-0.8%
Georgia	177.1	-1.2%	-0.8%
Louisiana	232.3	0.7%	0.9%
Mississippi	182.8	-1.7%	-1.0%
Tennessee	193.6	-0.6%	0.1%

## Summary

According to the U.S. Census Bureau, total construction spending continued to soften in January, declining 0.6%. Public and private construction spending weakened as well.

### January 2010 U.S. Construction Spending

billions, SAAR



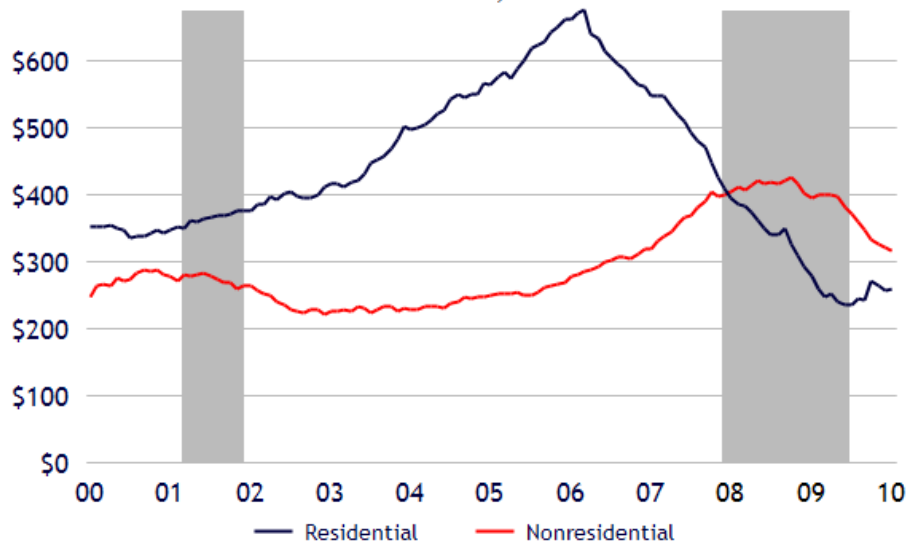
Note: assumes recession ended June 2009

Source: U.S. Census Bureau

Private residential construction spending improved in January from the prior month while private nonresidential construction spending weakened again.

### January 2010 U.S. Private Construction Spending

billions, SAAR



Note: assumes recession ended June 2009

Source: U.S. Census Bureau

### January 2010 Construction Spending Put in Place

	millions, SAAR	y/y change	m/m change
Total	\$ 884,125	-9.3%	-0.6%
Total nonresidential	\$ 614,973	-10.6%	-1.4%
Private nonresidential	\$ 316,417	-19.9%	-2.1%
Public nonresidential	\$ 298,555	2.0%	-0.6%
Total residential	\$ 269,152	-6.0%	1.1%
Private residential	\$ 260,847	-6.4%	1.3%

