FEDERAL RESERVE BANK of ATLANTA

March 17, 2010

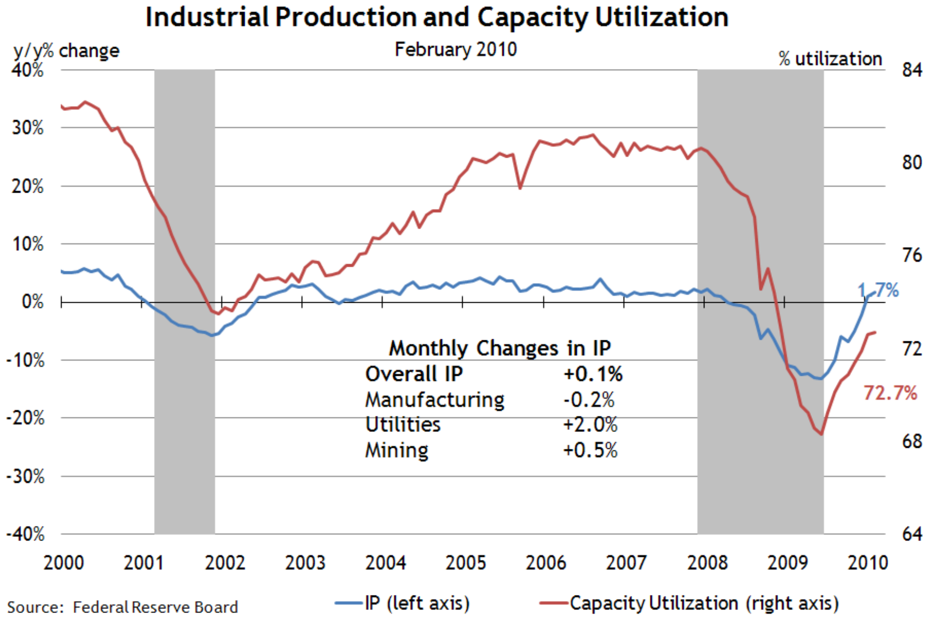
Economic Highlights

Manufacturing

Summary

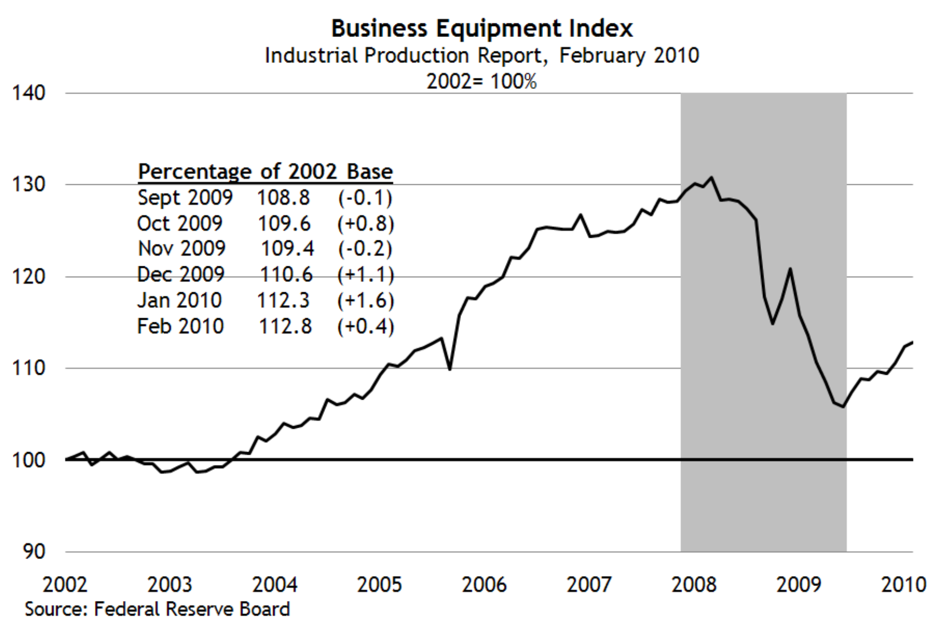
Industrial production (IP), which rose 0.1% in February, was dampened by winter storms. The drivers for the IP gain in February were mining, up 2%, and utilities, up 0.5%. Manufacturing production dropped 0.2% for the month.

