

## Economic Highlights

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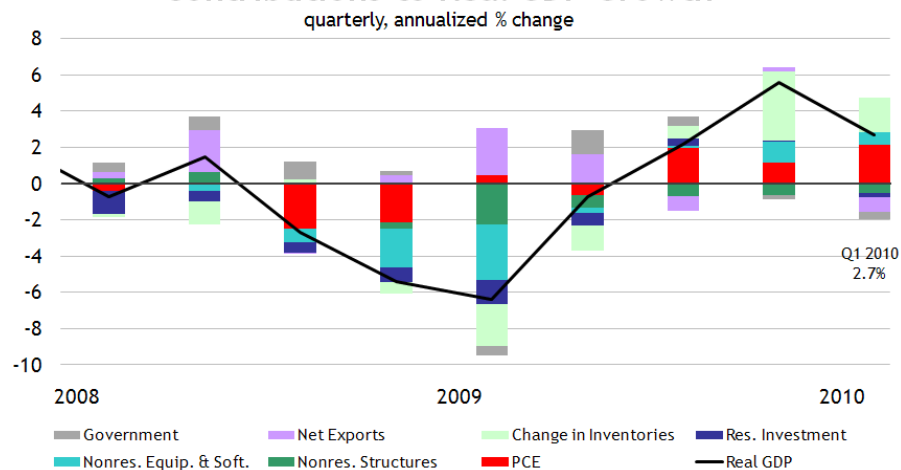
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# Economic Activity

## Summary

In the final estimate of real GDP growth for Q1 2010, GDP was revised downward from 3% to 2.7% as a result of less consumer spending than in earlier estimates.

## Contributions to Real GDP Growth



Source: U.S. Bureau of Economic Analysis

- The downward revision to Q1 GDP stemmed mostly from a downward revision of consumer spending. Real spending on services was revised lower from 2% in the second release to 1.4% in the final release.
- Meanwhile, the contribution from inventories was revised up, adding 1.9 points to Q1 GDP growth.

Q1 2010 GDP	Quarterly annualized percent change		
	Advance release	Second release	Final release
GDP Growth	3.2	3.0	2.7
PCE	3.6	3.5	3.0
Nonres. Structures	-14.0	-15.3	-15.5
Nonres Equip. & Soft.	13.4	12.7	11.4
Res. Investment	-10.9	-10.7	-10.3
Change in Inventories*	51.0	53.6	60.9
Government	-1.8	-1.9	-1.9
Exports	5.8	7.2	11.3
Imports	8.9	10.4	14.8

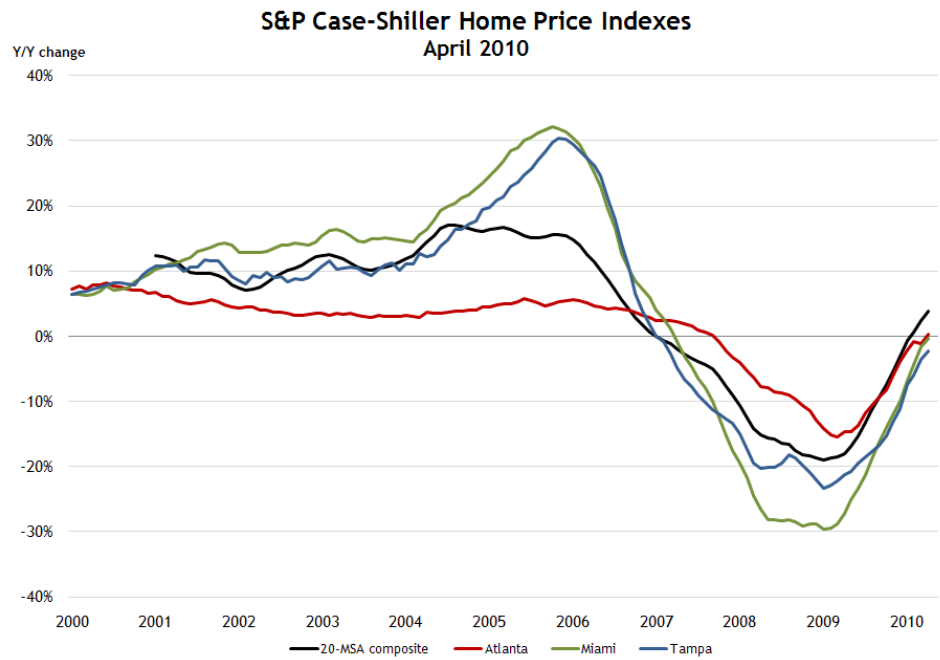
Note: Change in inventories is the change from previous quarter, billions of 2005 dollars

