

Economic Highlights

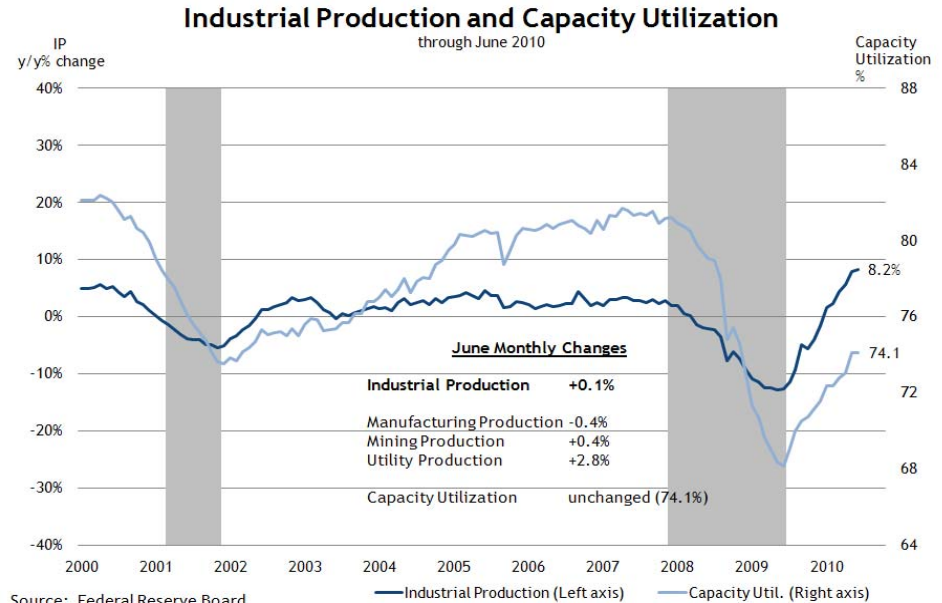
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Manufacturing

Summary

Industrial production figures for June were sluggish as the overall index gained 0.1%, a result of gains in mining production (0.4%) and the production of utilities (2.8%) offsetting a 0.4% loss in manufacturing production.

Capacity utilization remained unchanged at 74.1% in June.



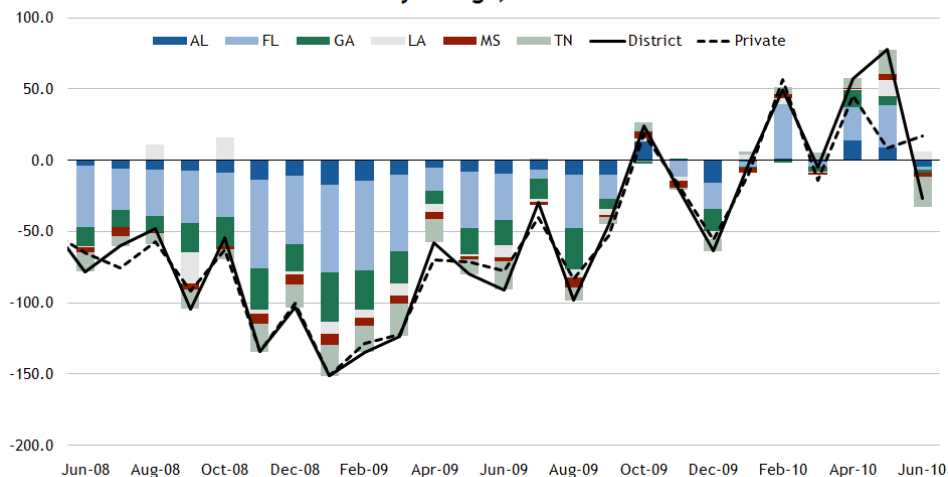
- Total industrial production (IP) rose 0.1% in June, driven by gains in the production of utilities and mines. For the second quarter, total industrial production increased at an annual rate of 6.6%. Industrial production was 8.2% higher than it was in June 2009, the month many economists predict was the final month of the recession.
- Manufacturing production, which is roughly 75% of total IP, slipped 0.4% in June after three consecutive months of gains at or near 1%. The production of manufactured durable goods rose roughly 0.1% while production of nondurables fell 0.7%. All categories of nondurable goods, with the exceptions of apparel and leather products and plastics and rubber products, experienced decreases in production.
- The production of business equipment remained strong in June by adding 0.8% for the month while the production of computers and electronic products rose 0.4% for the month.