Capacity utilization added 0.2 percentage points in February but remains far below its 1972-2009 average.



- **Overall industrial production rose 0.1% in February** following a 0.9% increase in January. Unusually bad winter weather dampened industrial production in February by forcing factories to reduce hours and production. IP for February 2010 was 1.7% above its year-earlier level.
- **Manufacturing production**, IP's largest component, **was down 0.2% in February**.
- Within manufacturing production**, the production of durable goods fell 0.3% in February** after a 1.7% jump in January. The production of computers and electronic equipment rose 1%. The chief drag on durables production was motor vehicles and parts, down 4.4%
- The **production of nondurable goods was down 0.1% in February** after rising 0.7% in January.
- **Mining production was up 2% in February** while the **production of utilities was up 0.5%**, mostly a result of increased electrical usage.
- **Capacity utilization gained 0.2 percentage point in February** but at 72.9% is still 7.9 percentage points below its 1972-2009 average.

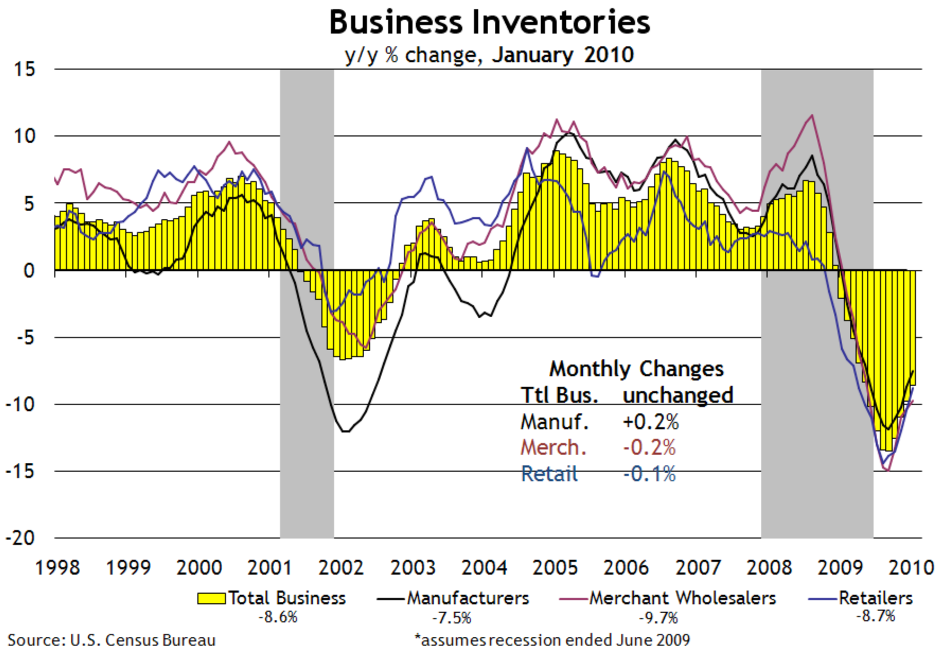
A potentially pivotal component of recovery is business investment. The production of business equipment gained 0.4 index points in February. The measure has increased in four of the past six months.