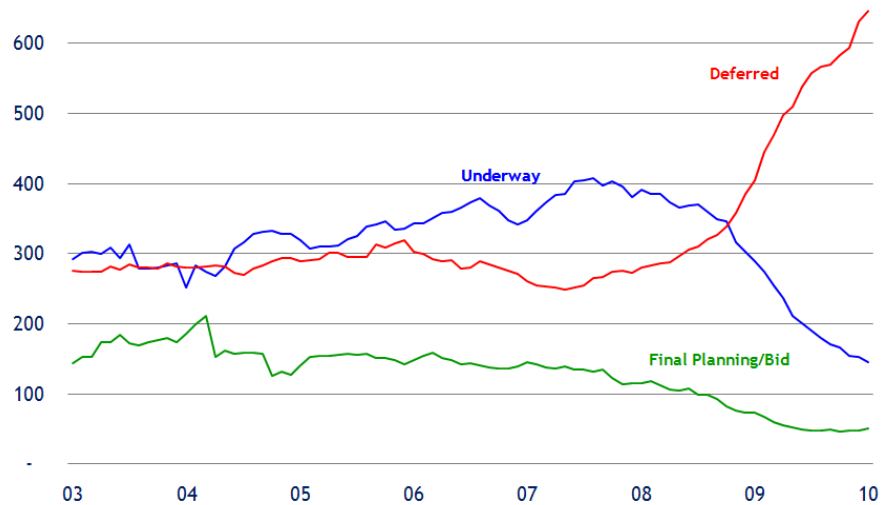


## Summary

TWR/Dodge Pipeline data for January indicated that commercial construction activity under way continued to slow, declining 5% from December to January.

### U.S. Office, Retail & Warehouse Construction Activity

SF in Mill. (thru January)

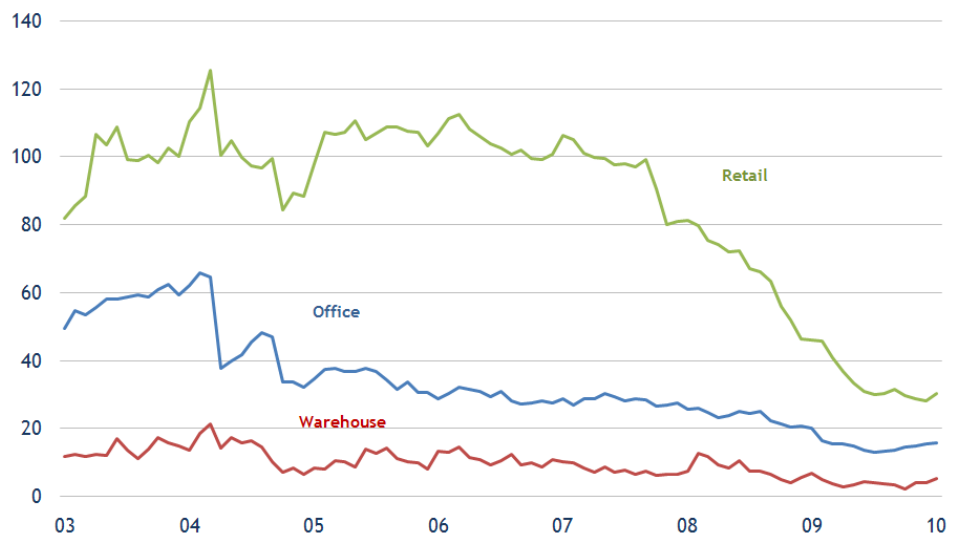


Source: McGraw-Hill/TWR Pipeline

Total space in the final planning or bid phase increased 8% in January. All three sectors improved in January.

### U.S. Commercial Construction in the Final Planning or Bid Phase

SF in Mill. (thru January)



Source: McGraw-Hill/TWR Pipeline

*Note: TWR/Dodge Pipeline tracks commercial real estate projects through development phases.*

*Final planning—projects moving toward final approvals with a high probability that a construction contract will be awarded within the next six months*

*Bid—projects that have been finalized, are put out to bid by general contractors, are very close to being awarded, and have a very high probability of coming to market*