Employment

Summary

The District lost 26,800 jobs in June, the majority of which were in the government sector. Private payrolls have increased in the past few months, albeit at a slow pace.

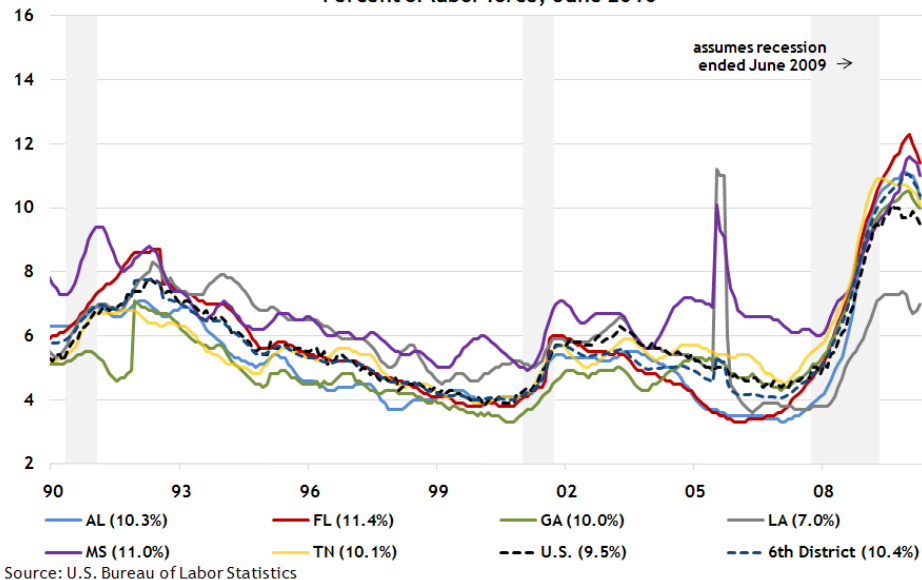
Payroll Employment Growth by State
monthly change, thousands



- The District lost 26,800 jobs in June, the majority of which were in the government sector. Private payrolls have increased in the past few months, albeit at a slow pace.
- Payroll employment declined over the month in all District states except Louisiana.

The District unemployment rate decreased to 10.4% in June from 10.6% in May.

District Unemployment Rates
Percent of labor force, June 2010



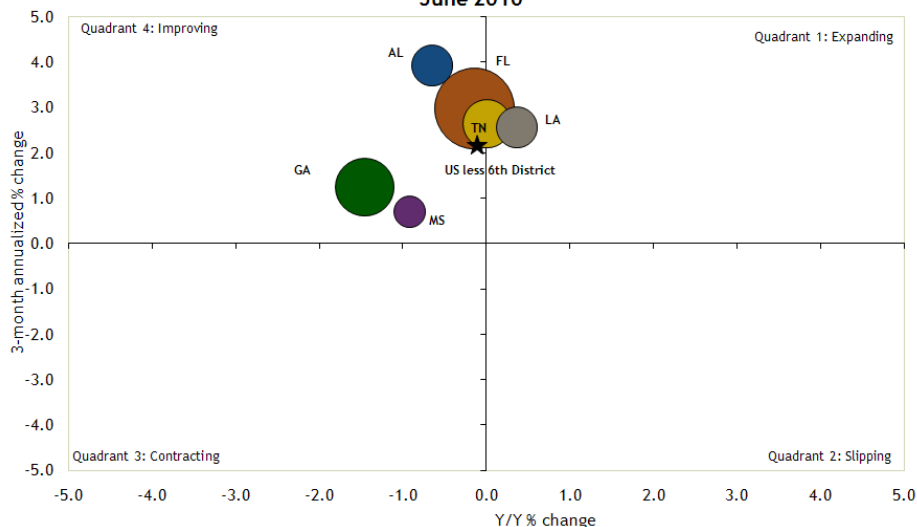
- The unemployment rate decreased in all District states except Louisiana, where it increased slightly.
- All states in the District except Louisiana have unemployment rates above the national rate of 9.5%; Louisiana's rate is 7%.

