

Economic Highlights

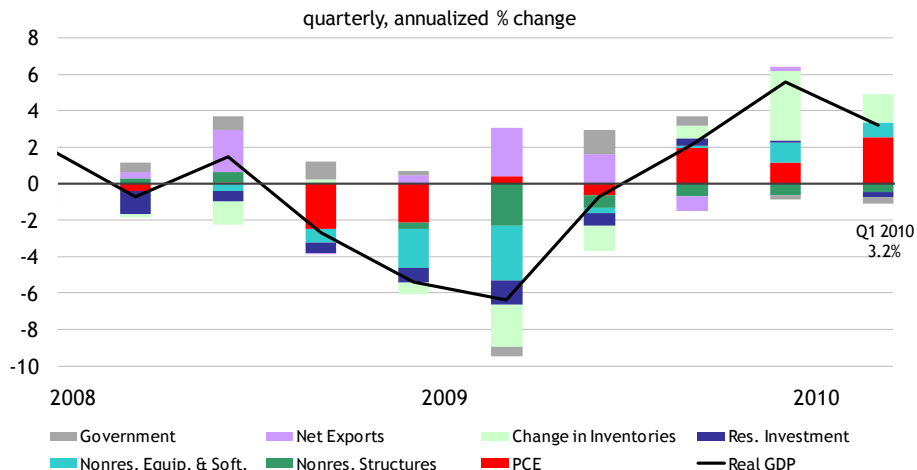
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Economic Activity

Summary

The first reading of GDP for the first quarter showed a 3.2% increase, in line with expectations.

Contributions to Real GDP Growth

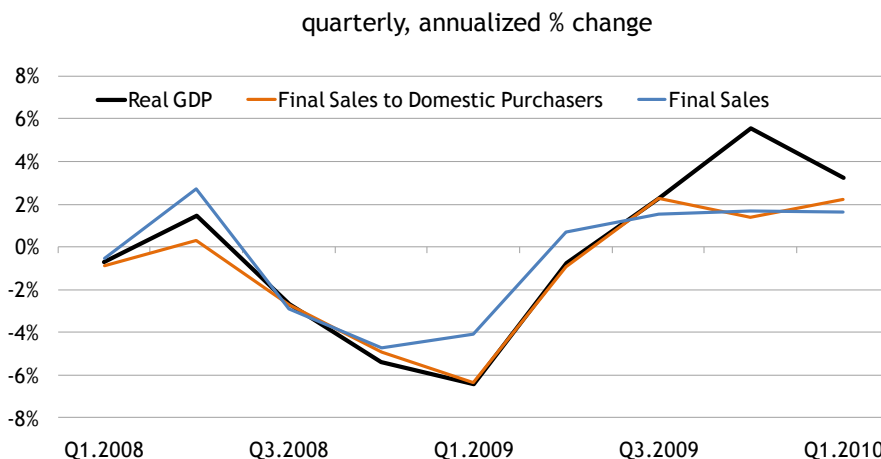


Source: U.S. Bureau of Economic Analysis

- Consumer spending (PCE) and business investment in equipment and software posted solid gains for the second consecutive quarter, growing at 3.6 percent and 13.4 percent, respectively.
- Private inventories increased for the first time since early 2008 by \$31 billion, contributing almost 2 percentage points to GDP growth.
- Residential investment and nonresidential investment in structures continued to decline in the first quarter by 11 percent and 14 percent, respectively.
- Private forecasters currently expect that Q2 GDP growth is expected to be around 4%, reflecting continued gains in private spending and growth in residential investment.

Growth of final sales to domestic purchasers was a moderate 2.2 percent in the first quarter, slightly stronger than the average of the past two quarters.