Manufacturing

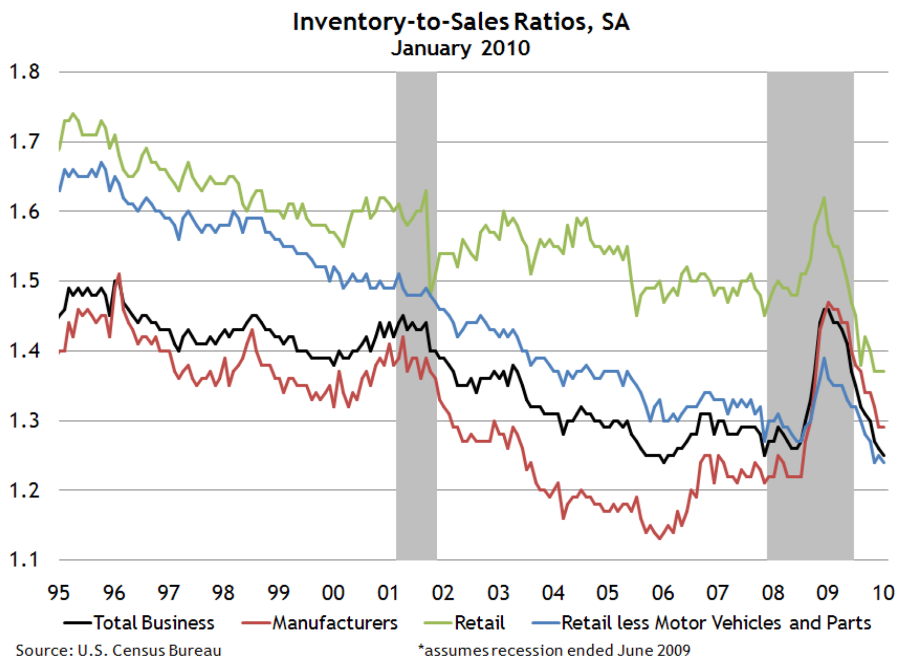
Summary

Business inventories were virtually unchanged from December 2009 to January 2010.



- **Total business inventories were virtually unchanged** in January.
- In January, inventories of manufacturers gained 0.2% over December levels while merchant wholesalers lost 0.2%. Retail inventories lost 0.1% for the month.

The total business inventory-to-sales (I/S) ratio for January 2010 was 1.25. The January 2009 ratio was 1.46. The retail I/S ratio has remained unchanged for three months at 1.37.

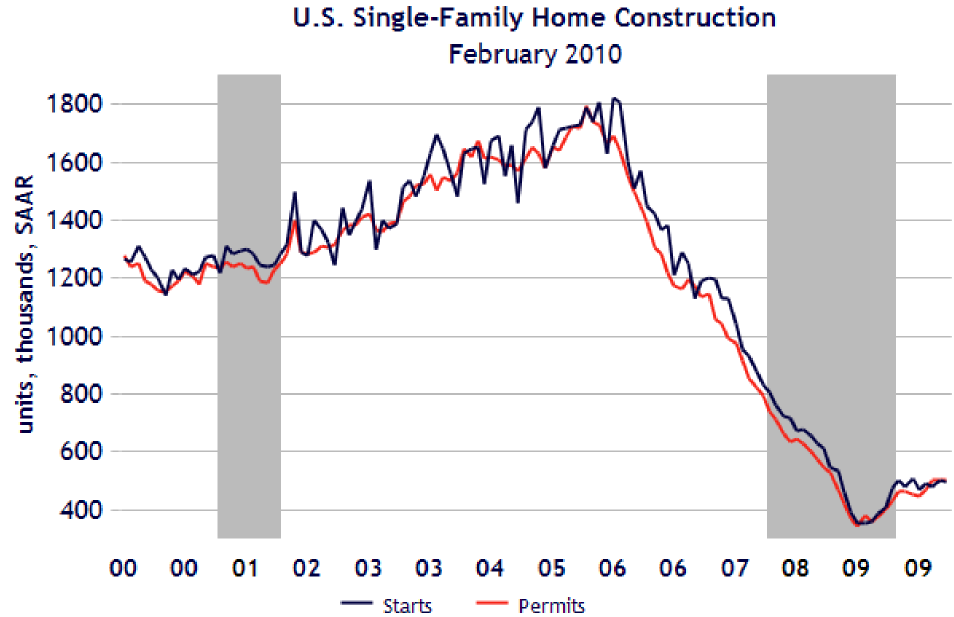


- **In January, the I/S ratio was down from December's 1.26 to 1.25.** This level is considerably lower than the January 2009 I/S ratio of 1.46.
- Retail and manufacturing I/S ratios remained unchanged at 1.37 and 1.29, respectively. The I/S ratio for retail excluding motor vehicles dropped from 1.25 to 1.24 while the wholesale I/S ratio dropped from 1.12 to 1.10.