Source: BEA

# Real Estate

## Summary

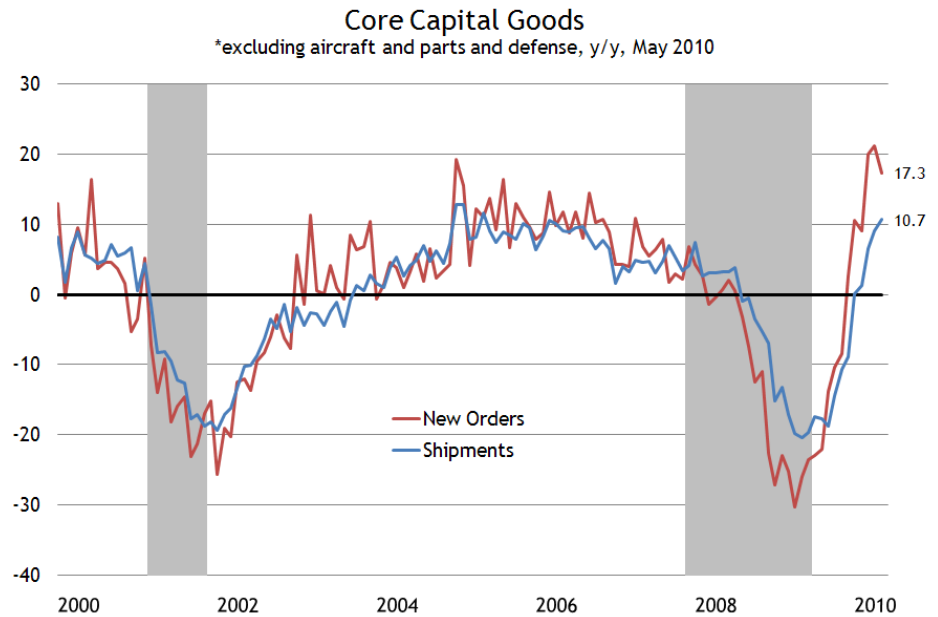
The S&P/Case-Shiller home price indexes indicated that prices continued to improve on a year-over-year basis nationally while in the Southeast the pace of decline eased.



	Apr. (NSA)	Apr. (SA)	M/M (NSA)	M/M(SA)	Y/Y
<b>Case-Shiller</b>					
20-city index	144.6	146.5	0.8%	0.3%	3.8%
10-city index	157.4	159.4	0.7%	0.4%	4.6%
Atlanta	105.6	107.12	1.8%	0.9%	0.2%
Miami	145.0	147.0	-0.8%	-0.2%	-0.5%
Tampa	137.1	139.0	0.5%	0.3%	-2.4%

## Summary

Despite negative headline new orders figures for all durable goods, new orders for core capital goods added 2.1% in May. Shipments of core capital goods were up 1.6%.