Real GDP and Final Sales



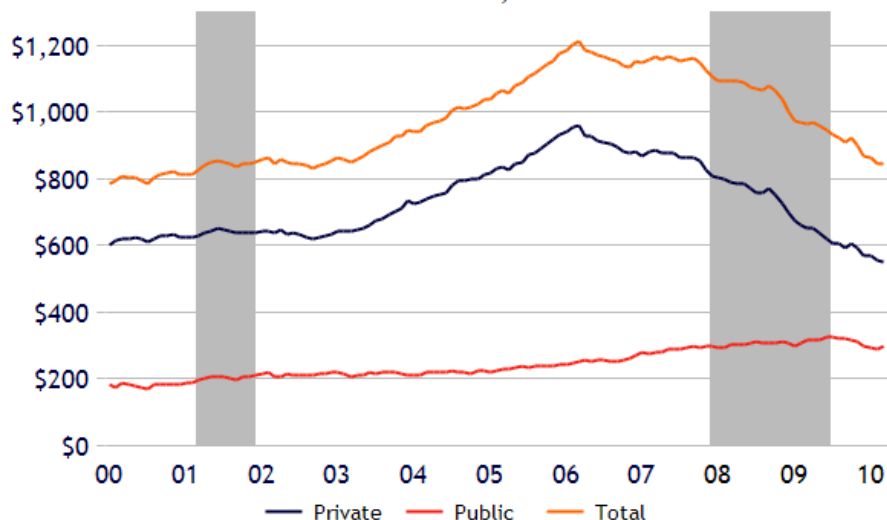
Source: Bureau of Economic Analysis, through Q1 10

Summary

According to the U.S. Census Bureau, total construction spending was little changed in March, up 0.2%. The increase in public construction spending was largely offset by private construction spending that continued to weaken.

March 2010 U.S. Construction Spending

billions, SAAR

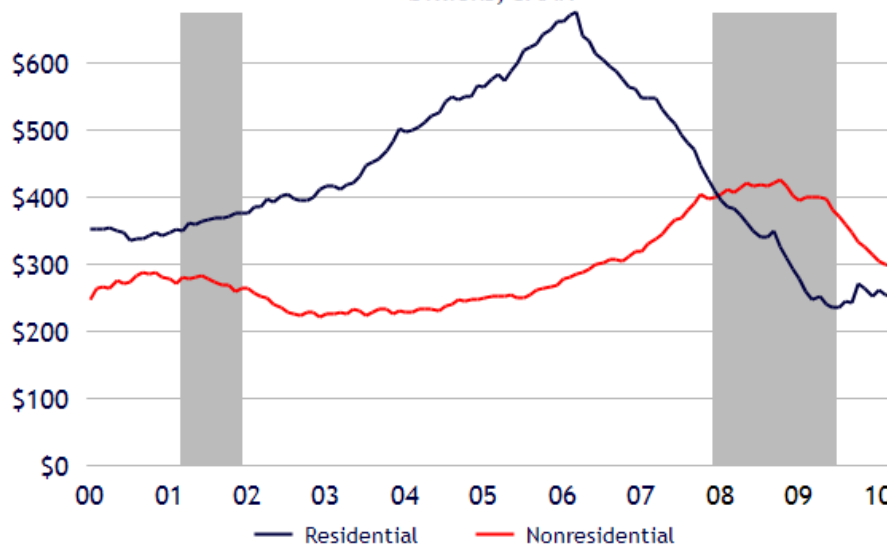


Note: Assumes recession ended in June 2009
Source: U.S. Census Bureau

Both private nonresidential and residential construction spending softened in March, down nearly 1%.

March 2010 U.S. Private Construction Spending

billions, SAAR



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

March 2010 Construction Spending Put in Place

	millions, SAAR	yr/yr change	mo/mo change
Total:	\$ 847,318	-12.3%	0.2%
Total Nonresidential:	\$ 586,820	-17.4%	0.8%
Private Nonresidential:	\$ 298,998	-25.5%	-0.7%
Public Nonresidential:	\$ 287,821	-6.8%	2.3%
Total Residential:	\$ 260,498	1.6%	-1.0%
Private Residential:	\$ 251,807	1.2%	-1.1%

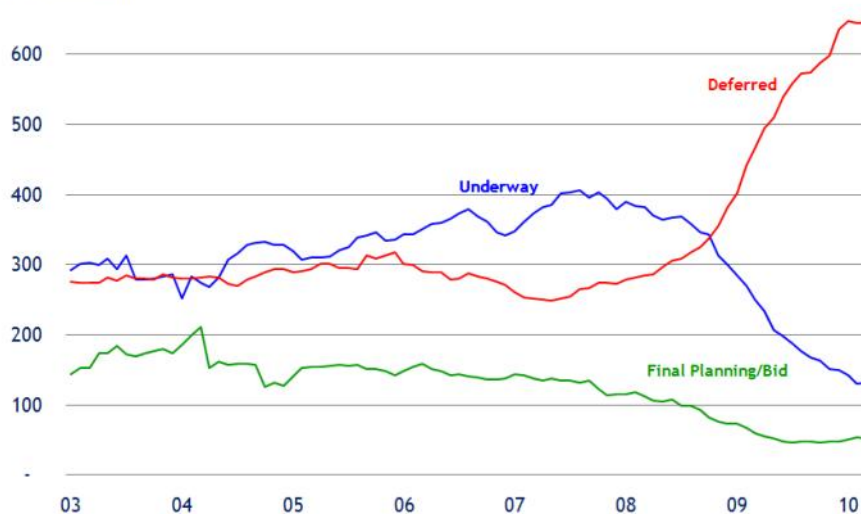
Summary

TWR/Dodge Pipeline data for March indicated that commercial construction activity under way held steady from March, as did the amount of space being deferred.