*Under way—projects that are under construction*

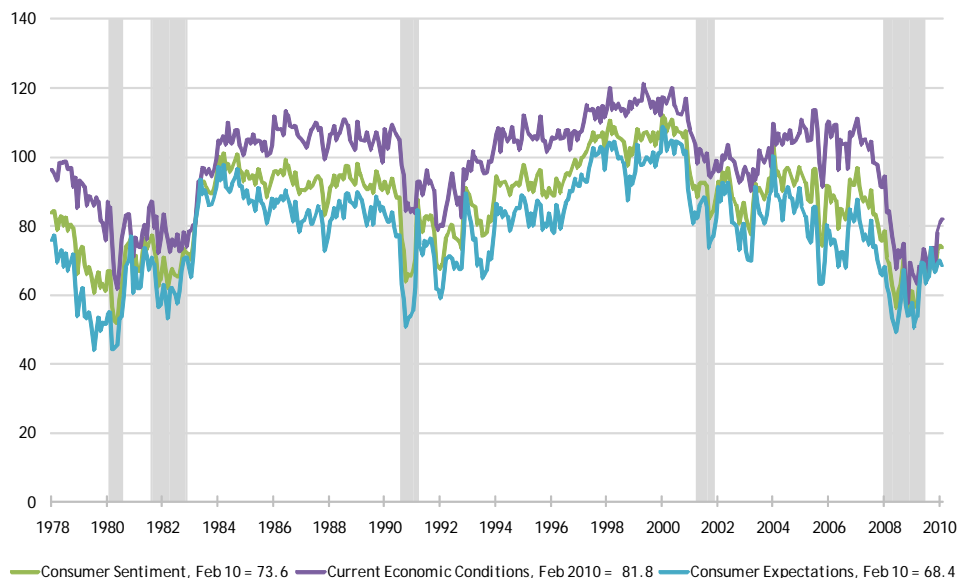
*Deferred—projects delayed at any point in the planning cycle for reasons including problems with financing or design approvals or deterioration in market conditions*

# Consumer Spending

## Summary

The Reuters/University of Michigan Consumer Sentiment Index modestly decreased in February.

Reuters/University of Michigan Consumer Sentiment Index  
1966Q1= 100

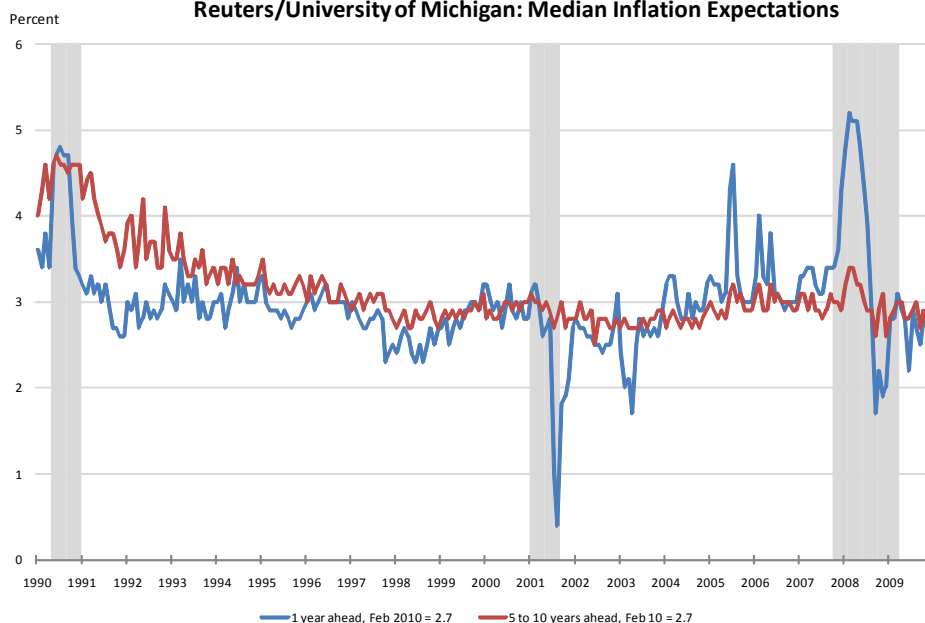


Source: Reuters/University of Michigan

Assumes recession ended June 2009

- In February, the Reuters/University of Michigan Consumer Sentiment Index edged down from 74.4 points to 73.6. The decline was driven by the consumer expectations component, which fell 1.7 points to 68.4. However, the current economic conditions component increased 0.8 points to 81.8, its highest level in almost two years.
- Although the Reuters/University of Michigan index dipped in February, it remains near its two-year high set in January 2010 and remains almost 20 points above its cyclical low in November 2008.
- From January to February, both the median one-year-ahead and five-to-ten-year expected inflation rate edged down to 2.7% from 2.8% and 2.9%, respectively.