Employment

Summary

In June, the employment momentum of District states is positioned in the improving quadrant, with some states moving toward expanding.

Sixth District State Employment Momentum
June 2010

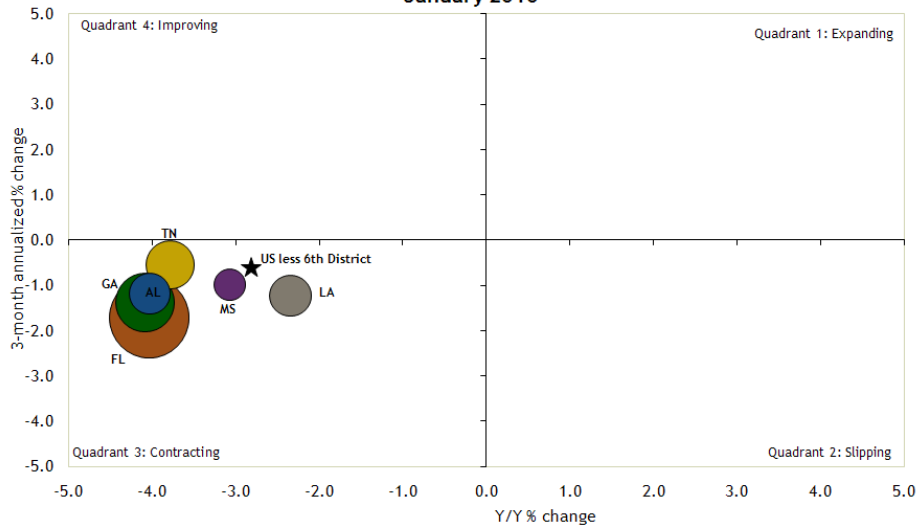


Explanation of Employment Momentum

- The payroll employment momentum charts simultaneously plot both short-term (the vertical [Y] axis) and long-term (the horizontal [X] axis) employment trends as well as states' total employment share (the size of each state's bubble).
- The position of a state's bubble in a quadrant—the intersection of the state's short- and long-term plot—reflects its employment momentum as follows:
- **Quadrant 1**—Both short- and long-term employment growth are positive. (The higher in the right-hand corner of the chart a state's bubble appears, the stronger the state's employment momentum.)
- **Quadrant 2**—Short-term growth is negative, and long-term growth is positive. (Recent data point to slipping employment momentum.)
- **Quadrant 3**—Both short- and long-term employment growth are negative. (The lower in the left-hand corner of the chart a state's bubble appears, the weaker the state's employment momentum.)
- **Quadrant 4**—Short-term growth is positive, and long-term growth is negative. (Recent data point to improving employment momentum.)

The June employment momentum shows improvement especially compared with the employment momentum in January, where all the district states were in the contracting quadrant.

