

Economic Highlights

Manufacturing	
Industrial Production and Capacity Utilization	1
Business Inventories	2
International Trade	
U.S. Trade Gap	3
Real Estate	
Southeast Home Sales vs. a Year Earlier	4
Southeast Buyer Traffic, Inventory, and Sales Outlook	5
U.S. Single-Family Home Sales	6
Consumer Spending	
Retail Sales	7
Reuters/University of Michigan Consumer Sentiment Index	8

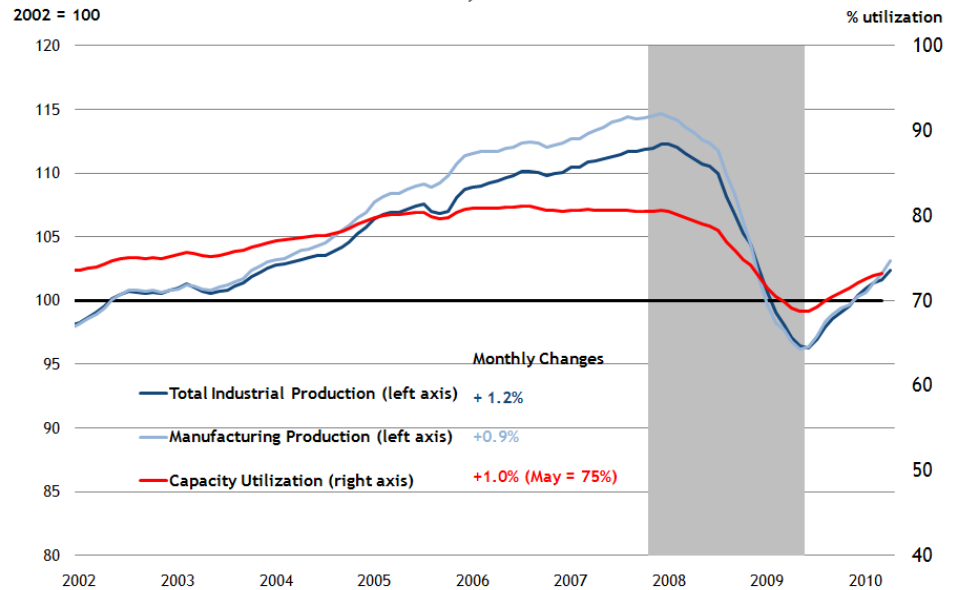
Manufacturing

Summary

The manufacturing sector continued its recovery in May as industrial production rose 1.2%, a result of increases in the production of manufacturers and utilities. The production of mines fell 0.2%.

Capacity utilization added 1 percentage point in May to reach 75%.

