

Economic Highlights

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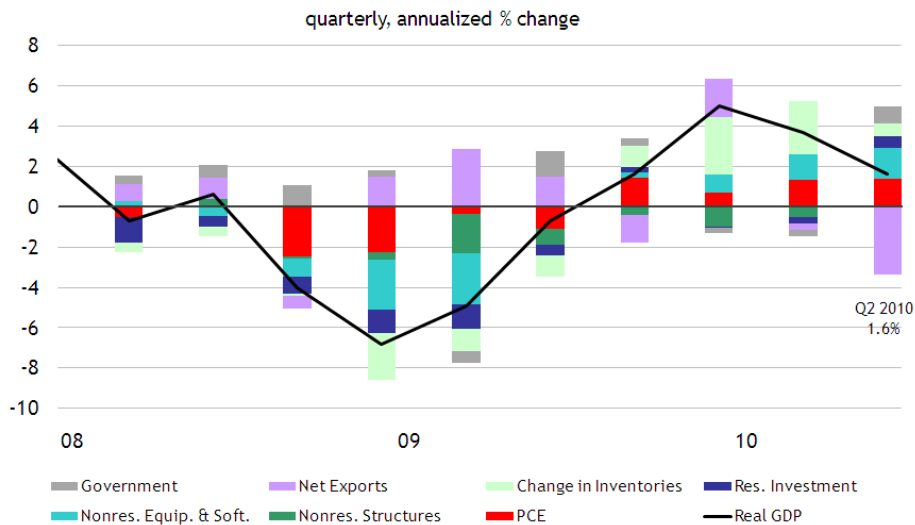
Economic Activity

Summary

In the second estimate of real GDP growth for Q2 2010, GDP was revised down from 2.4% to 1.6% because of less inventories and net exports than in the advance estimate.

Meanwhile, consumer spending (PCE) and business investment were revised up.

Contributions to Real GDP Growth



Source: U.S. Bureau of Economic Analysis

- The level of the change in inventories was \$63.2 billion in Q2, adding 0.63 percentage point to Q2 real GDP, down from the 1.05 points reported in the advance estimate.
- Net exports subtracted 3.4 percentage points from real GDP growth in Q2, with exports growing 9.1%, down from 10.3% in the advance release, and imports growing 32.4%, up from 28.8% in the advance release.
- Personal consumption expenditures (PCE) grew 2% in Q2, revised up from 1.6% in the advance release.
- Business investment in equipment and software grew 24.9% in Q2, revised up from 21.9% in the advance release.
- The second release of GDP also included corporate profit data. Corporate profit before taxes rose 19% in Q2 on an annual rate to a level of \$1.639 trillion.

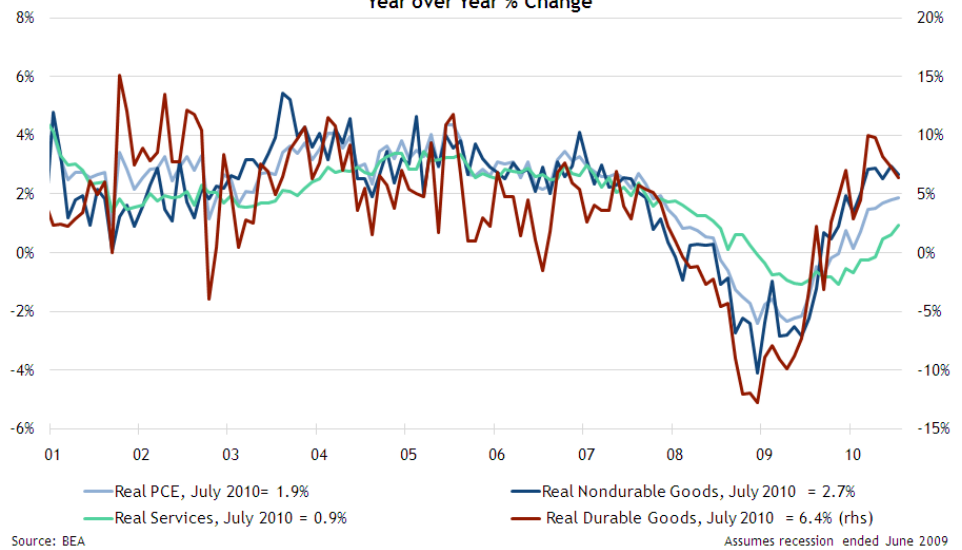
Consumer Spending

Summary

Real personal consumption expenditures (PCE) growth increased in July.