Real Estate

Summary

U.S. single-family home permits and starts held steady in February, declining less than 1% from January.



Note: assumes recession ended June 2009
Source: U.S. Census Bureau

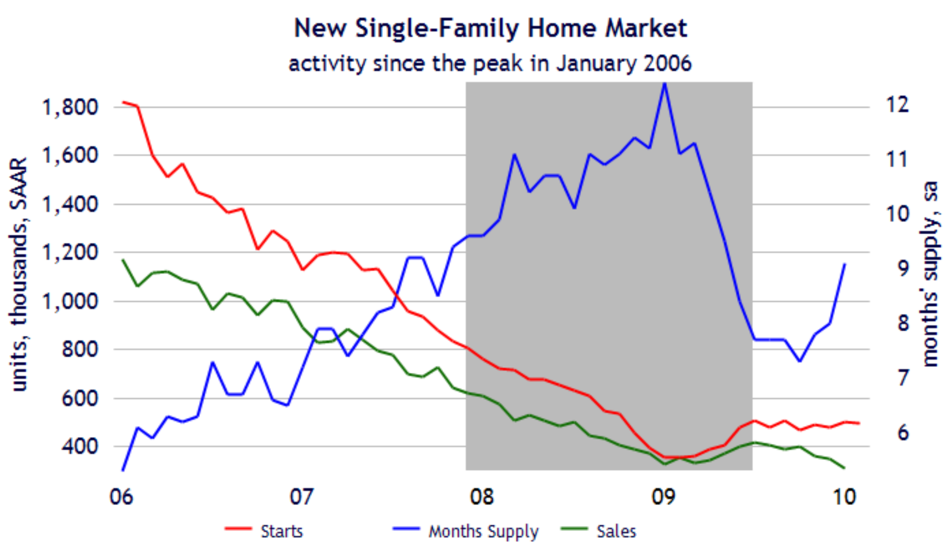
February permits, SAAR

Total	612K	11.3% y/y	-1.6% m/m
Single-family	503K	32.0% y/y	-0.2% m/m
Multifamily	109K	-35.5% y/y	-7.6% m/m

February starts, SAAR

Total	575K	0.2% y/y	-5.9% m/m
Single-family	499K	39.8% y/y	-0.6% m/m
Multifamily	76K	-65.0% y/y	-30.3% m/m

Single-family home starts have held fairly steady in recent months despite weaker sales and the increase in months' supply.



Note: assumes recession ended June 2009
Source: U.S. Census Bureau

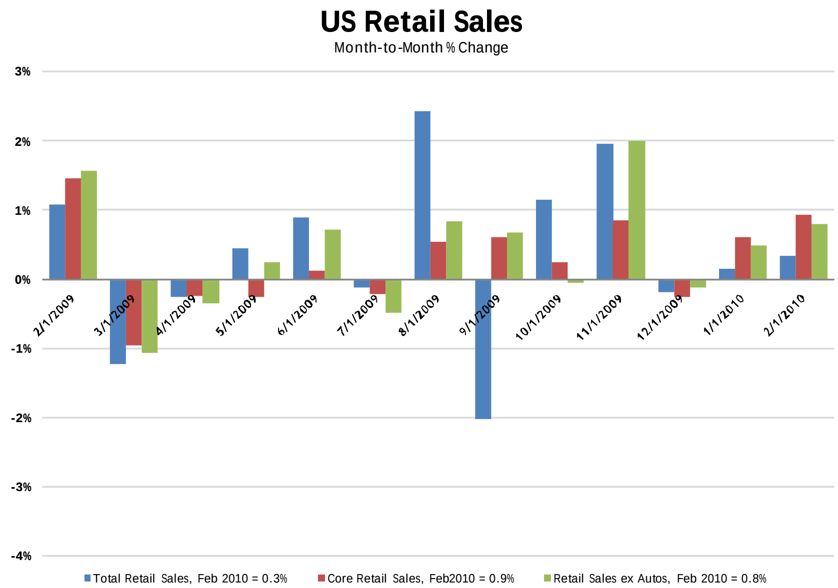
Consumer Spending

Summary

Retails sales came in much stronger than analysts' projections in February.