Industrial Production and Capacity Utilization, 3mma, SA
May 2010

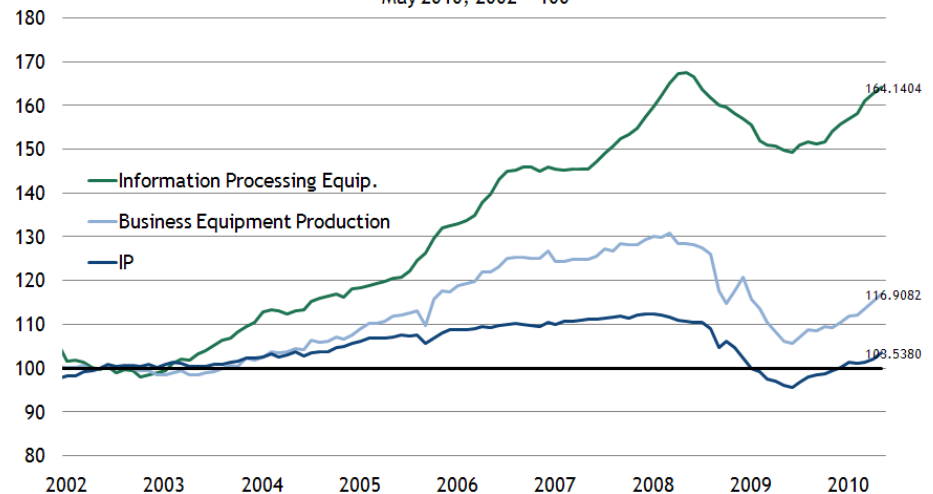


Source: Federal Reserve Board

- Total industrial production (IP) rose 1.2% in May following a 0.7% increase in April. In May, IP was 7.6% above its year-earlier level.
- Manufacturing production, IP's largest component, gained 0.9% in May after a 1% increase in April. The production index for durable goods increased 1.7% in May. Most categories of durables experienced increases in May, with the largest gains in wood products, primary metals, machinery, motor vehicles and parts, and furniture.
- The production of nondurable goods was unchanged in May, with small losses in chemicals, petroleum and coal, and apparel/leather offsetting small gains elsewhere.
- Mining production dipped 0.2% for the month while the utilities production gained 4.8% in May as unseasonably warm temperatures increased air conditioner usage.

The production of both business equipment and information processing equipment added 1.4% in May. This growth was above average for business equipment so far for this recovery.

IP, Business Equipment Index, and Information Processing Equipment Index
May 2010, 2002 = 100