Source: U.S. Census Bureau

\*Assumes recession ended June 2009

- Despite negative headline new orders figures for all durable goods in May, **new orders for core capital goods gained 2.1%** month-over-month. Compared with May 2009 levels, new orders for core capital goods were up 17.3%. The headline figure was dragged down in large part by fluctuations in orders for commercial and defense aircraft.
- Growth of new orders for core capital was driven notably by **new orders for machinery, which added 5.6%** over its April level, and **computers and related products, which grew by 2.5%** in May.
- Shipments of core capital goods also saw a healthy rise in May, adding 1.6%. This increase was higher than the first quarter average of 1.1%.

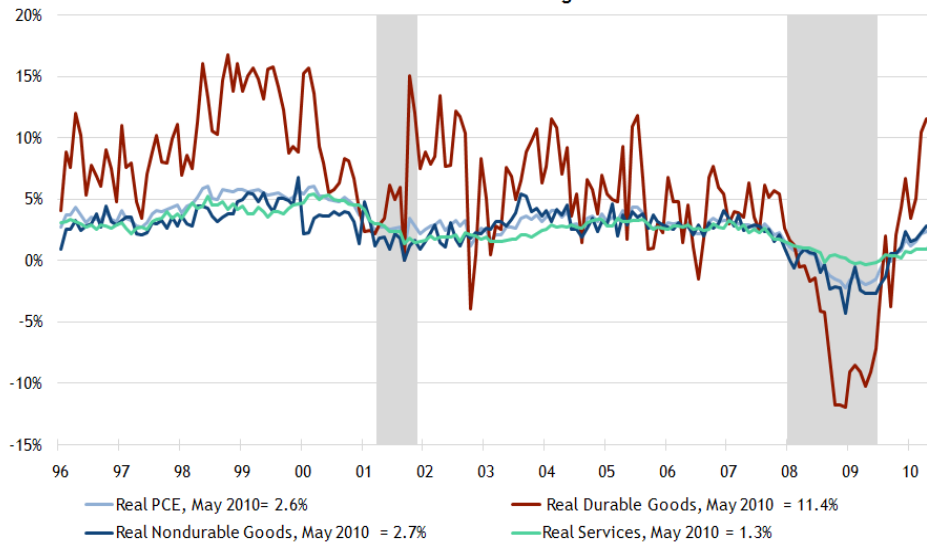
# Consumer Spending

## Summary

Real personal consumption expenditures (PCE) growth picked up in May following no growth in April.

Compared with a year earlier, PCE continued to increase but remains below the pace of spending during previous economic expansions.

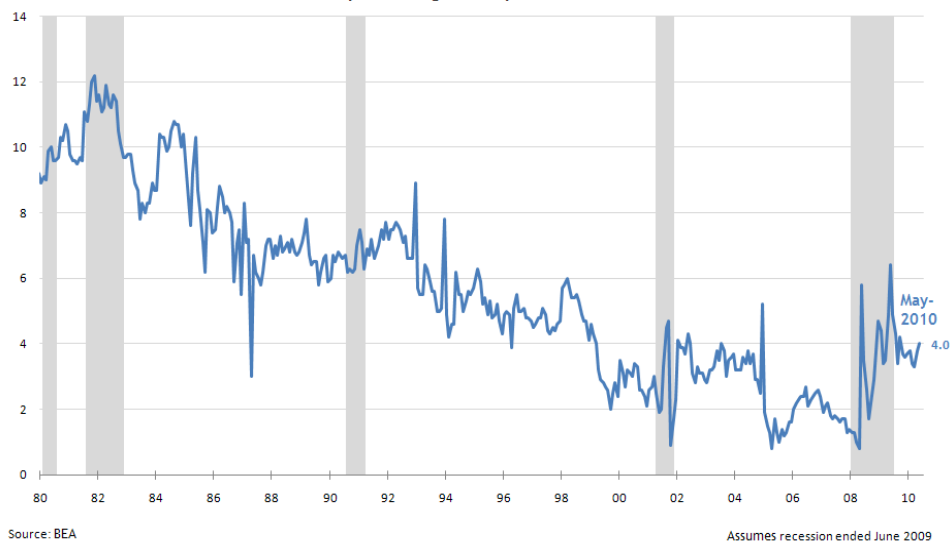
**Real Personal Consumption Expenditures**  
Year over Year % Change



- In May, real PCE rose 0.3%, following no change in spending in April. Spending on durable goods and services increased over the month, 1.1% and 0.3%, respectively. Meanwhile, nondurable spending fell 0.2% in May.
- On a year-over year basis, real PCE increased 2.6%, the highest rate since September 2007.