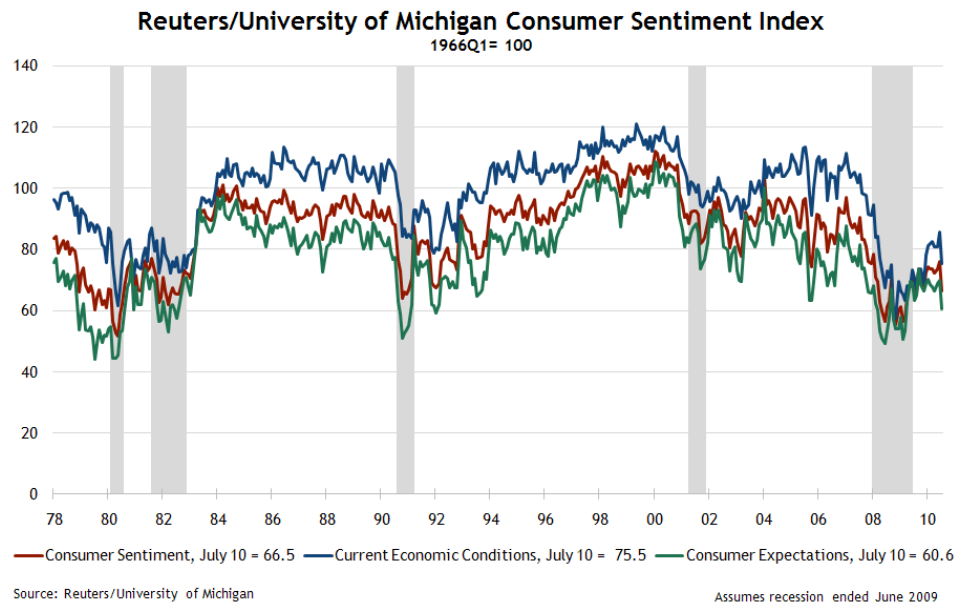
Sixth District State Employment Momentum
January 2010



Consumer Spending

Summary

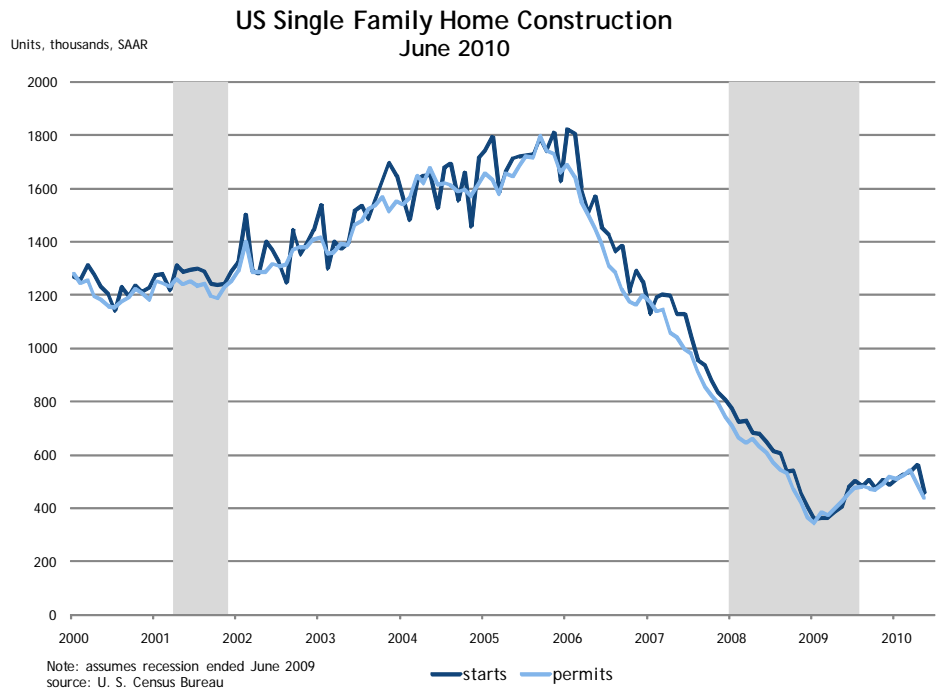
Consumer sentiment fell sharply in July, according to the University of Michigan's preliminary report.