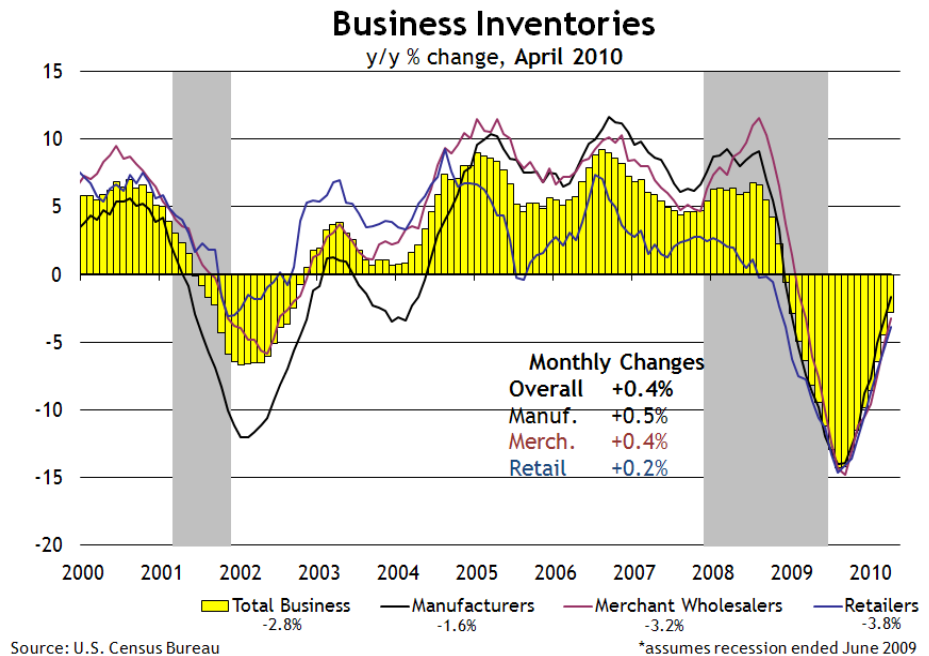


Source: Federal Reserve Board

Manufacturing

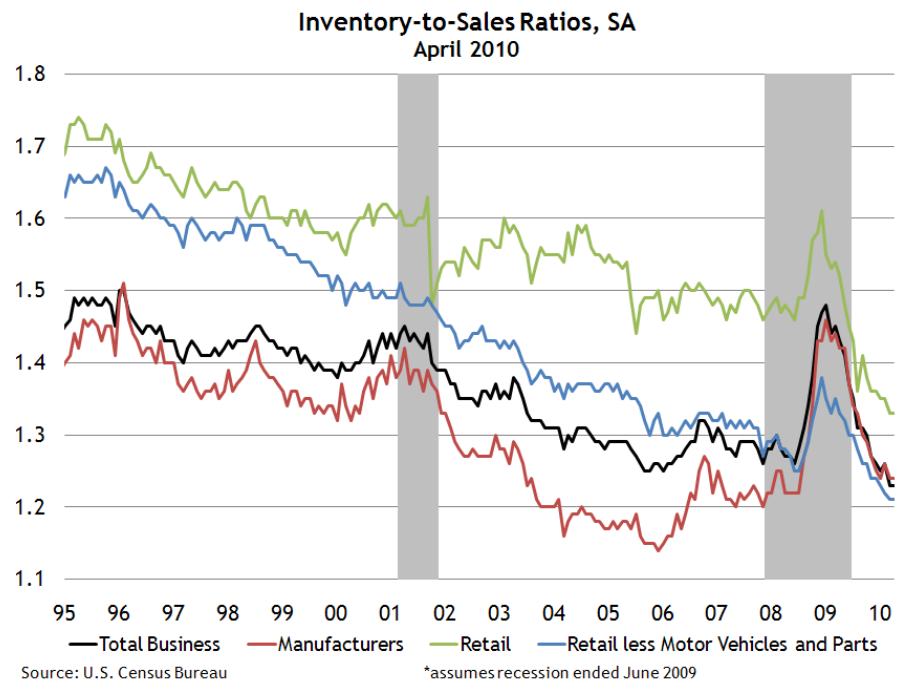
Summary

Business inventories gained 0.4% from March to April.



- Total business inventories added 0.4% in April.
- In April, inventories of manufacturers added 0.5% while inventories of merchant wholesalers grew by 0.4%. Retail inventories had the smallest increase of 0.2%. All categories of inventory are still below year-earlier levels.

The total business inventory-to-sales (I/S) ratio for April remained unchanged from March at 1.23.

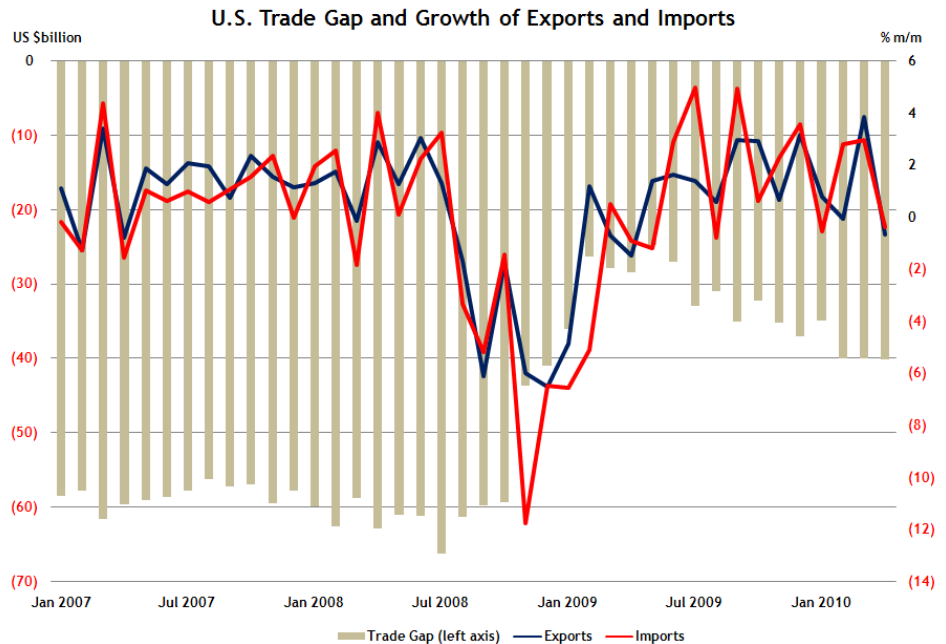


- In April, the total business I/S ratio remained unchanged at 1.23, considerably down from the April 2009 I/S ratio of 1.43.
- All categories of I/S ratios remained unchanged from March.