Following improvements in recent months, total space in the final planning or bid phase decreased 3% in March. The office sector dropped sharply in March while warehouse and retail continued to improve.

U.S. Office, Retail & Warehouse Construction Activity

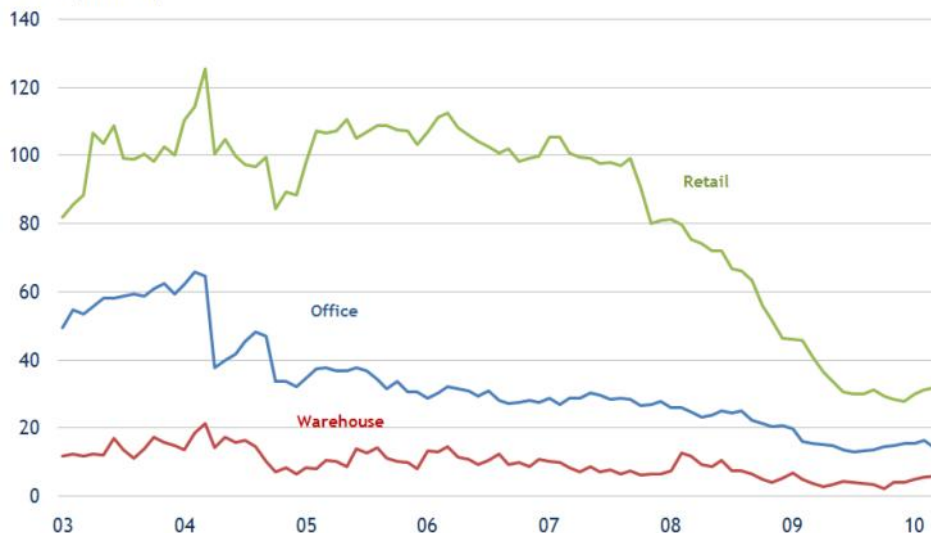
SF in Mill. (thru March)



Source: McGraw-Hill/TWR Pipeline

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

SF in Mill. (thru March)



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 construction contract will be awarded within the next six months

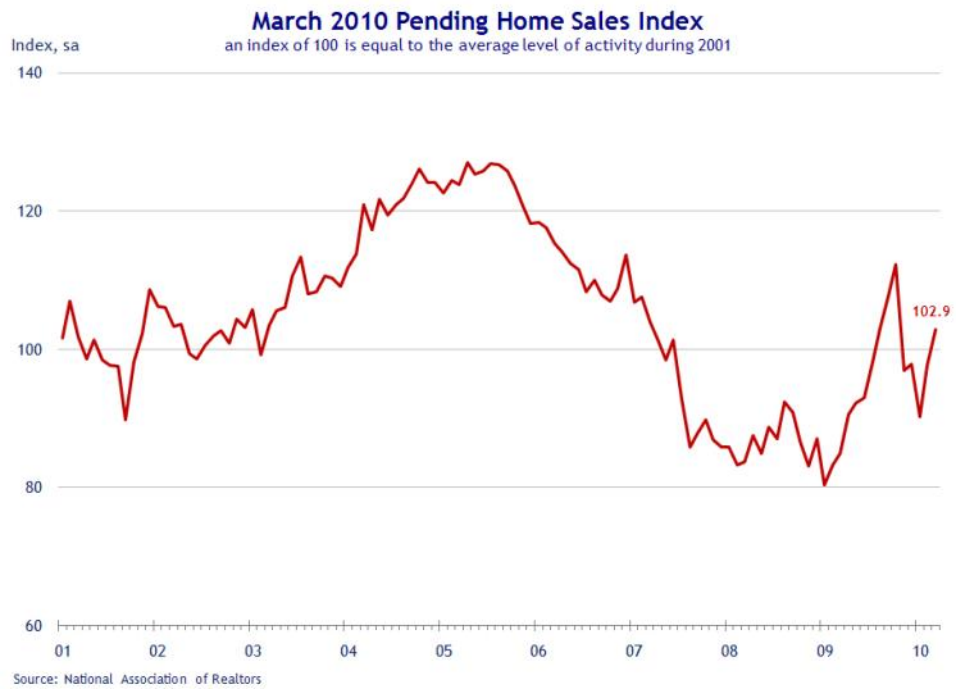
Bid—projects that have been finalized, are put out to bid by general contractors, are very close to being awarded, and have a very high probability of coming to market

