

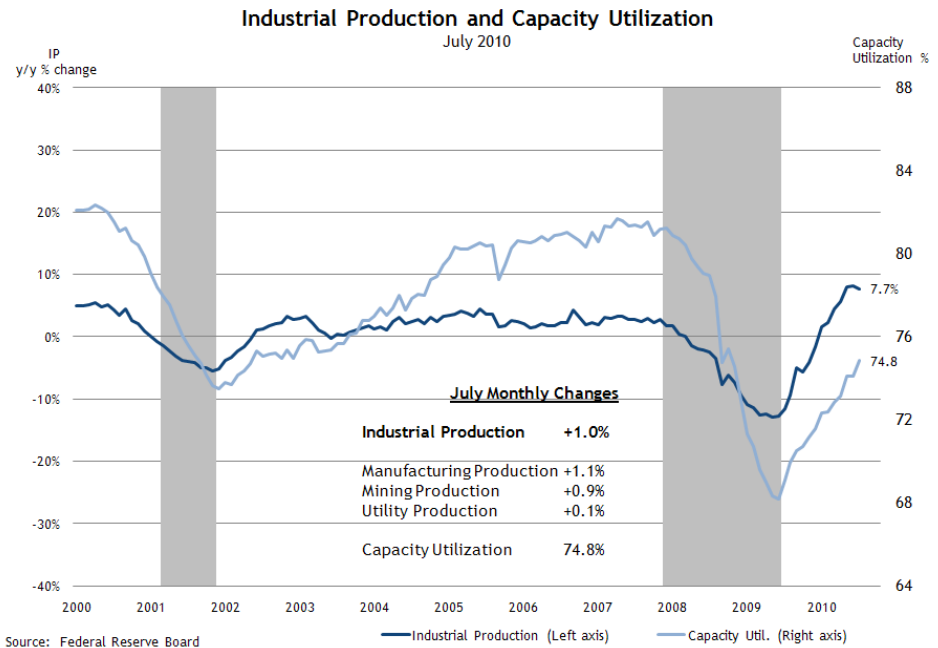
Economic Highlights

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Manufacturing

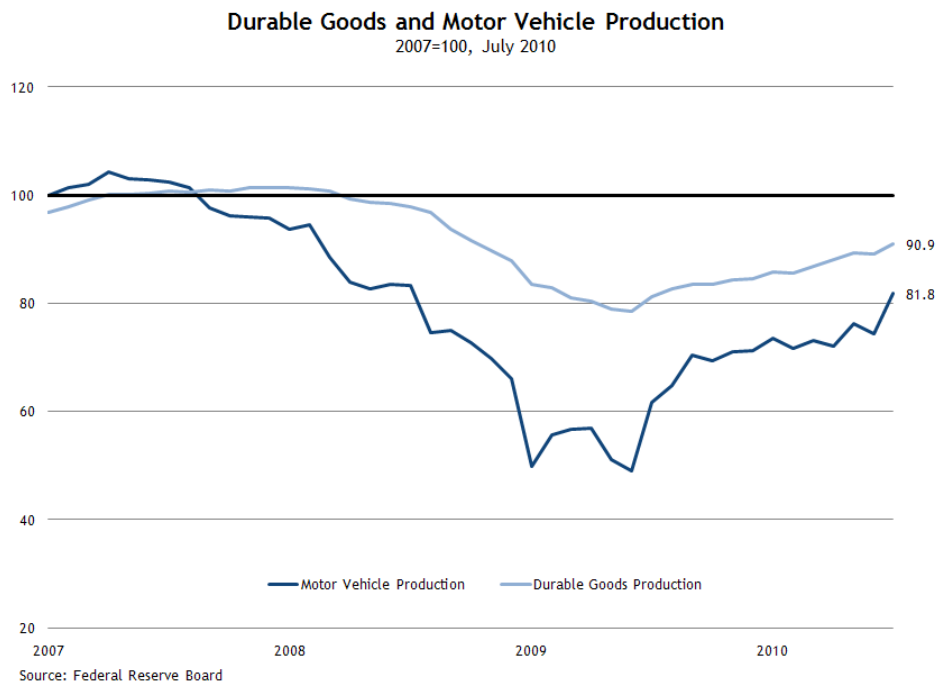
Summary

Industrial production and capacity utilization had notable gains in July. A large contributor was a sizable increase in the production of motor vehicles and parts as assemblies jumped from 7.5 million in June to 8.5 million in July.