On a month-to-month basis, retail sales showed a 0.3% gain from January. In eight of the past 10 months, retail sales posted positive gains.

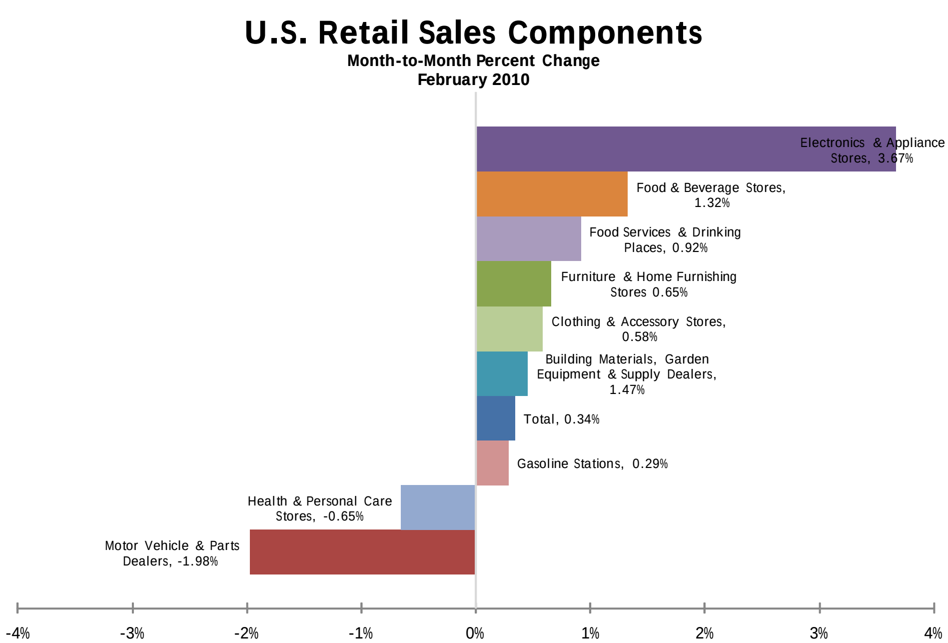
Total retail sales experienced positive growth on a yearly basis in February for the fourth consecutive month.



Source: U.S. Census Bureau

- Retail sales came in strong in February, rising 0.3% from January; Bloomberg's market consensus expectation was for a decrease of 0.2%. On a year-over-year basis, total retail sales were up 3.5%.
- From January to February, retail sales excluding autos increased 0.8%, and core retail sales increased 0.9%. On a year-over-year basis, retail sales excluding autos and core retail sales (total excluding gas, autos, and building supplies) were up 3.7% and 2%, respectively, from February 2009.
- The increase in retail sales was led by electronics and appliances, which increased 3.7% from January to February. Motor vehicles and parts and health and personal care stores were the only components to experience declines, falling 2% and 0.7%, respectively.

The gain in retail sales was disbursed across all categories apart from health and personal care stores and motor vehicles and parts.