The savings rate increased for the second consecutive month to 4% in May, reaching its highest level since September 2009.

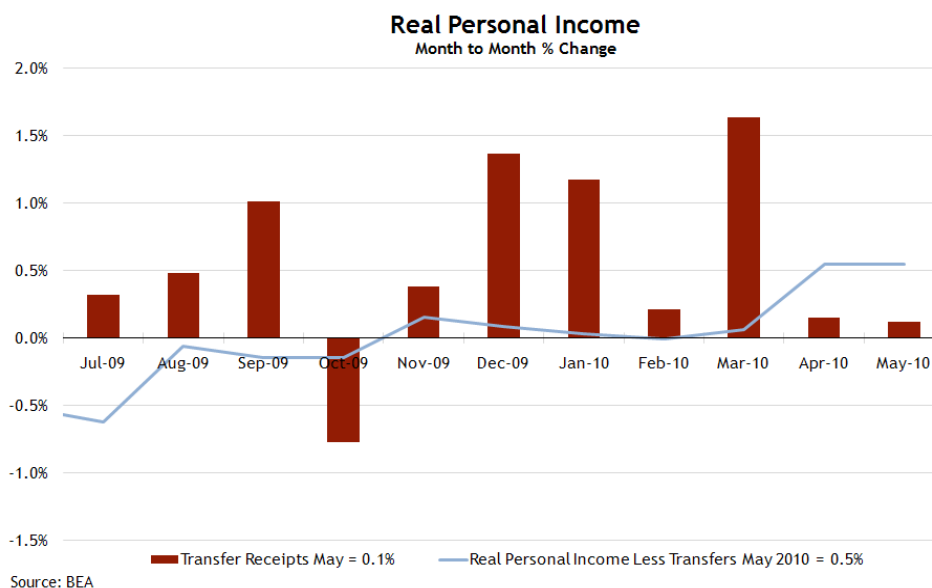
**Personal Savings Rate**  
As a percentage of disposable income



# Consumer Spending

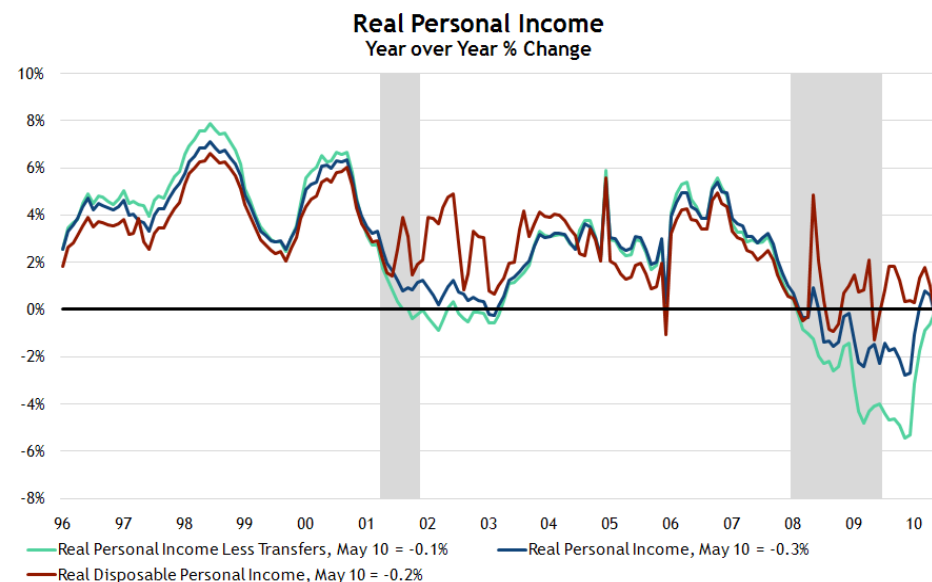
## Summary

For the second consecutive month, real personal income rose without a large boost from transfer payments.