Reuters/University of Michigan: Median Inflation Expectations



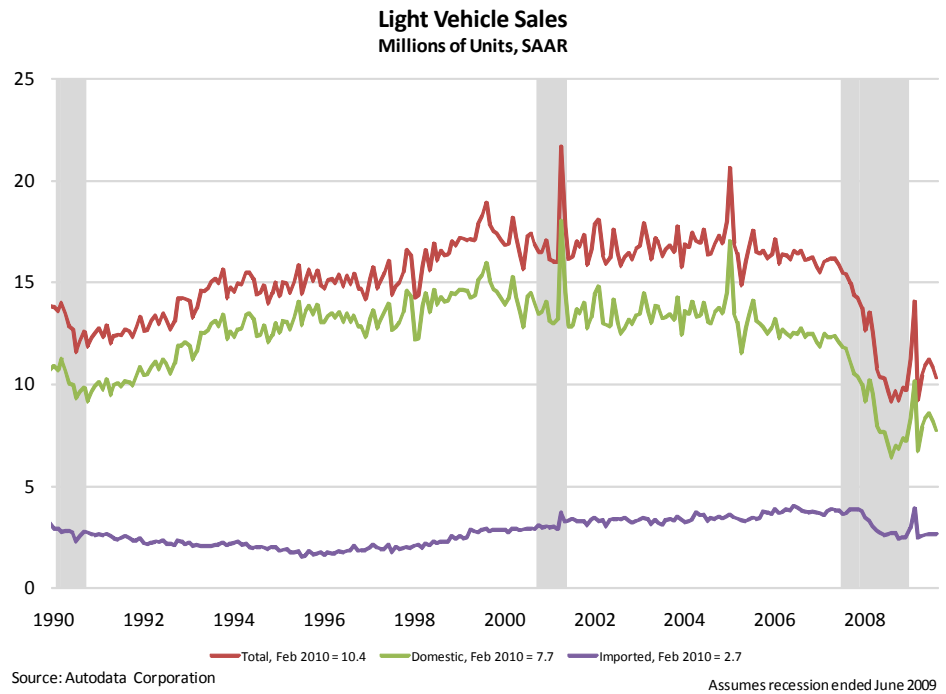
Source: Reuters/University of Michigan

Assumes recession ended June 2009

## Consumer Spending

### Summary

Light vehicle sales declined 400,000 units in February from January, the second consecutive monthly decline.



- Total light vehicle sales for February declined 4% from January to an annualized rate of 10.4 million units.
- Domestic vehicle sales fell 5% from January to an annualized rate of 7.7 million units in February while imported vehicle sales increased 5% to an annualized rate of 2.7 million units.
- Light vehicle sales were up 14% from February 2009 but down 50% from their prerecession peaks.
- Toyota's market share decreased from 18.5% in December to 13% in February. Ford appeared to have benefited from Toyota's misfortune as its market share increased to 18%, surpassing GM's auto sales for the first time since 2008.