International Trade

Summary

The U.S. trade deficit of goods and services in April widened to \$40.3 billion, up from a revised \$40 billion in March.



Source: U.S. Bureau of the Census

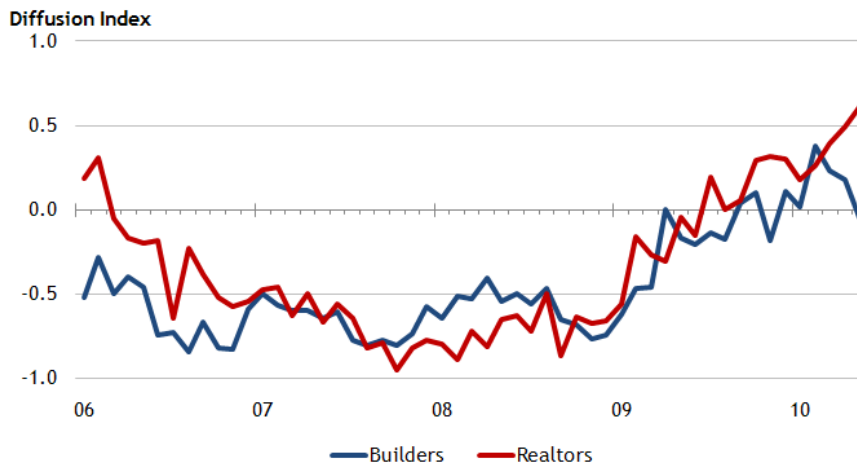
- The U.S. trade balance of goods and services widened in April to \$40.3 billion from a revised \$40 billion in March 2010. Exports slipped 0.7% and imports fell 0.4% in April following better-than-expected improvements in March.
- The decrease in imports reflected lower shipments of consumer goods and auto-related goods. Increases occurred in capital goods and industrial supplies and materials.
- Exports declined mostly for consumer goods, foods, feeds, and beverages. These items offset gains of industrial supplies and materials and auto-related exports. Capital goods were unchanged.

Summary

Home sales growth was mixed once again, according to a survey of Southeastern Realtors and homebuilders.

Note: The housing survey's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity while negative values indicate decreased activity.

May 2010 Southeast Home Sales vs. a Year Earlier



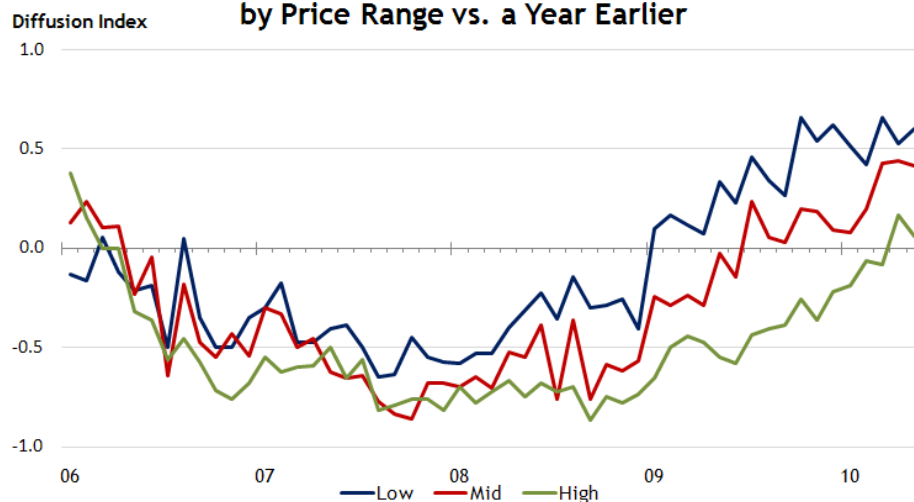
Source: FRBA business contact survey

Note: May survey results are based on responses from 92 Realtors and 49 homebuilders and were collected June 1-10.