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

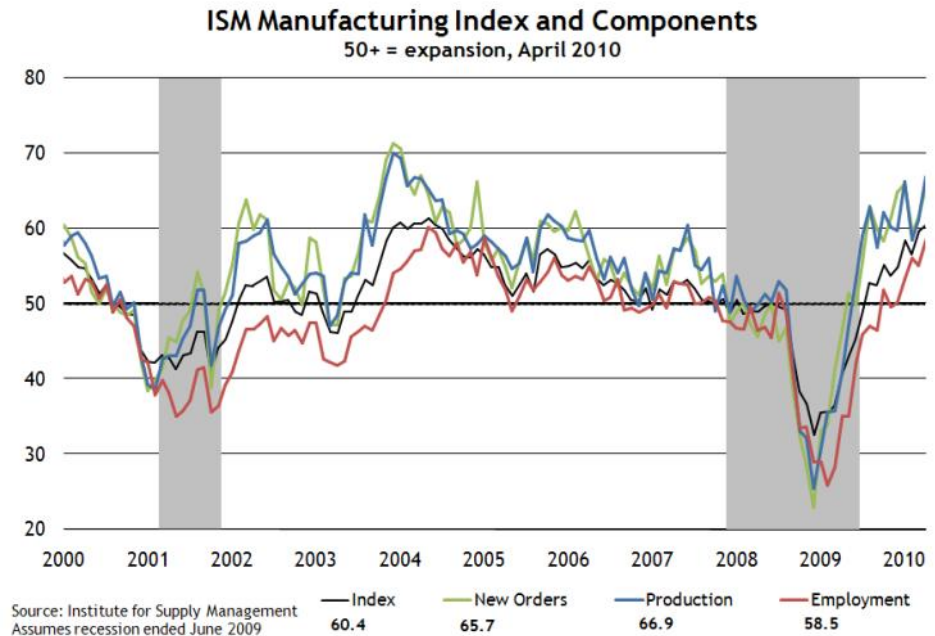
Summary

According to the National Association of Realtors, pending home sales rose 5.3% in March as buyers moved to take advantage of the latest housing stimulus that required homes to be under contract by April 30.



Summary

The Institute for Supply Management's Purchasing Managers Index (PMI) gained 0.8 index points in April, marking its ninth consecutive month in expansion territory.



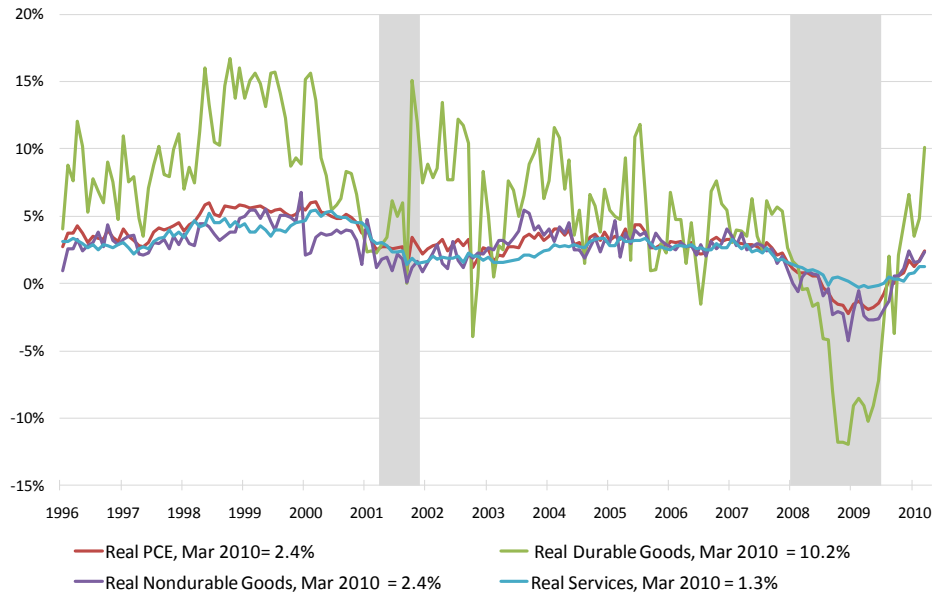
- The Institute for Supply Management's **Purchasing Managers Index** continued its gains into April, rising **0.8 index points** to reach **60.4**. This is the index's highest reading since June 2004. The gain in the aggregate index was broad-based but most heavily driven by gains in indices of new orders, production, and employment.
- New orders for manufacturers grew at a faster pace in April. **The ISM new orders index**, a leading indicator, added **4.2 index points** to reach **65.7**. Of survey respondents, 52% said new orders had increased since March, while only 8% said new orders had decreased.
- The **production index** added **5.8 index** to reach **66.9**, as 49% of respondents reported higher production levels in April than in March and 44% said levels of production were about the same as the previous month's. No industries reported decreases in production in April.
- **Manufacturing employment** added **3.4 index points** for its fifth consecutive month in expansion territory at 58.5. To put this figure into perspective, only 26% of respondents said employment had increased over the previous month, while 68% said employment levels remained the same as in March.