- Real personal income less transfers grew 0.5% in May. Government transfer payments increased 0.1% over the month.
- On an annual basis, real personal income and real personal disposable income declined from May 2009, by 0.3% and 0.2%, respectively. Real personal income less transfers declined 0.1% over the year but is less negative than at the beginning of 2010.

On a year-over-year basis, real personal income remains weak, although personal income less transfers is less negative than in the beginning of the year.

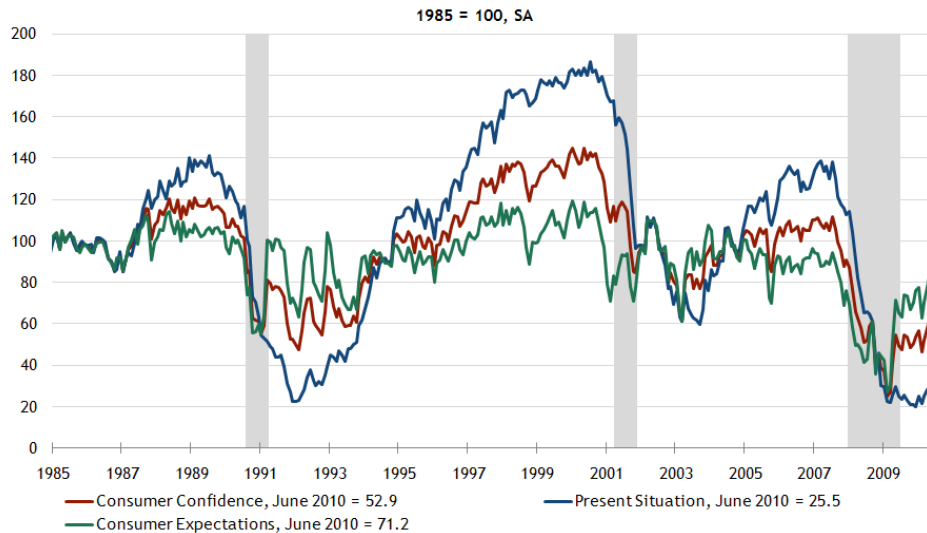


# Consumer Spending

## Summary

The Conference Board's Consumer Confidence Index dropped in June.