- The University of Michigan's consumer sentiment index fell sharply in July to 66.5, the lowest level in about a year. Both the future expectations and current conditions components dropped in July, to 60.6 and 75.5 points, respectively.
- Consumer sentiment in July was slightly higher than the average level of 63 during the recession but still not as high as during the last expansion, when it averaged 90 points.

Summary

In June, U.S single-family home starts fell 0.7% from May levels while single-family permits declined 3.4%.



June Permits, SAAR

Total	586k	-2.3% y/y	2.1% m/m
Single-family	421k	-6.7% y/y	-3.4% m/m
Multifamily	165k	10.7% y/y	19.6% m/m

June Starts, SAAR

Total	549k	-5.8% y/y	-5.0% m/m
Single-family	468k	-4.6% y/y	-0.7% m/m
Multifamily	125k	-11.2% y/y	-21.5% m/m

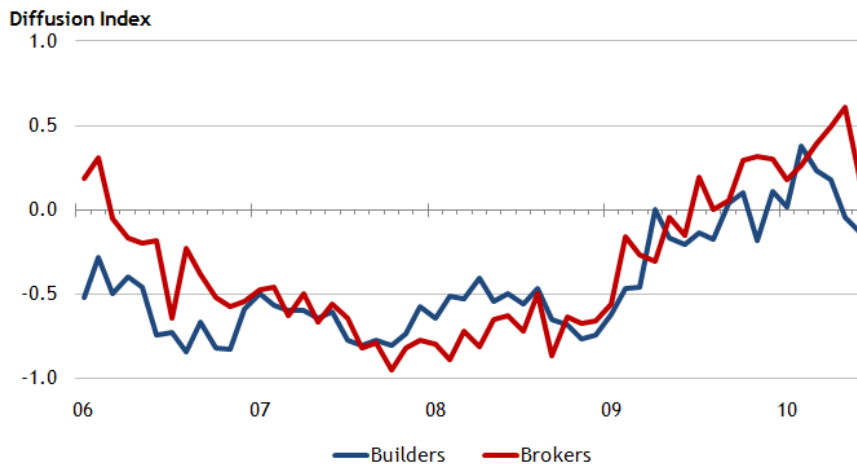
Source: U.S. Census Bureau

Summary

Reports from District brokers and home builders indicated that home sales weakened notably in June.

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.

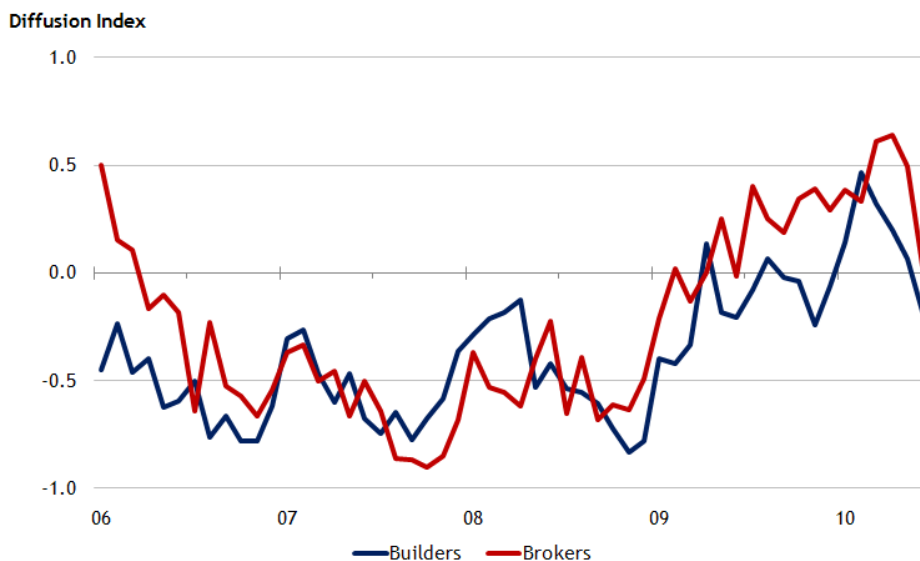
June 2010 Southeast Home Sales vs. a Year Earlier



Source: FRBA business contact survey

District contacts indicated that Southeast homebuyer traffic dropped sharply in June.