- More than three-fourths of Realtors reported year-over-year gains in May home sales as the sales index improved slightly again from April. However, reports indicate that May sales were only slightly ahead of the April level.
- About a third of builders reported year-over-year sales gains in May while a third indicated sales declines.

According to reports from Southeast Realtors, improved sales in May were driven by sales at the low end of the housing market.

May 2010 Southeast Home Sales by Price Range vs. a Year Earlier



Note: Low, mid, and high are Realtor defined

Source: FRBA business contact survey

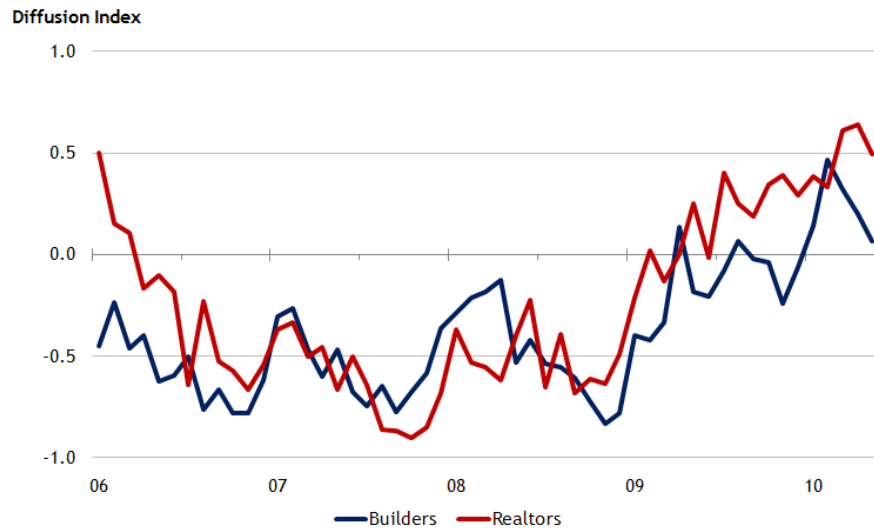
Summary

Both Southeast Realtors and builders noted a drop-off in buyer traffic in May.

Southeast Realtors indicated that home inventory continued to trend up, exceeding the year earlier level, while builders reported that home inventories held steady.

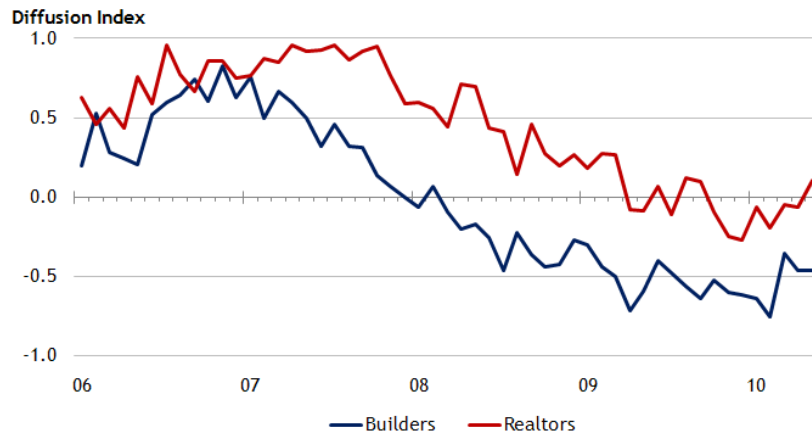
The outlook among Southeast real estate contacts weakened notably in May.