Consumer Spending

Summary

Real Personal Consumption Expenditures (PCE) rose from February to March and is back to prerecession levels on a yearly percentage change basis.

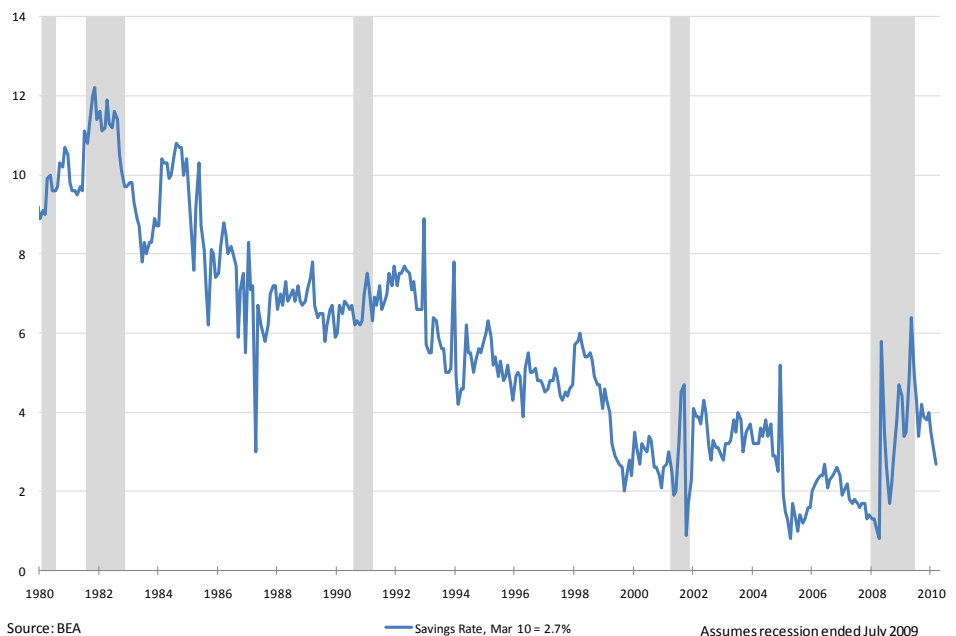
Real Personal Consumption Expenditures
Year over Year % Change



- In March, real PCE rose 0.5 percent from February. All three categories of spending increased over the month, especially durable goods. Spending on durable goods increased 3.4 percent over the month from a surge in motor vehicle sales.
- On a year-over year basis, real PCE increased 2.4 percent, the highest level since before the recession.
- Personal savings as a percentage of disposable income decelerated for the third consecutive month to 2.7 percent; the lowest level since September 2008.

The savings rate continued to decline for the third consecutive month in March.