However, compared with a year earlier, PCE remains below the pace of spending during previous economic expansions.

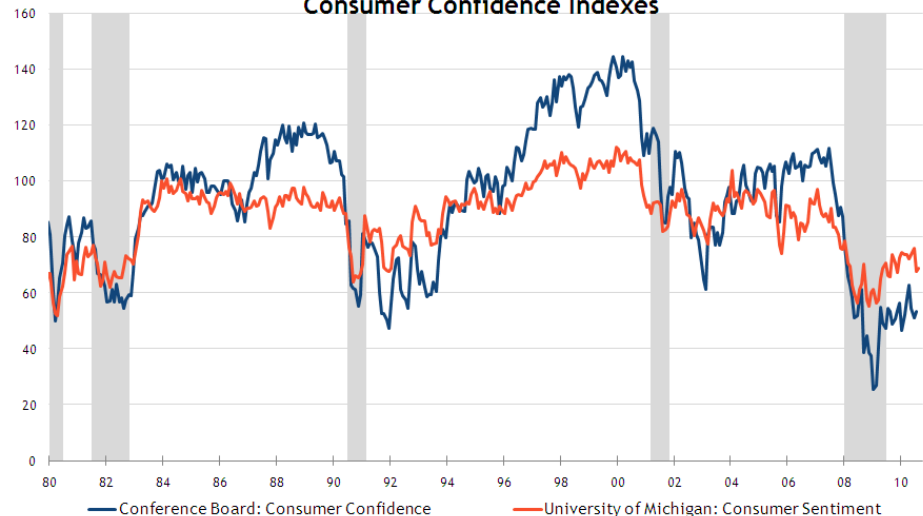
Real Personal Consumption Expenditures
Year over Year % Change



- In August, real PCE rose 0.2%, mostly as a result of a 1.2% increase in durable goods spending. Spending on services increased 0.2% over the month, and nondurable spending fell 0.3%.
- On a year-over year basis, real PCE increased 1.9%, still below the average 3% growth in consumer spending during past economic expansions.

Both consumer confidence indexes posted a small increase in August but remain at depressed levels.