May 2010 Southeast Buyer Traffic vs. a Year Earlier



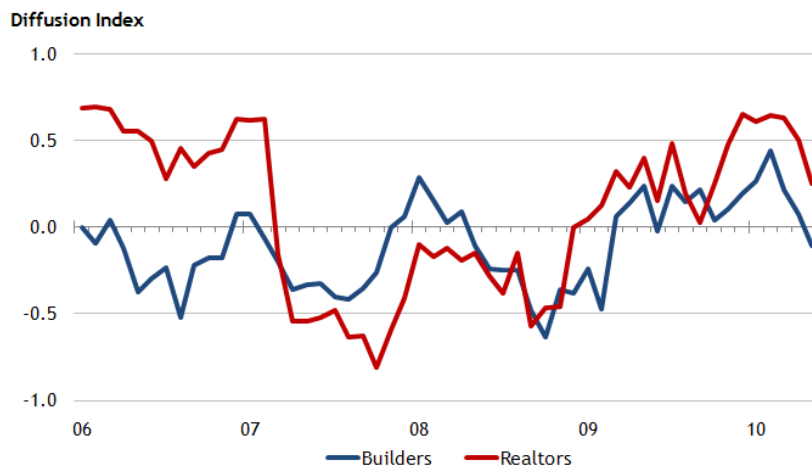
Source: FRBA business contacts survey

May 2010 Southeast Home Inventory vs. a Year Earlier



Source: FRBA business contact survey

May 2010 Southeast Home Sales Outlook vs. a Year Earlier

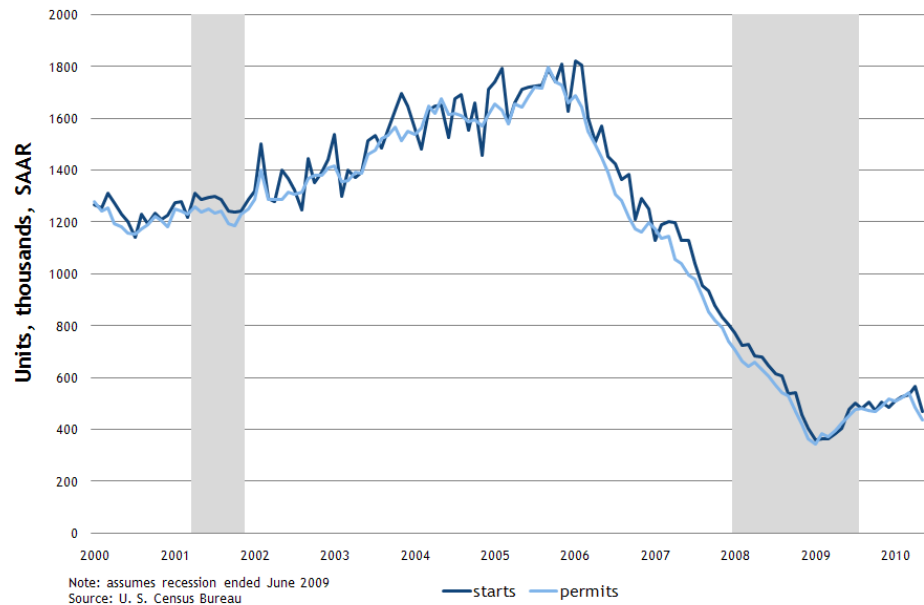


Source: FRBA business contact survey

Summary

U.S single-family home starts fell 10% from April; single-family permits also fell sharply, decreasing 17% from April levels.

US Single Family Home Construction May 2010



May Permits, SAAR

Total	574k	4.4% y/y	-5.9% m/m
Single-family	438k	3.0% y/y	9.9% m/m
Multifamily	136k	8.8% y/y	9.7% m/m

May Starts, SAAR

Total	593k	7.8% y/y	10.0% m/m
Single-family	468k	15.3% y/y	-17.2% m/m
Multifamily	125k	-13.2% y/y	33.0% m/m

Source: U.S. Census Bureau

Consumer Spending

Summary

May retail sales showed some slowing.