Personal Saving Rate
(as percentage of disposable income)

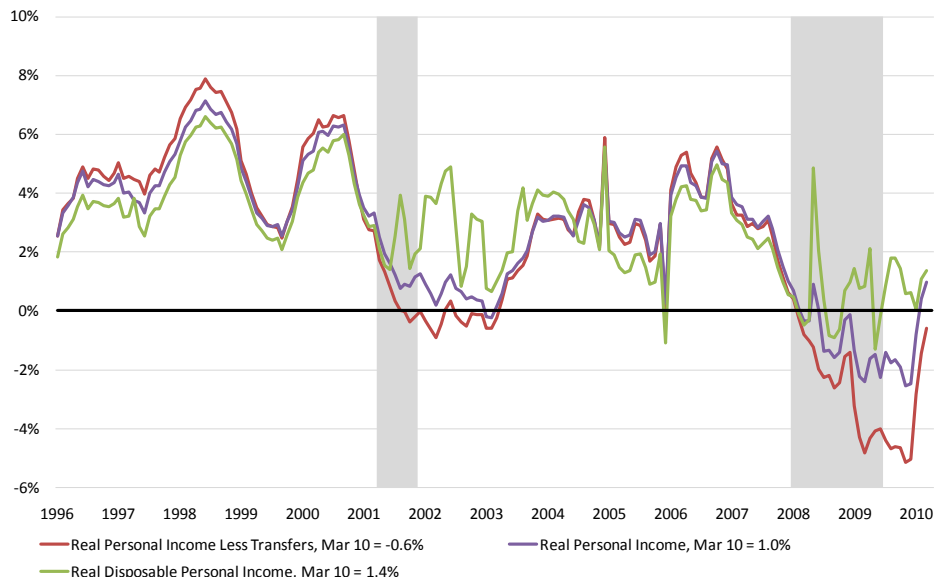


Consumer Spending

Summary

On a year-over-year basis, personal income accelerated in March but remains weak.

Real Personal Income
Year over Year % Change



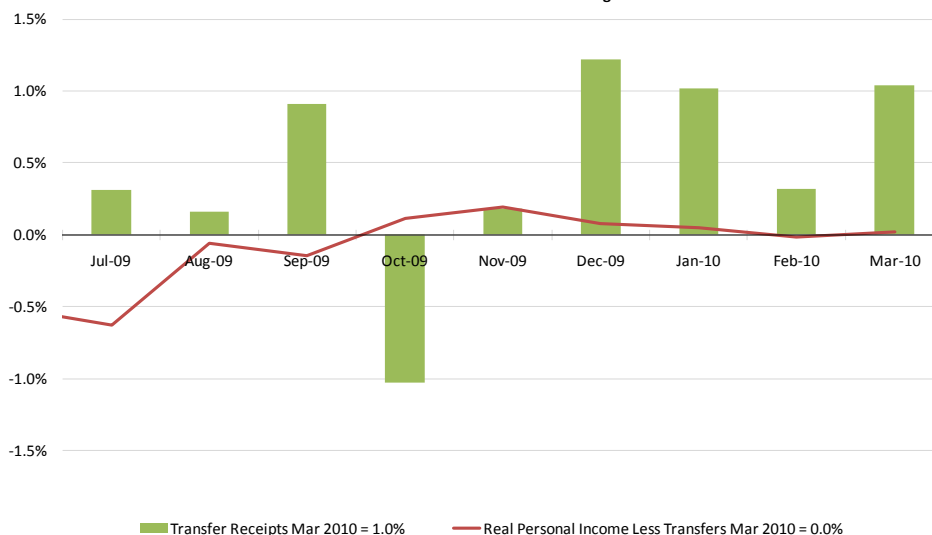
Source: BEA, Haver

Assumes recession ended June 2009

- On an annual basis, real personal income increased 1 percent, and real personal disposable income increased 1.4 percent from March 2009. Real personal income less transfers remained negative at -0.6 percent over the year.
- Government transfer payments boosted the overall income gain for the month, reflecting the extension of the emergency unemployment program.

The major contributor to income growth during the past several months has been transfer payments.