June 2010 Southeast Buyer Traffic vs. a Year Earlier



Source: FRBA business contacts survey

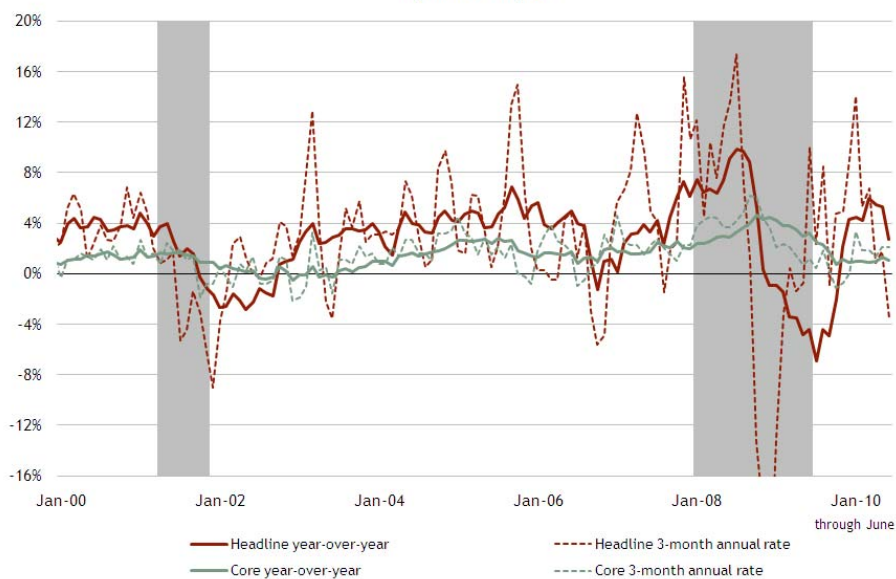
Note: June survey results are based on responses from 83 Realtors and 54 homebuilders and were collected July 5-15.

- Many brokers noted that home sales in June continued to benefit from the housing stimulus as buyers closed on contracts signed prior to the August 30, 2010, deadline. However, 43% of brokers reported that sales declined from May to June.
- Reports also indicated that home buyer traffic slowed notably from May to June as well. More than half of brokers and builders surveyed reported that buyer traffic declined from May to June.

Summary

Falling food and energy prices caused finished goods PPI to decline at a 5.9% annual rate in June. Core PPI inched up slightly.

Finished Goods Producer Price Index
% year-over-year



Source: Bureau of Labor Statistics

Assumes recession ended June 09.