Despite the decline in May retail sales, economists expect real personal consumption expenditures (PCE) in Q2 to grow about 3.2%—lower than Q1's 3.5% but near the average of the last expansion.



Source: U.S. Census Bureau

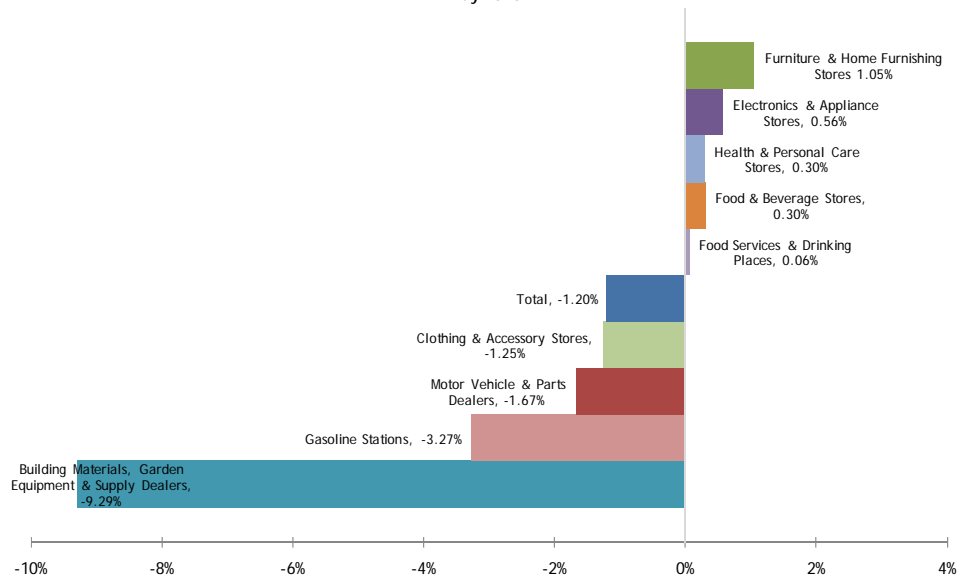
Assumes recession ended June 2009

- Retail sales fell 1.2% in May, marking the first decline since September 2009. On a year-over-year basis, total retail sales were up 6.9% in May.
- The decline in retail sales over the month was led by building material and garden equipment stores, which declined 9.3% following April's 8.4% surge (attributed to the increased sales of appliances because of an energy-efficient appliance rebate from the fiscal stimulus package). Gas station sales also posted a decline over the month because of lower gas prices.
- From April to May, core retail sales (total excluding gas, autos and building supplies) posted a small increase of 0.06%. On a year-over-year basis, core retail sales were up 4.5% from May 2009.

The decline in retail sales was largely attributable to a drop in sales at building materials, equipment, and supply stores.