Real Personal Income
Month to Month % Change

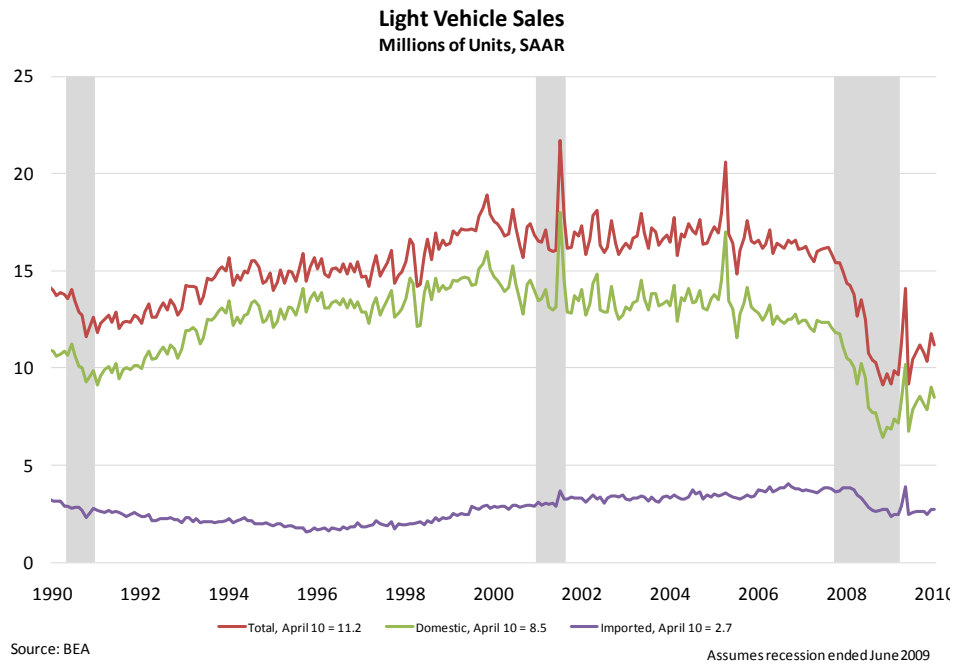


Source: BEA

Consumer Spending

Summary

Light vehicle sales fell to an annual rate of 11.2 million units in April but remain above the first quarter and 2009 averages.

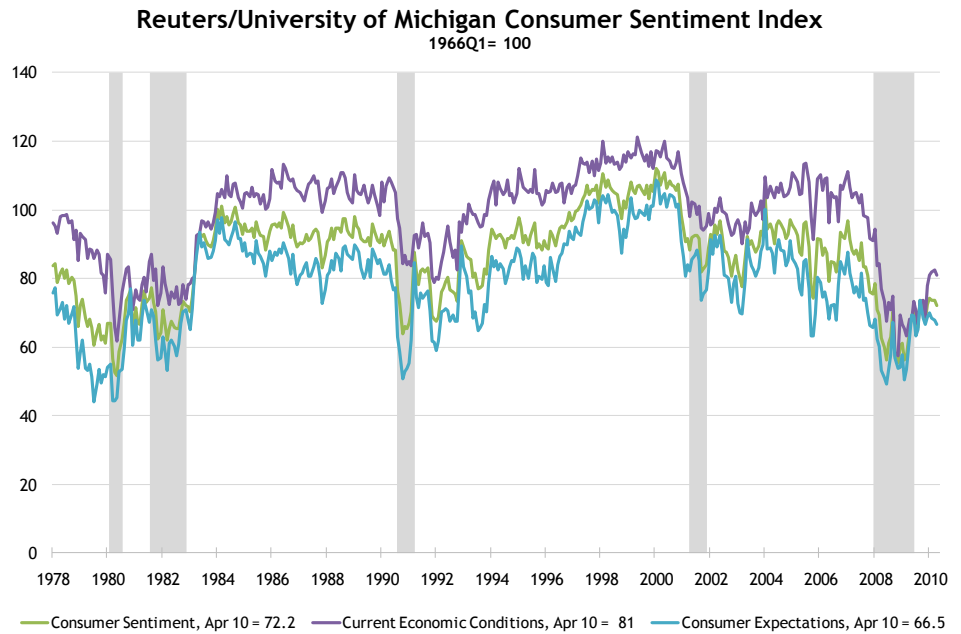


- Total light vehicle sales declined slightly in April by 5 percent to an annualized rate of 11.2 million units. This is above the average pace for the first quarter (10.8 million) and above the average for 2009 (10.4 million).
- Domestic vehicle sales fell 3.2 percent from March to an annualized rate of 8.5 million units in April while imported vehicle sales fell 9.5 percent to an annualized rate of 2.7 million units.

Consumer Spending

Summary

The University of Michigan's Consumer Sentiment Index declined less than what was previously reported for April.