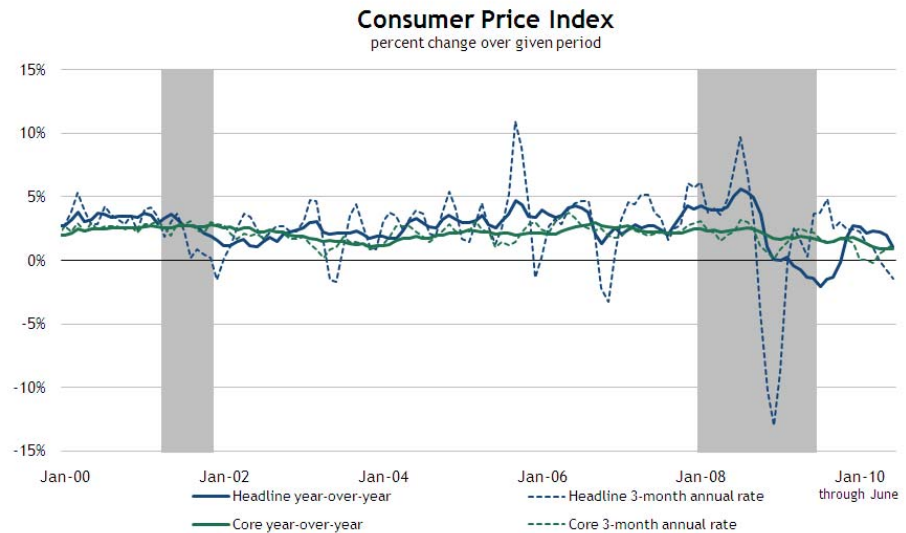
- The headline producer price index (PPI) for finished goods fell 5.9% (annual rate) in June, after declining 3.3% in May. More than 80% of the decline can be attributed to a 23.6% decline in the food index. The index for finished energy goods fell 5.8% in June. Headline PPI is up 2.7% on a 12-month basis, the smallest annual increase since November 2009.
- Core (less food and energy) PPI for finished goods increased 0.7% (annual rate) in June, its eighth consecutive monthly increase. The gain was led by a 18.7% gain in the tobacco products index (not seasonally adjusted). The index for finished core PPI is up 1.1% year over year.
- Further down the chain of production, intermediate goods PPI declined at a 10% annual pace, and crude materials for further processing fell 25.2%.

PPI by Stage of Processing					
	1-month*	3-month*	12-month*	2008**	2003-2008**
Finished	-5.9	-3.5	2.7	-1.2	3.2
Less food & energy	0.7	2.1	1.0	4.5	2.5
Intermediate	-10.0	1.1	6.3	-2.6	5.0
Less food & energy	-4.5	3.8	5.4	2.9	4.8
Crude	-25.2	-22.7	13.7	-24.3	4.1
Less food & energy	-44.6	-9.8	30.4	-24.1	5.4

*Seasonally adjusted annualized rates of change in price indices for given period ending May 2010
 **Seasonally adjusted annualized rates of change in price indices for given period
 Source: U.S. Bureau of Labor Statistics

Summary

Headline consumer prices dipped again in June, but the core measure accelerated a bit.



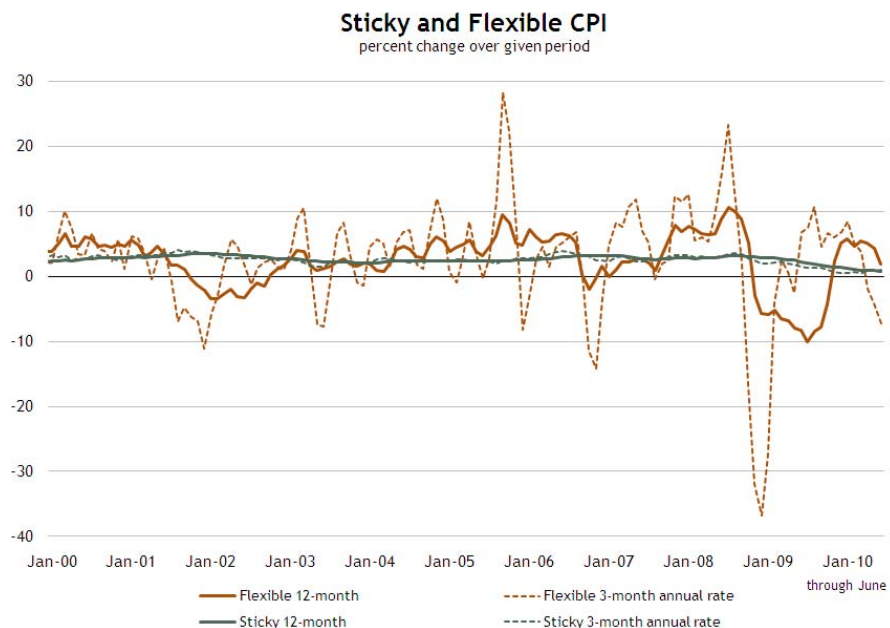
Source: Bureau of Labor Statistics

Assumes recession ended June 09.