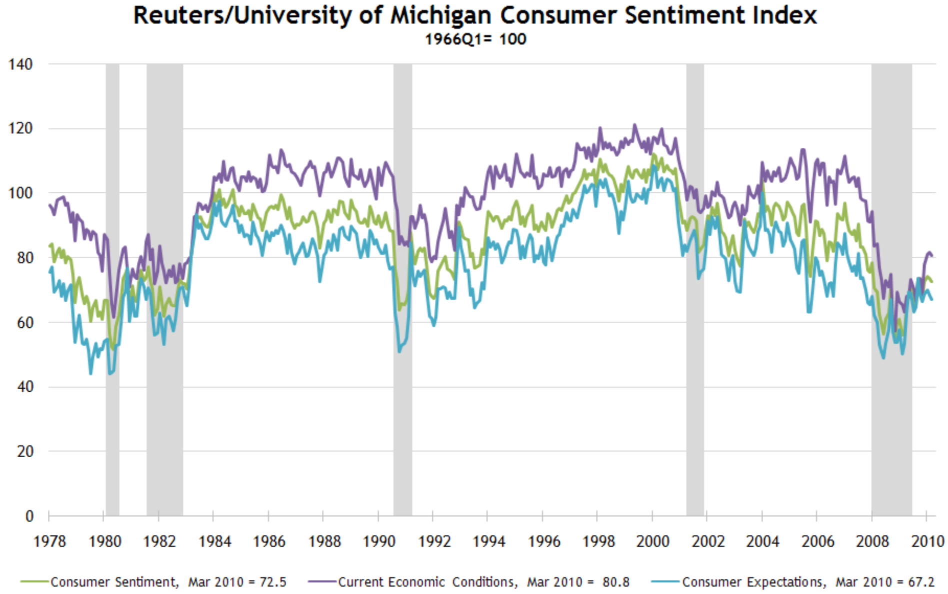


Source: U.S. Census Bureau

Consumer Spending

Summary

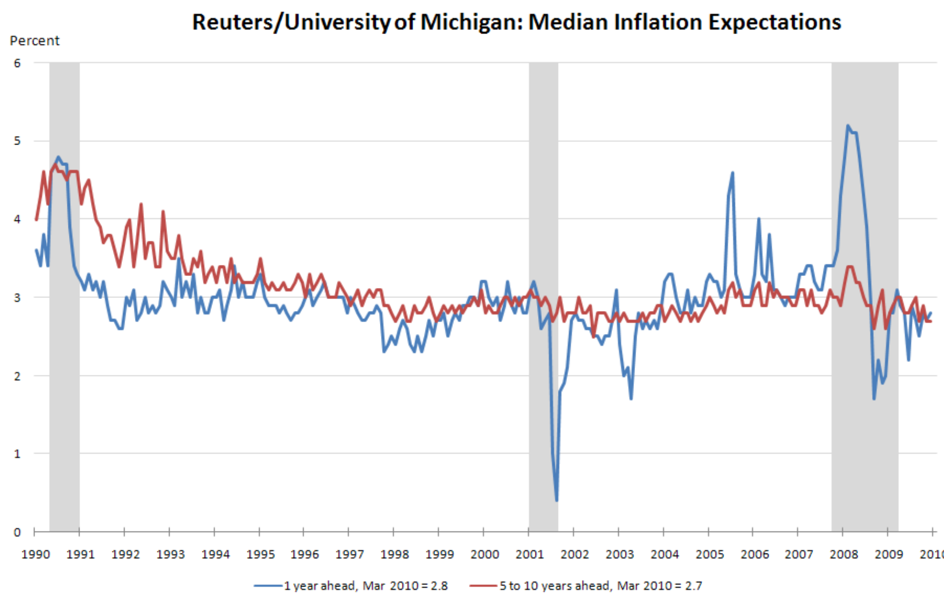
The Reuters/University of Michigan Consumer Sentiment Index modestly decreased for the second consecutive month in March.



Source: Reuters/University of Michigan

Assumes recession ended June 2009

- In March, the Reuters/University of Michigan Consumer Sentiment Index decreased from 73.6 points to 72.5, falling short of analysts' expectations of a 0.4 point increase. Both components experienced modest declines; the current economic conditions decreased 1 point to 80.8, and consumer expectations declined 1.2 points to 67.2.
- Although the consumer sentiment index has had two consecutive monthly declines, the declines were small. Compared to March 2009, the March 2010 index is more than 15 points higher.
- In March, inflation expectations remained little changed from February. The median one-year-ahead expected inflation rate modestly increased from 2.7% to 2.8%, and the median five-to-ten-year outlook held steady at 2.7%.