- Industrial production added 1% in July while the production of manufacturers was up 1.1%. Excluding motor vehicles and parts, manufacturing production added 0.6%. The production of mines added 0.9% while utilities produced 0.1% more than their June levels.
- Capacity utilization rose 0.7 percentage point in July to reach 74.8%. This addition was also driven by the manufacturing sector: capacity utilization for manufacturers grew 0.8 percentage point in July.

Though it still hasn't returned to its 2007 level, the production of durable goods increased in July. Gains were broad based, but the largest was a sharp jump in motor vehicle production.

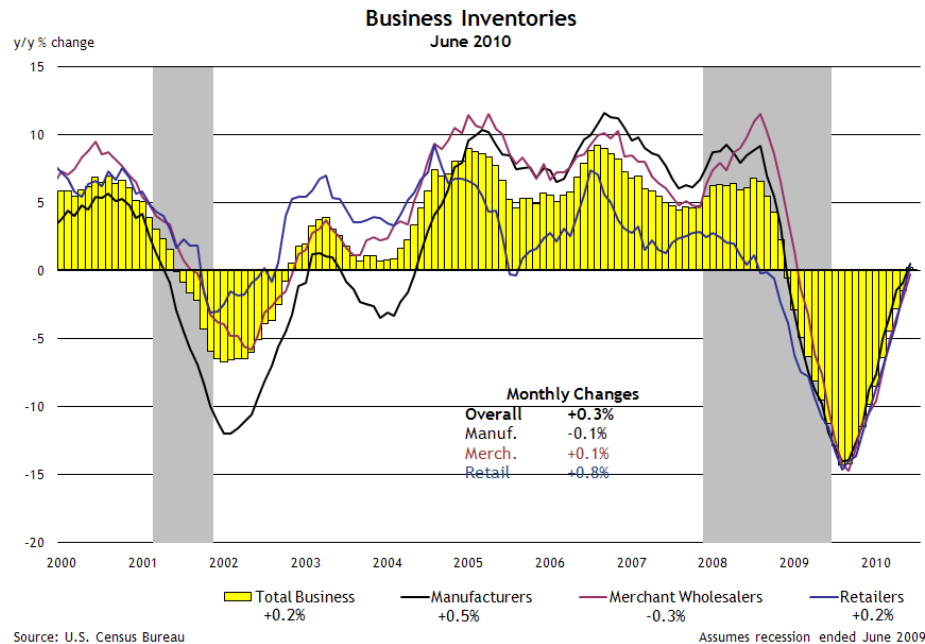


- The index for durable goods jumped 2.1% in July. A large contributor to the jump in durable goods production in July was the nearly 10% growth in the production of motor vehicles and parts.

Manufacturing

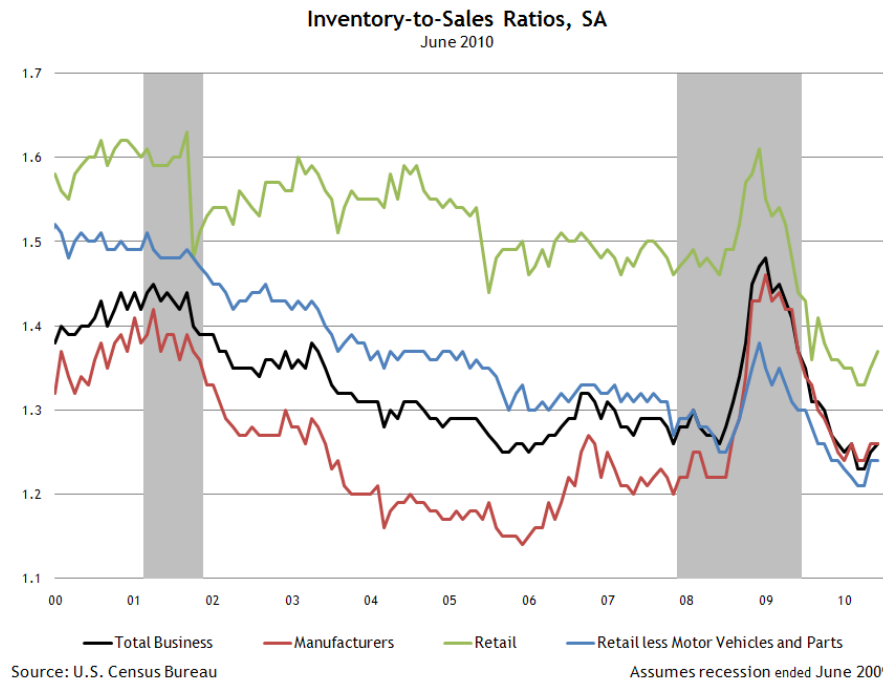
Summary

Business inventories gained 0.3% from May to June, largely driven by retail inventory growth, which added 0.8% from May levels.