- **Headline inflation**, measured by the consumer price index (CPI), was **down 1.6%** (annual rate) in June from the previous month. As was the case in the two prior months, a decline in the energy index accounted for the monthly decline in June. The index for energy fell at a 30.1% annual rate while the index for food declined 0.5%. Headline CPI is 1.1% above year-earlier levels.
- The **core** (excluding food and energy) measure of consumer prices increased **1.9%** (annual rate) from the month before, with broad-based increases including shelter, apparel, used cars, medical care, tobacco, and recreation, more than offsetting declines in the indices for household furnishings and airline fares.
- Year-over-year core CPI increased 0.9% in June (not seasonally adjusted), matching similar increases in April and May, the smallest annual increase since January 1966.
- The **median CPI**, as calculated by the Federal Reserve Bank of Cleveland, increased 1.2% from May to June (annual rate), the highest rate of growth since October 2009. The median CPI is up a mere 0.5% over the past 12 months, the lowest annual rate of growth for the series.

Summary

The Atlanta Fed's sticky price CPI data showed a modest gain in June.

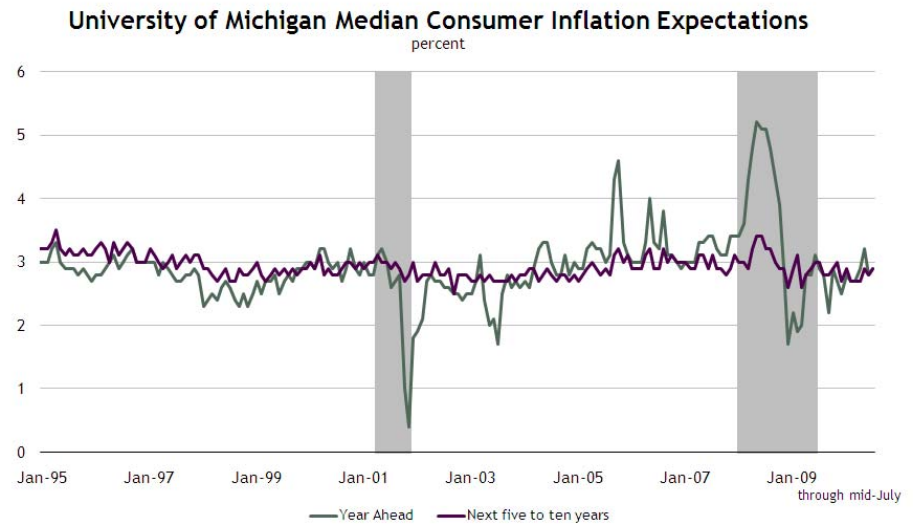


Source: Atlanta Fed, Bureau of Labor Statistics

- Growth in the **sticky price** measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose **1%** on both a headline and core basis in June, up slightly from May readings. The headline and core sticky CPI are both up **0.8%** on a 12-month basis—new lows for both series.
- The **flexible** cut of the CPI—a weighted basket of goods that change price relatively frequently—declined at an **7.8%** annual rate and was up **1.8%** from year-earlier levels in June. Excluding food and energy, flexible CPI rose **7.2%** (annual rate) and is up **2.8%** from year-earlier levels.

Summary

Survey data compiled in early July by the University of Michigan showed near- and longer-term consumer inflation expectations increasing slightly from June readings.



Source: University of Michigan

Assumes recession ended June 09.

- The median inflation rate expected by consumers 12-months out was 2.9% in June, up from June expectations of 2.8%, but still below May's reading of 3.2%.
- Expectations for inflation in five to ten years was 2.9% in mid-July (median), a slight increase from 2.8% in June.