Source: Reuters/University of Michigan

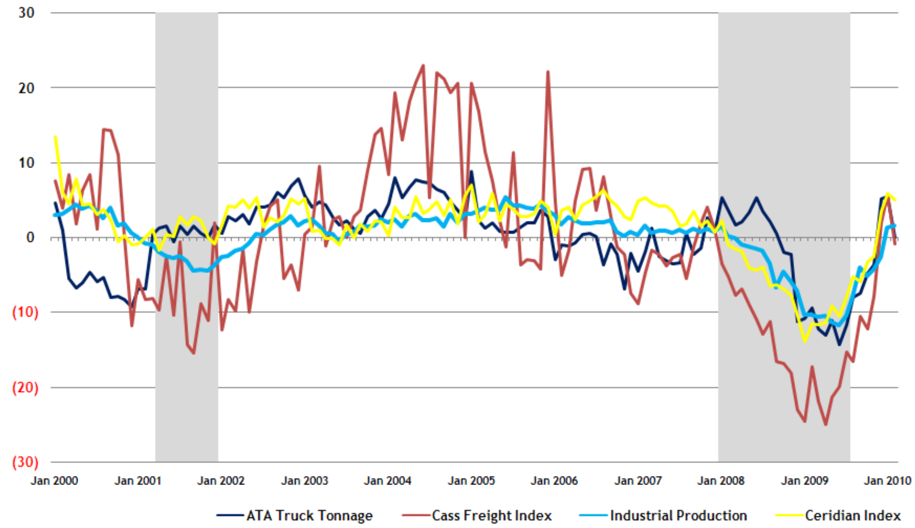
Assumes recession ended June 2009

Transportation

Summary

Year-over-year freight indicators continued to improve in early 2010, in agreement with recent industrial production data.

Transportation Freight Trends and Industrial Production through February 2010
Year-to-year % Growth

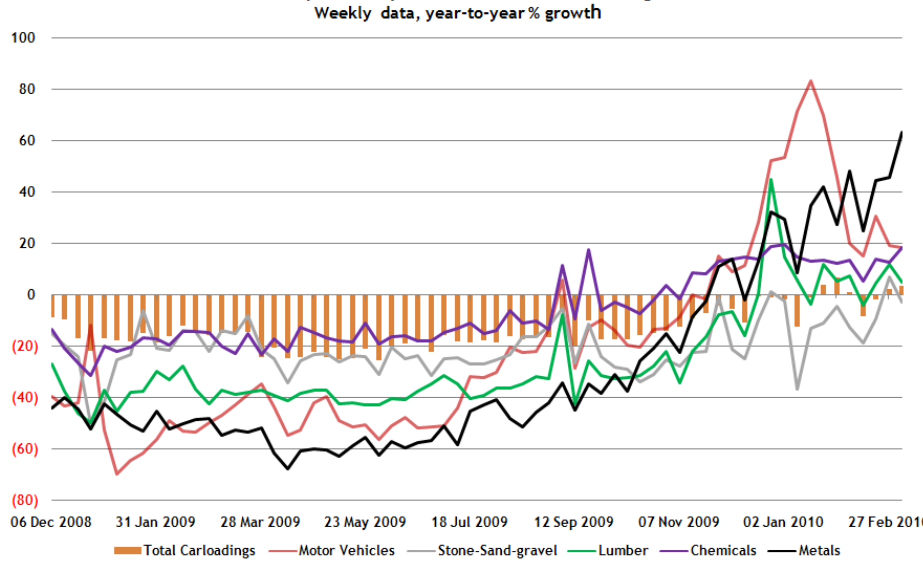


Source: American Trucking Associations, Cass Information Systems, Ceridian-UCLA, and Federal Reserve Board

- January's ATA truck tonnage index improved from depressed levels in early 2009. Industry contacts were encouraged that, for the first time two years, market conditions appear to be more balanced and supported by a recovering industrial sector.
- The Cass Volume Freight Index (obtained by a broader base of shipping companies) was down in February from gains reported in December and January. Cass data suggest that although freight demand is improving, the underlying sector recovery is not conclusive.
- The Ceridian-UCLA Pulse of Commerce Index is another freight indicator signaling a steady sector recovery based on real-time fuel consumption data. These data were particularly useful in tracking February's weak readings to adverse weather in the Northeast.