University of Michigan and The Conference Board
Consumer Confidence Indexes

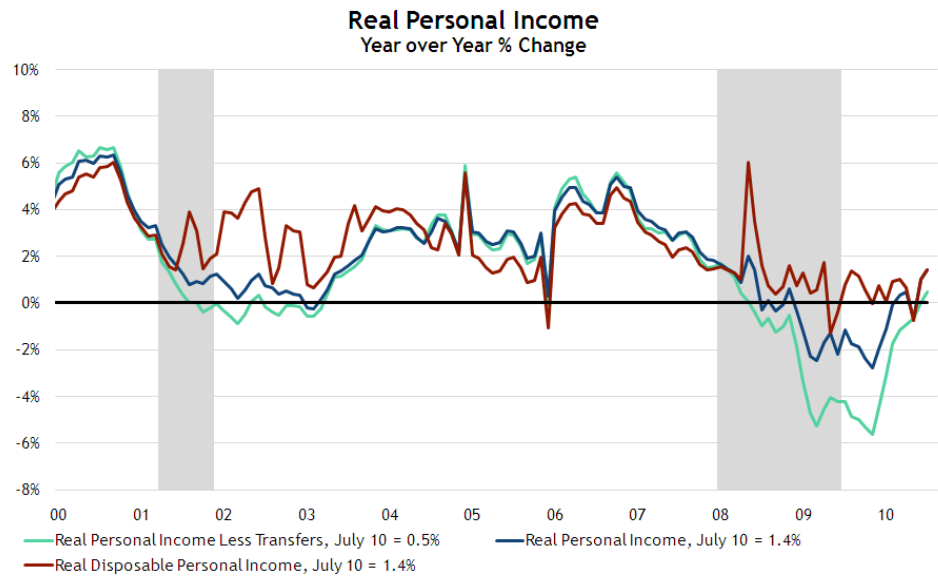


- In August, the Conference Board's consumer confidence index increased 2.5 points to 53.5.
- Despite a marginal downward revision in the final release, the University of Michigan's consumer confidence index for August still increased 1.1 points to 68.9.

Consumer Spending

Summary

Real personal income growth remained soft in July.

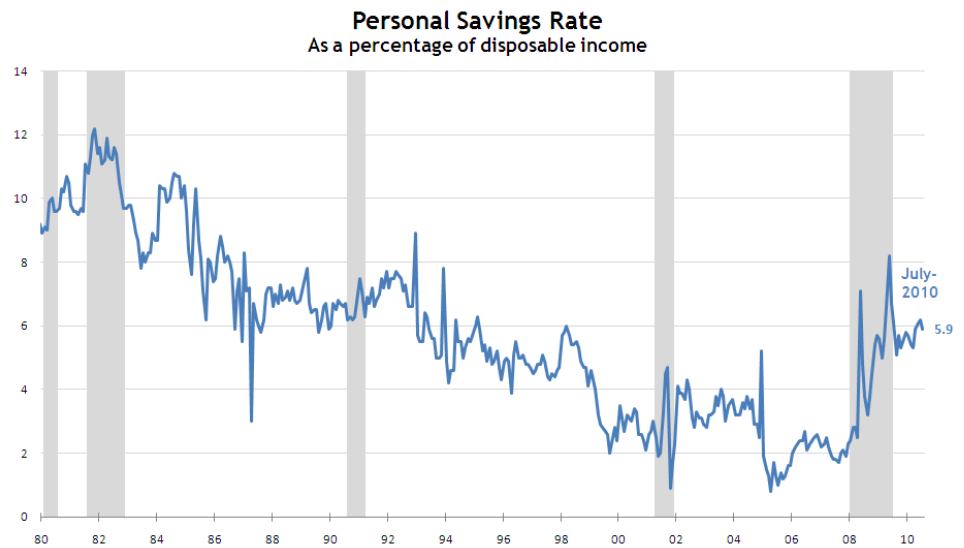


Source: BEA, Haver

Assumes recession ended June 2009

- Real personal income was essentially flat during July. On a year-over-year basis, measures of real personal income were slightly positive.
- On an annual basis, real personal income and real personal disposable income increased slightly compared with July 2009, by 1.4% and 0.5%, respectively. Real personal income less transfers increased 0.5% over the year, marking the first positive reading since May 2008.

The savings rate ticked down to 5.9% in July.