- Total business inventories added 0.3% in June.
- In June, inventories of manufacturers contracted 0.1% while inventories of merchant wholesalers grew by 0.1%. Retail inventories largely drove overall gain in total business inventories by adding 0.8% in June.

The total business inventory-to-sales (I/S) ratio for June ticked up to 1.26.

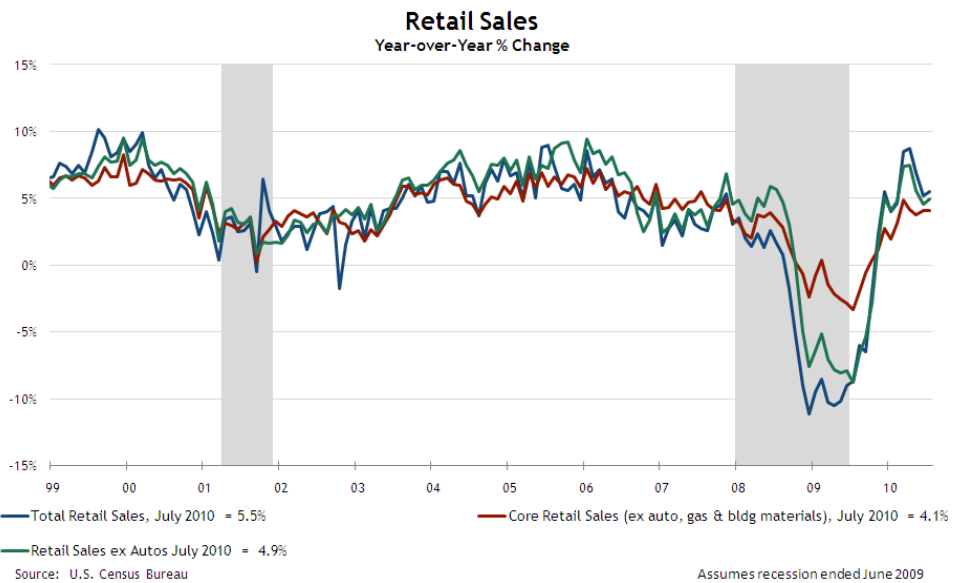


- In June, the total business I/S ratio ticked up to 1.26. The retail I/S ratio grew from 1.35 to 1.37 while retail excluding motor vehicles and parts remained unchanged at 1.24. The manufacturing I/S ratio was unchanged in June.

Consumer Spending

Summary

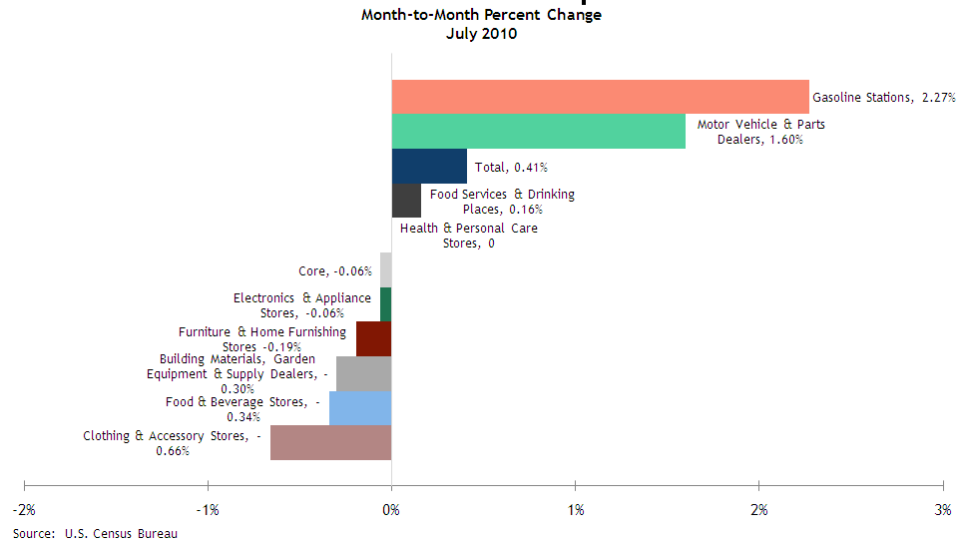
July retail sales showed a slowing pace of consumer spending. In response to the slowdown in retail sales, most economic forecasters pared back their estimates for third quarter real PCE growth.