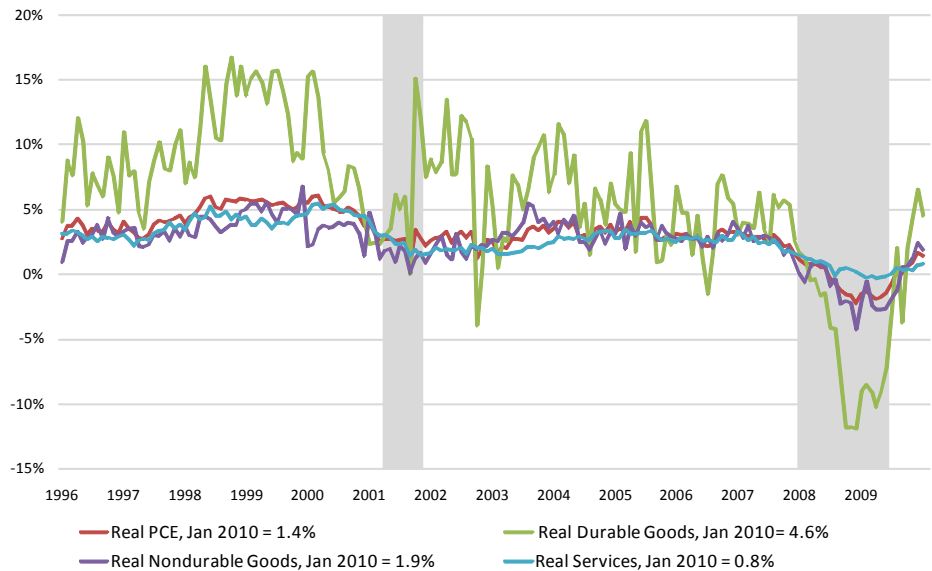
# Consumer Spending

## Summary

Real personal consumption expenditures (PCE) rose from December to January and is up on a yearly basis for the fourth consecutive month.

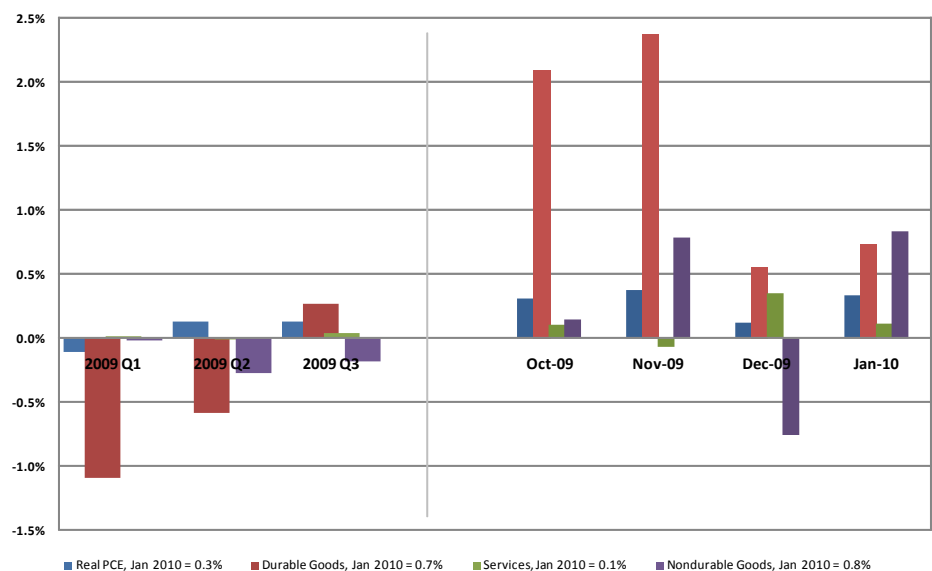
At an annualized rate, real PCE rose 4.1% in January.

**Real Personal Consumption Expenditures**  
Year over Year % Change



- In January, real PCE rose 1.4% from January 2009. Nondurable goods, durable goods, and services increased 1.9%, 4.6%, and 0.8%, respectively.
- The monthly data experienced modest increases. Durable goods and service are slightly higher from December. Overall the real PCE increased 0.3%. On an annual basis, real PCE rose 4.6% in December.
- Personal savings as a percentage of disposable income dropped a notable 0.9 percentage point to 3.3, the lowest level since October 2008.