Source: BEA

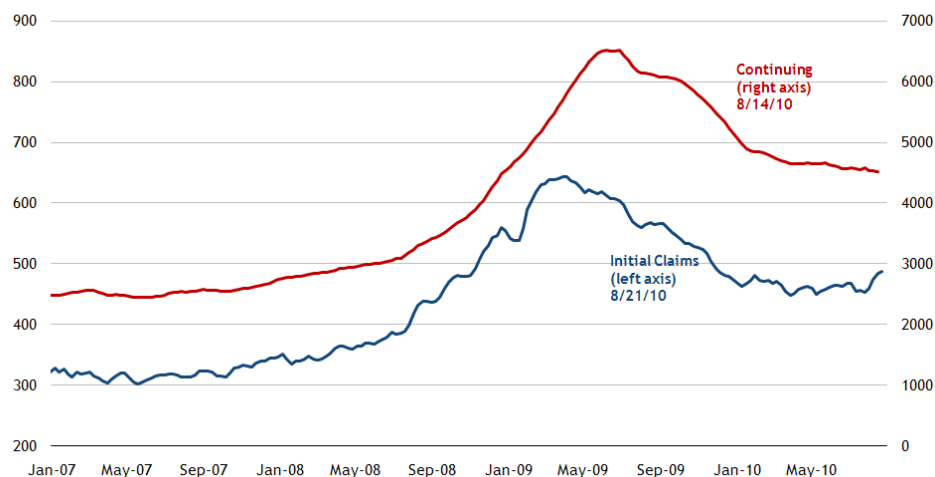
Assumes recession ended June 2009

Employment

Summary

Initial unemployment insurance claims for the week ending August 21, 2010, reached the highest level since December 2009. Recent levels suggest that labor market growth is losing momentum.

Unemployment Insurance Claims
4-Week Moving Average (SA, Thousands)



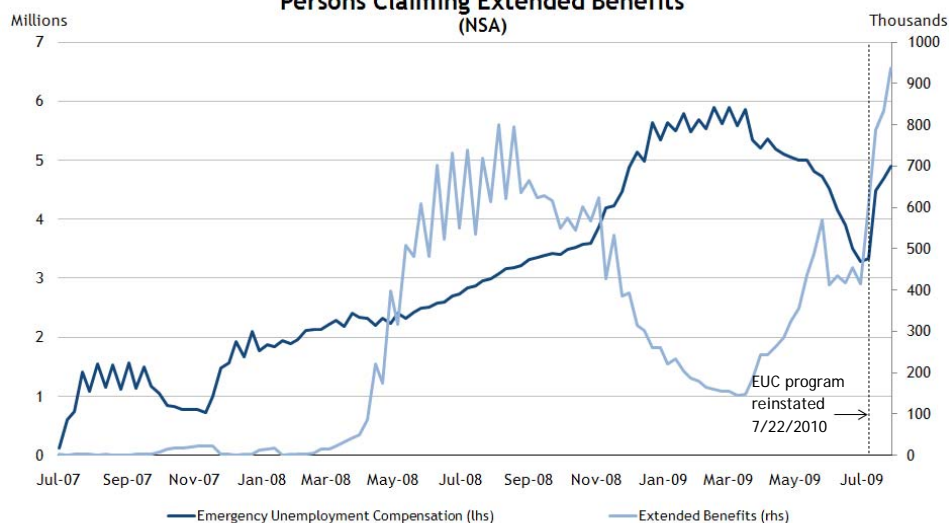
Source: U.S. Department of Labor

- Initial jobless claims for the week ending August 21 increased to 486,750 (4-week moving average), the highest level since December 2009.
- Jobless claims were declining at an encouraging rate in the second half of last year, but this year both initial and continuing claims have flattened out. In recent weeks, initial claims have begun to show an upward trend.

The number of persons receiving extended benefits has shot up in the weeks following the reinstatement of the emergency unemployment compensation (EUC) program.

Note: As people exhaust their regular benefits, they move on to receive extended benefits first through the federal EUC program and then their state's extended benefits (EB) program.

Persons Claiming Extended Benefits
(NSA)