U.S. Retail Sales Components

Month-to-Month Percent Change
May 2010



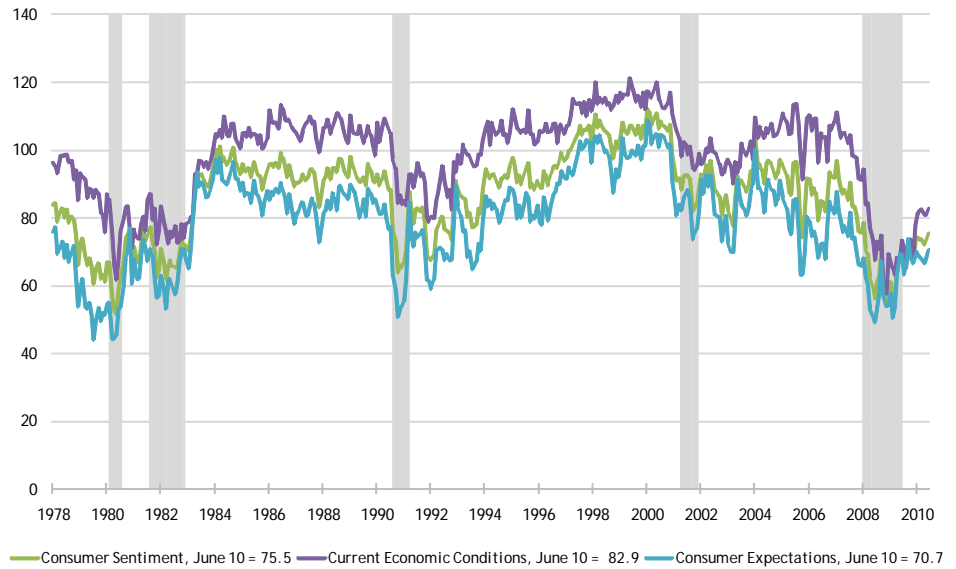
Source: U.S. Census Bureau

Consumer Spending

Summary

Consumer sentiment edged up in June, according to the University of Michigan's preliminary report.

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



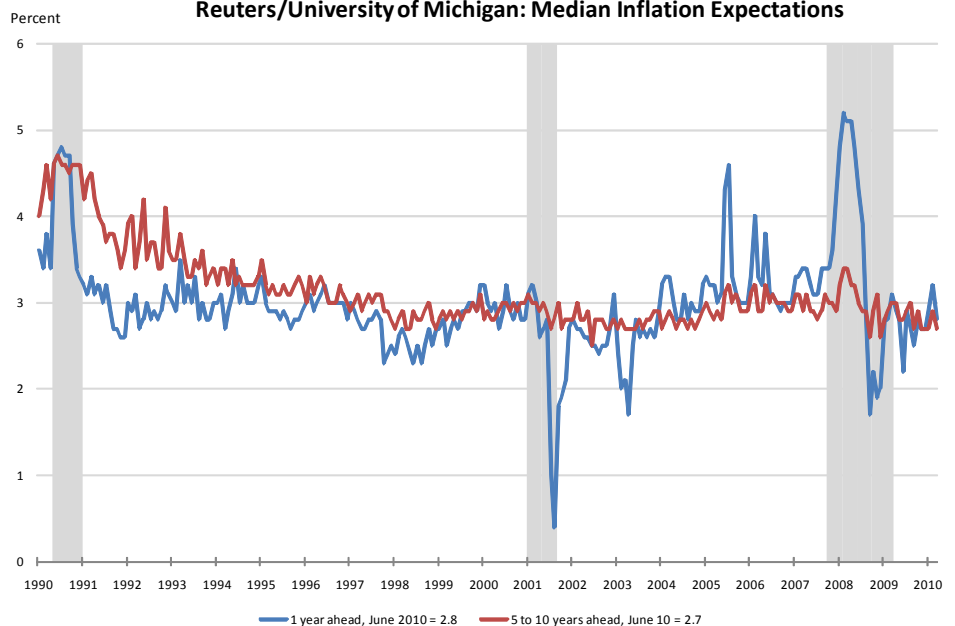
Source: Reuters/University of Michigan

Assumes recession ended June 2009

- The University of Michigan's consumer sentiment index increased 1.9 points in June to 75.5, the highest level since the beginning of 2008. Both the future expectations and current conditions component rose in June, to 70.7 and 82.9 points, respectively.
- June consumer sentiment edged above the narrow range seen since the beginning of the year (in the low 70s) and is higher than the average level of 63 during the recession but still not as high as the last expansion.
- Both the near- and long-term measures of the University of Michigan's inflation expectations decreased in June. Median inflation expectations five to ten years ahead returned to 2.7% in June, the same rate for the three months prior to the 2.9% seen in May. Median one-year-ahead inflation expectations also decreased, from 3.2% in May to 2.8% in June.

Both near-term and long-term inflation expectations retreated in June.

Reuters/University of Michigan: Median Inflation Expectations



Source: Reuters/University of Michigan

Assumes recession ended June 2009