**The Conference Board Consumer Confidence Index**



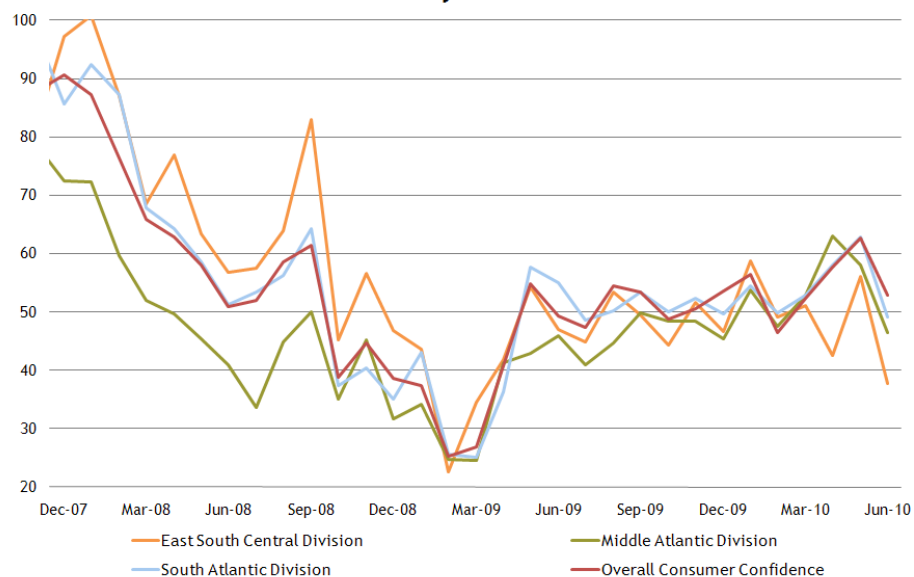
Source: The Conference Board

Assumes recession ended June 2009

- In June, the Conference Board's index of consumer confidence fell 10 points to 52.9. The index has improved compared with a year earlier but is still below prerecession levels.
- The expectations component of the index fell 13 points to 71.2, back to the level seen at the beginning of the recession. The present situation component fell 4 points to 25.5 and remains historically low.

Consumer confidence in the Southeast fell in June, most likely reflecting the reaction to the oil spill.

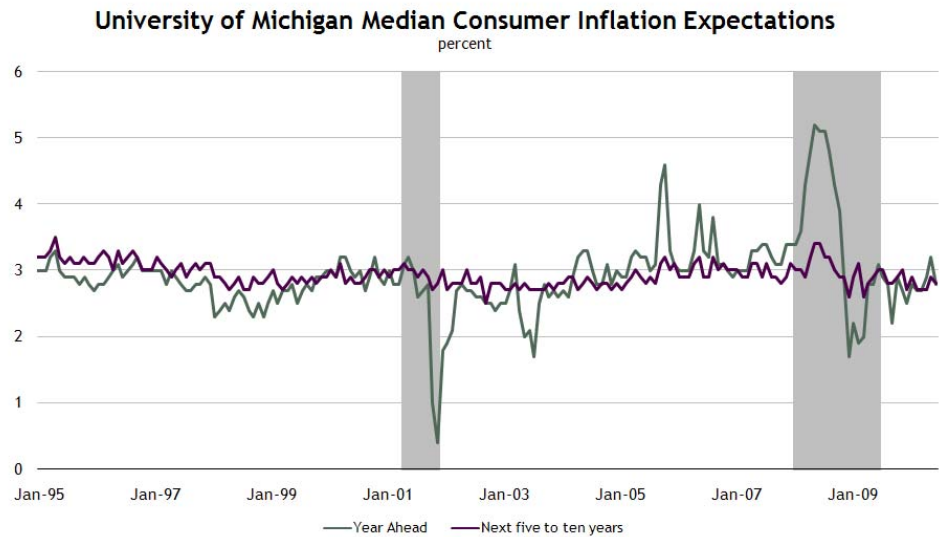
**Conference Board Consumer Confidence by Area**



Source: The Conference Board

## Summary

Readings of near- and longer-term consumer inflation expectations for the month of June showed a moderation from May, in line with midmonth estimates from the University of Michigan.



Source: University of Michigan

Assumes recession ended June 2009

- The median inflation rate expected by consumers 12 months out was 2.8% in June, unchanged from midmonth estimates and down 0.4% from the 3.2% expected in May.
- Expectations for inflation in five to 10 years was 2.8% in June (median), a slight moderation from 2.9% in May (2.7% was reported at midmonth).