Key railroad industry shipments through early March continued to climb far ahead of year-earlier levels. However, total carloadings were still limited by weak shipments of coal, a major load sector.

Growth of of Rail Shipments by selective industries through March 6, 2010
Weekly data, year-to-year % growth



Source: American Association of Railroads

- The Association of American Railroads reported that total rail shipments through early March climbed 4% from 2009 levels, led by double-digit gains in the shipment of metals, motor vehicles, and chemicals. However, coal shipments, a major load sector, continued to limit growth of total rail shipments. Housing-related shipments (lumber, stone, sand, and gravel) have posted some growth volatility and weaker readings from depressed levels last year.

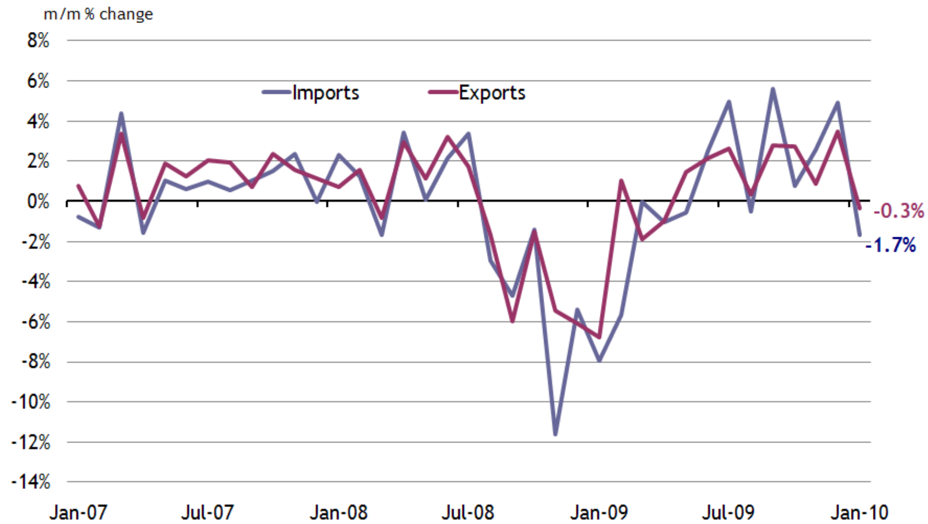
Trade

Summary

The nominal merchandise trade deficit narrowed in January to $37.3 billion from $39.9 billion in December 2009. The January trade report contrasted with consensus estimates that called for the gap to increase to $41 billion.

The impact of the narrowing January trade deficit on GDP, although relatively minor, is somewhat favorable.

January U.S. International Trade



Source: U.S. Bureau of the Census

- The nominal trade deficit unexpectedly narrowed to $37.3 billion from a revised-down $39.9 billion in December. This report contrasted with Bloomberg's consensus estimates that called for January's trade gap to increase to $41 billion.
- The big improvement in the January trade report came from a 1.7% drop in imports, led by falling imports of autos, capital goods, and petroleum. Larger declines in vehicle imports came from Japan and Germany.
- Another unexpected development in the January trade report was the sharp drop of petroleum imports to the lowest level since February 1999. Despite higher crude oil market prices, the U.S import bill declined $2 billion in January from about $20 billion in December 2009.
- Exports of capital goods in January were softer because of much lower shipments of civilian aircraft that contrasted with a stronger December pace.
- Because negative net export readings were expected to be larger, a narrowing trade deficit has had only a relatively minor impact on GDP growth although more favorable than anticipated.