**Real Personal Consumption Expenditure**  
Period-to-Period % Change

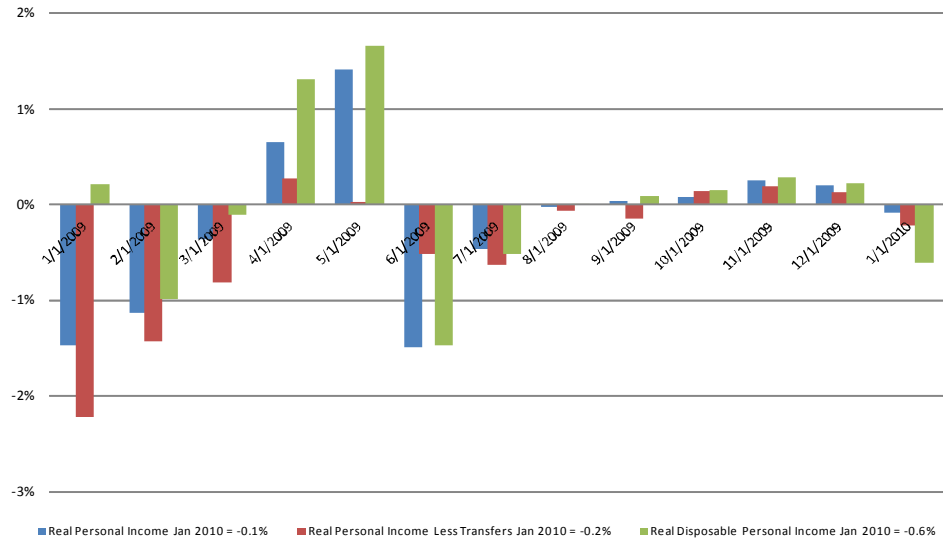


# Consumer Spending

## Summary

Real personal income, real personal income less transfers, and real disposable personal income declined on a month-to-month basis in January.

**Real Personal Income Growth**  
Month to Month Change

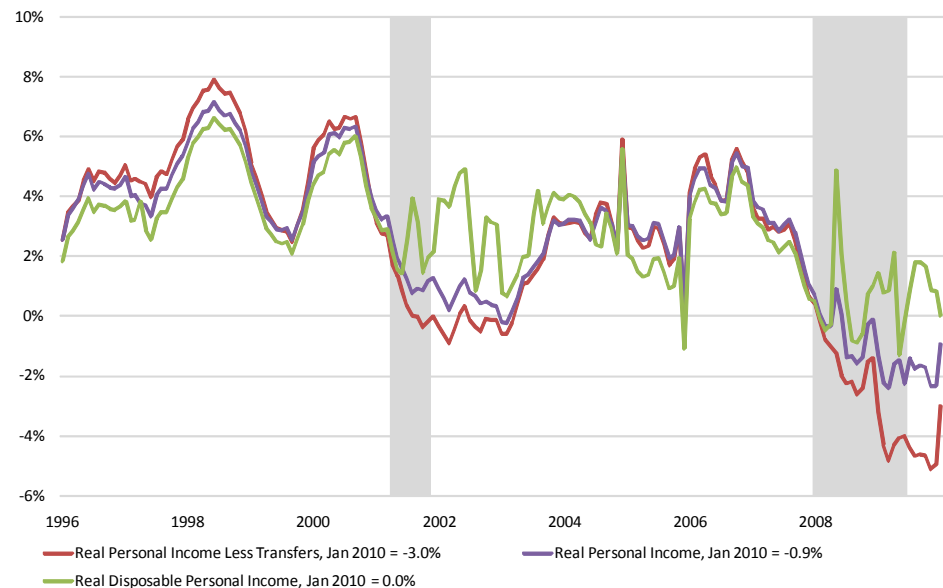


Source: BEA

- In January, real personal income, real disposable personal income, and real personal income less transfers fell from December, declining 0.1%, 0.2%, and 0.6%, respectively.
- Employee compensation increased 0.5% from December to January; however, the increase was offset by weak property income.
- On an annual basis, real personal income declined 0.9% from January 2009. Real personal income less transfers plunged 3%, and real personal disposable income remained virtually unchanged from January 2009. However, both real personal income and real personal income less transfers are declining at a decelerating rate.