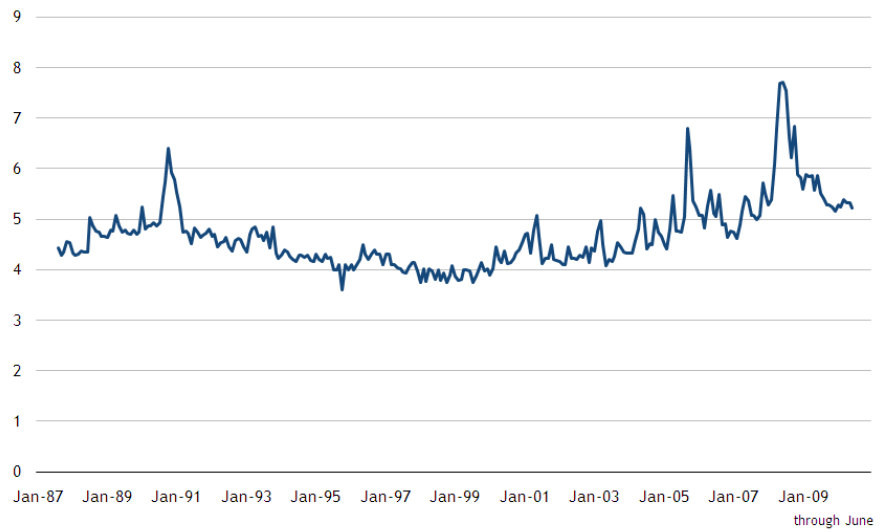


## Summary

Inflation expectations, as measured in the Conference Board survey, have hovered in the 5.2 to 5.4% range for the past 10 months.

### Inflation Expectations for 12 Months Hence

% Average, NSA

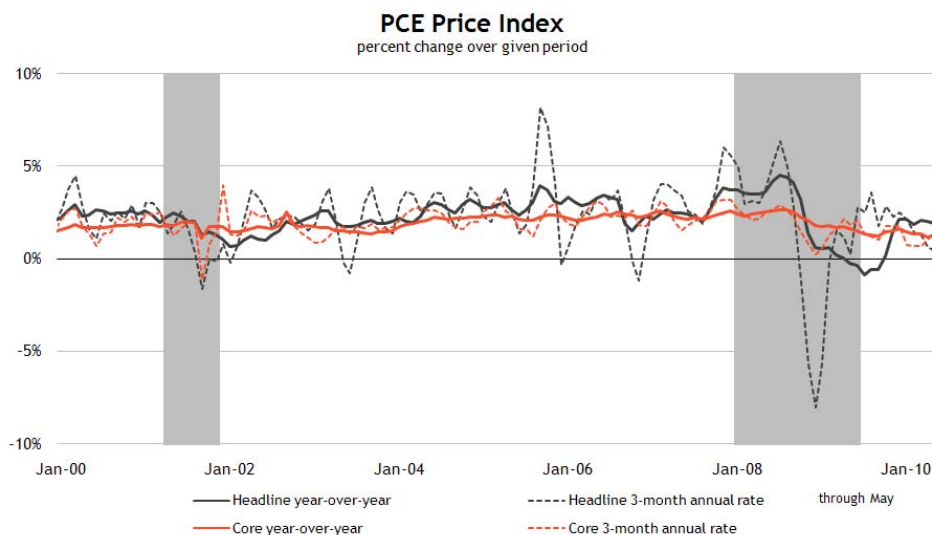


Source: The Conference Board

- Twelve-month-out inflation expectations moderated to 5.2% in June after two consecutive months at 5.3%. The June number marked the lowest reading since December 2009.

## Summary

The PCE price index continues to indicate low price trends.



Source: Bureau of Economic Analysis

Assumes recession ended June 2009

- **Headline inflation, as measured by the consumer spending deflator, was little changed in May, declining at a 0.4% annual rate.** The slight downturn marked the first monthly decline in the headline PCE price index since March 2009. Headline prices were weighed down by a 32.8% (annual rate) decline in the index for energy goods and services in May. The headline index is up 1.9% on a 12-month basis, moderating from 2% in April.
- **Core (excluding food and energy) PCE prices rose 2% (annual rate) in May** after rising 1.1% in April. The core index is up 1.3% year over year.
- **The Dallas Fed trimmed mean PCE price index rose at a 1.2% annualized pace in May,** up slightly from 0.8% in April. The trimmed mean measure remained up 0.9% year over year, a historical low for the series.