- Total retail sales increased 0.4% in July. On a year-over-year basis, total retail sales were up 5.5% in July.
- The increase in total retail sales for July was boosted by an increase at gas stations, which may reflect an increase in gas prices, and by an increase in sales at auto dealers.
- Excluding gas, autos and building supplies sales, core retail sales fell 0.1% in July. On a year-over-year basis, core retail sales remained at 4.1% for the second consecutive month.

Total retail sales were boosted by sales at gas stations and auto dealers in July.

U.S. Retail Sales Components

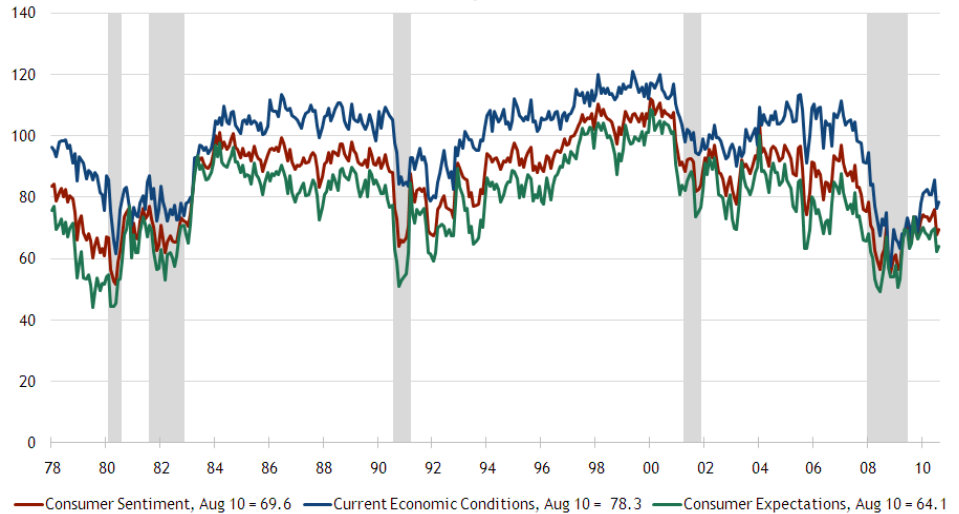


Consumer Spending

Summary

Consumer sentiment rose slightly in August, according to the University of Michigan's preliminary report.

University of Michigan Consumer Sentiment Index
1966Q1= 100



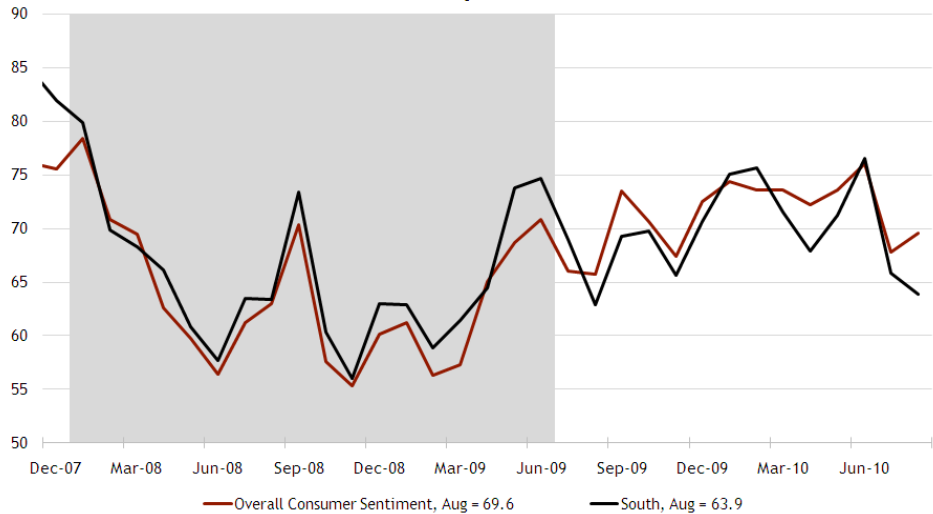
Source: Reuters/University of Michigan

Assumes recession ended June 2009

- The University of Michigan's consumer sentiment index rose 1.8 points in August to 69.6. The index still remains well below prerecessionary levels .
- Both the future expectations and current conditions component increased 1.8 points over the month, to 64.1 and 78.3 points, respectively.

Consumer sentiment fell in the South Census region in August.