Real personal income and real personal income less transfers fell on a yearly basis in January as well while real disposable personal income remained virtually unchanged.

**Real Personal Income**  
Year over Year % Change



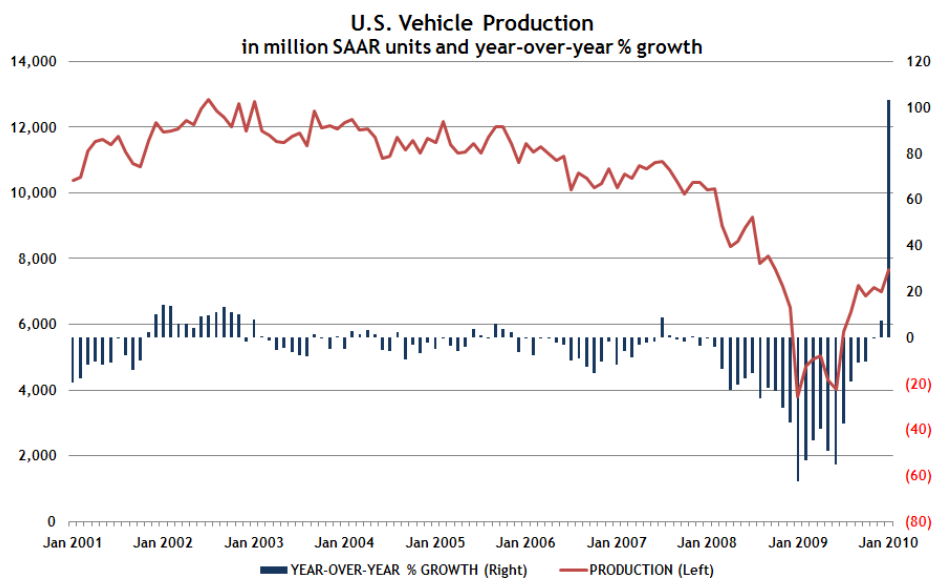
Source: BEA, Haver

Assumes recession ended June 2009

# Transportation

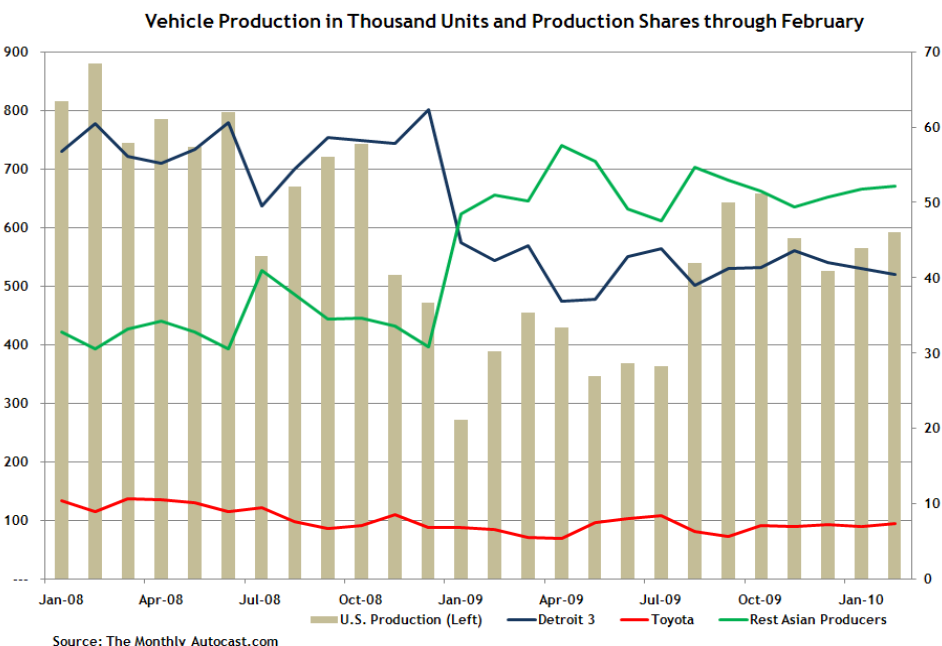
## Summary

Year-over-year U.S. vehicle production increased sharply compared to extremely low levels in early 2009.