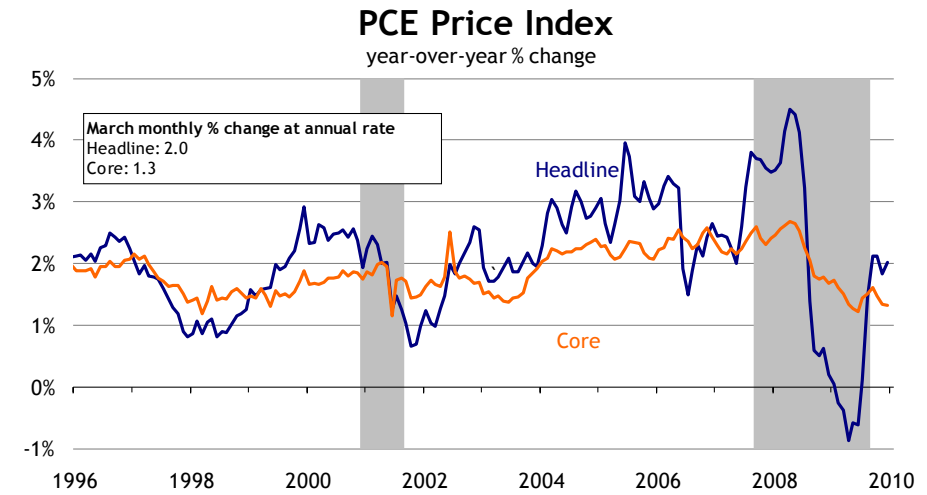
Source: Reuters/University of Michigan

Assumes recession ended June 2009

- In April, the University of Michigan's index of consumer sentiment decreased to 72.2 (slightly higher than the preliminary report of 69.5).
- The expectations component of the index led the upward revision, decreasing to 66.5 instead of 62.3 from the preliminary report for April. The Present Situation component was largely unchanged.

Summary

The March PCE price index continued to show downward pressure on retail prices as the headline and core indices were little changed.



Source: U.S. Bureau of Economic Analysis

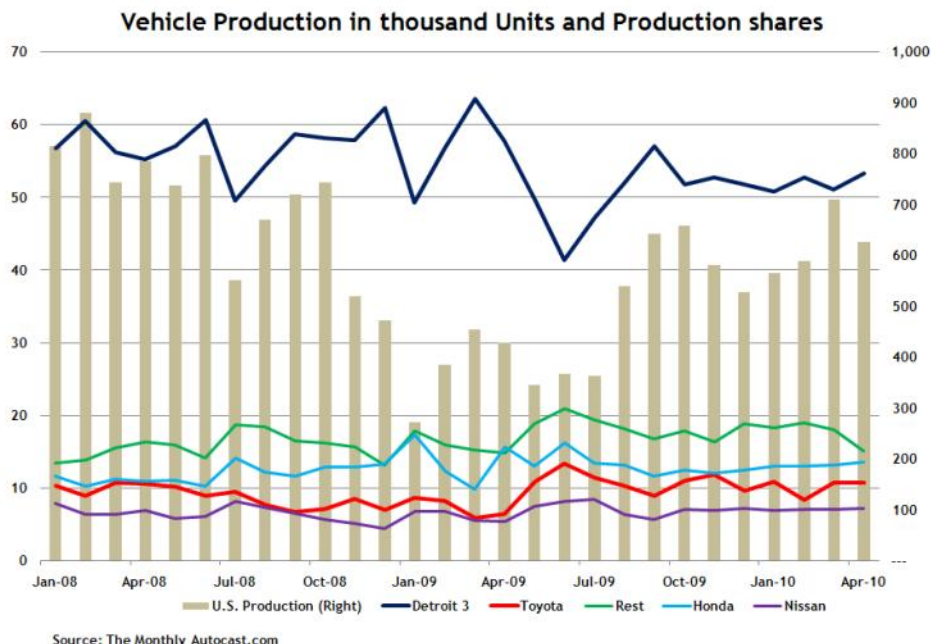
- During the twelve months ending in March, the core index rose 1.3%, virtually unchanged from February. The overall index was also unchanged in March at 2.0%.

Auto Production

Summary

U.S. vehicle production in April declined 12 percent from March but surged 46 percent ahead of depressed levels in April 2009.

Compared to last year's production levels, most carmakers posted double-digit growth, with Toyota, Nissan, Hyundai, and Ford reporting the largest gains.



- U.S. vehicle production in April declined 12 percent from March 2010 but continued to advanced strongly (up 46 percent) from depressed levels a year earlier. Compared with April 2009, most auto companies posted double-digit gains, with Toyota recovering strongly after its recalls with a 146% gain. Nissan, Hyundai, and Ford also posted substantial gains from last year's low production levels.