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

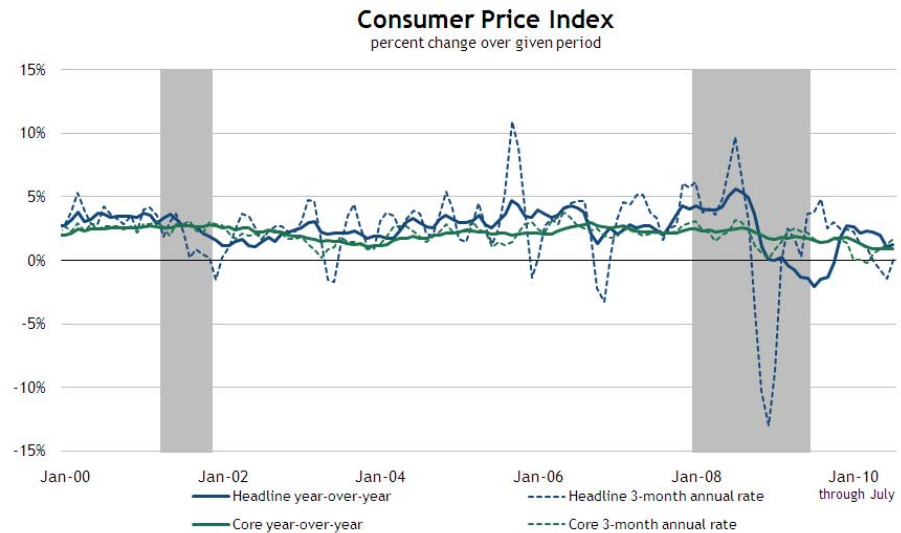


Source: Reuters/University of Michigan

Assumes recession ended June 2009

Summary

Headline CPI jumped in July, but the core measure moderated to a 1.6% pace. Median and trimmed-mean CPI measures continue to suggest only modest upward price pressure in July.



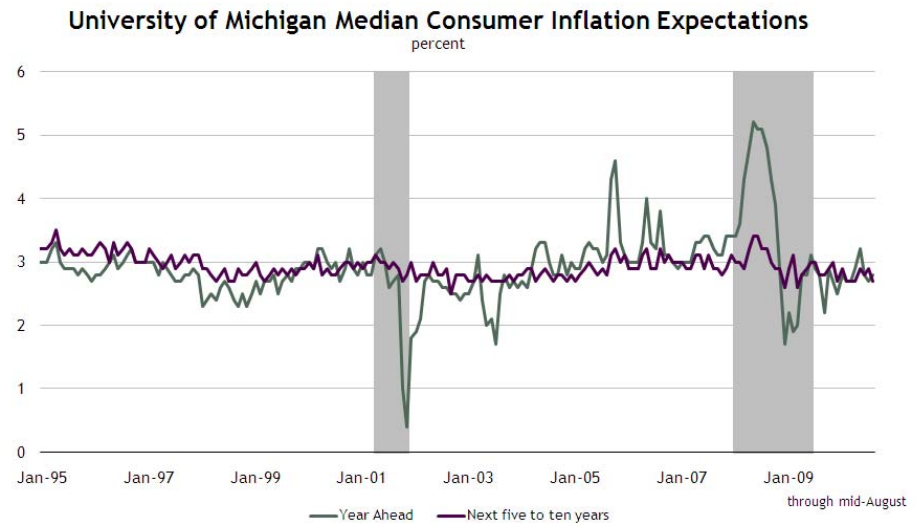
Source: Bureau of Labor Statistics

Assumes recession ended June 09.

- **Headline inflation**, measured by the consumer price index (CPI), was up 3.8% (annual rate) in July from the previous month. Headline CPI was 1.2% above year-earlier levels.
- The core (excluding food and energy) measure of consumer prices increased 1.6% (annual rate) from the month before, a moderation from 1.9% in June. Year-over-year core CPI was up 0.9% in July, matching a similar rates in April, May, and June, the smallest annual increase since January 1966.
- The median CPI, as calculated by the Federal Reserve Bank of Cleveland increased 0.8% in July, down from a rise of 1.2% in June. The trimmed mean CPI, however, accelerated to 1.8% in July, the largest one-month gain since February 2009.

Summary

Survey data compiled in early August by the University of Michigan showed near-term consumer inflation expectations increasing slightly from July while longer-term expectations moderated.



Source: University of Michigan

Assumes recession ended June 09.

- The median inflation rate expected by consumers 12 months out was 2.8% in early August, up from July expectations of 2.7%.
- Expectations for inflation in five to 10 years was 2.7% in mid-August (median), a decrease from 2.9% in July.