- CSM production levels in January jumped to 7.7 million SAAR units, a 103% gain from January 2009. However, production levels early last year were extremely low.
- CSM expects that production levels in the United States will remain at or near current levels as manufacturers continued to keep pace with changes in vehicle demand.

February production data show that auto assembly levels improved from previous months. Korean automakers' production in the United States increased relative to domestic Detroit brands and Toyota.

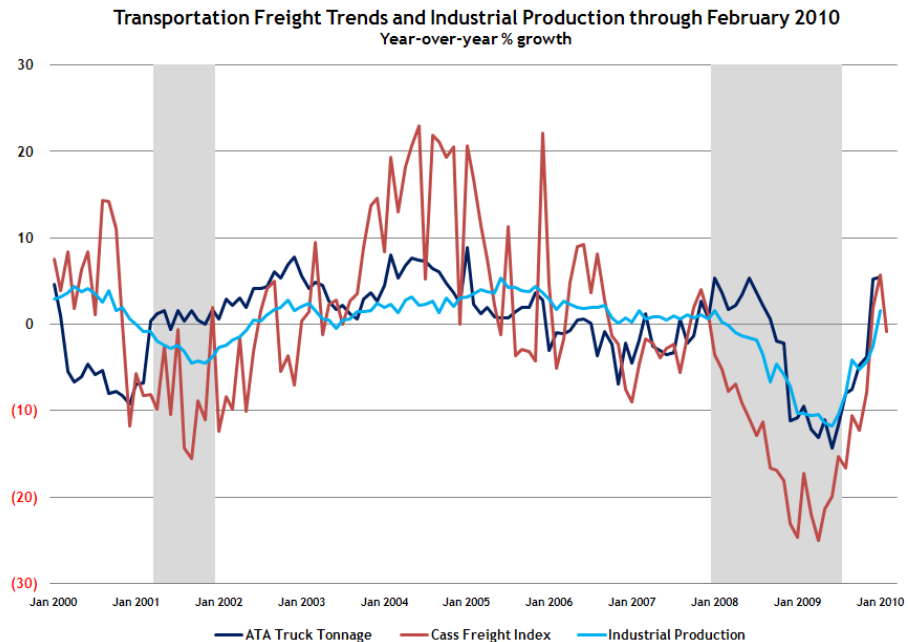


- U.S. production levels in February continued to rise from earlier months. U.S. automakers produced 50% more vehicles than in February 2009. However, when compared to February 2008, current production levels were still off by 38%.
- During most of 2009 and early 2010, other Asian producers (Hyundai and Kia) posted market gains at the expense of the Detroit 3 and, more recently, Toyota.

# Transportation

## Summary

Freight trends improved from a year earlier, closely mirroring recent moves in industrial activity. However, a recent decline in the Cass Freight Index shows that the strength of the recent freight recovery is not conclusive.



Source: American Trucking Associations, Cass Information Systems, and Federal Reserve Board

- Freight trends in early 2010 were up from readings in early 2009, suggesting some stabilization in the movement of goods across rail and truck lines.
- The ATA's January truck tonnage index rose 5.7% from a year earlier, the biggest year-over-year increase in five years. ATA economists noted that recent improved readings support anecdotal reports from some carriers that capacity in some sectors of trucking is beginning to tighten.
- However, a recent decline in the Cass Freight Index (CFI) shows that the strength of the recent freight recovery is not conclusive. The CFI is a more complete freight indicator than the ATA tonnage index, including transaction volumes from trucking, rail, and other shippers across the nation. The CFI declined almost 1% from weak levels in February 2009.