Source: U.S. Department of Labor

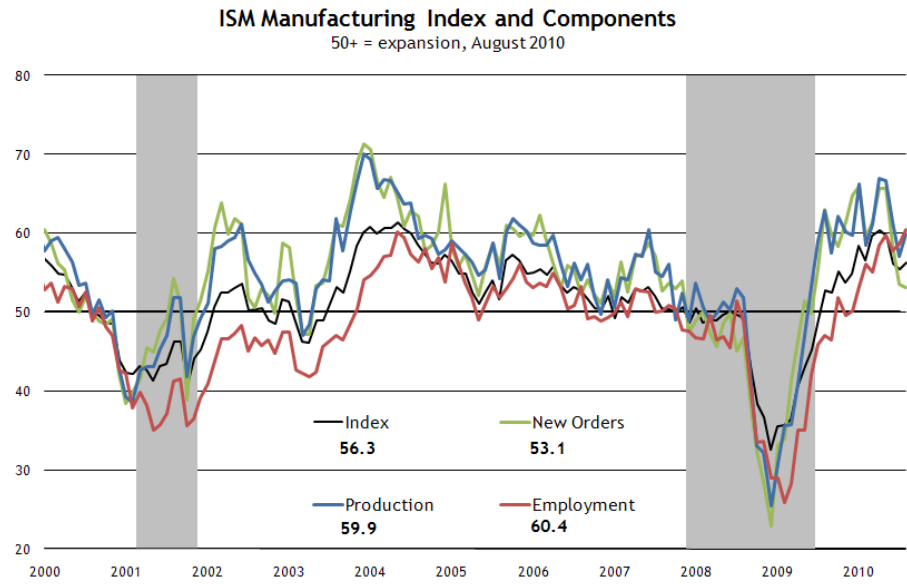
Through August 7, 2010

- The number of persons receiving emergency unemployment compensation (EUC) has increased by nearly 1.6 million in the three weeks since the program was reinstated on July 22, 2010. For the week ending August 7, the number of claimants reached 4.9 million.
- Extended benefits (EB) claimants increased by more than 300,000 (or 50%) during the same period. There were 937,000 people claiming extended benefits for the week ending August 7.
- Currently, up to 73 weeks of benefits extensions are available including both the EUC and EB programs (53 weeks of EUC and 20 weeks of EB).

Manufacturing

Summary

Manufacturing grew at a faster pace in August than in July. Gains in production and employment boosted the Institute for Supply Management's Purchasing Managers Index (PMI).



Source: Institute for Supply Management

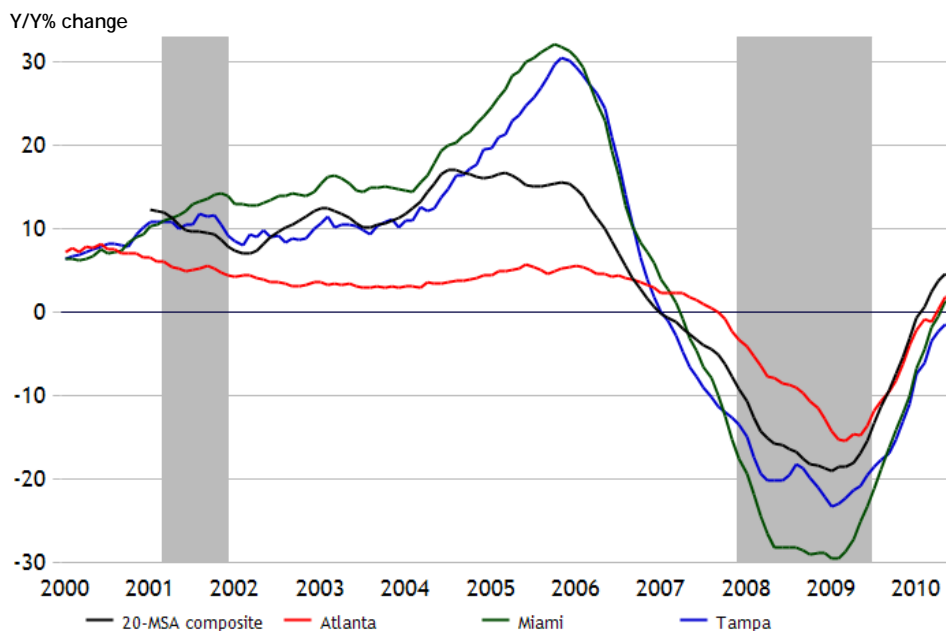
Assumes recession ended June 2009

- In August, the ISM's manufacturing PMI added 0.8 index point to reach 56.3.
- August's PMI increase came largely from gains in production (up 2.9 index points) and employment (up 1.8 index points).
- The new orders index declined 0.4 index point, a result of 2% more survey participants reporting lower orders than the month prior. On balance, 2% more survey participants also reported higher orders for August compared with July.

Summary

In June both the S&P/Case-Shiller home price 20-City and 10-City Composite indices experienced monthly and annual gains, but the pace of gain moderated.

June 2010 S&P Case-Shiller Home Price Indices



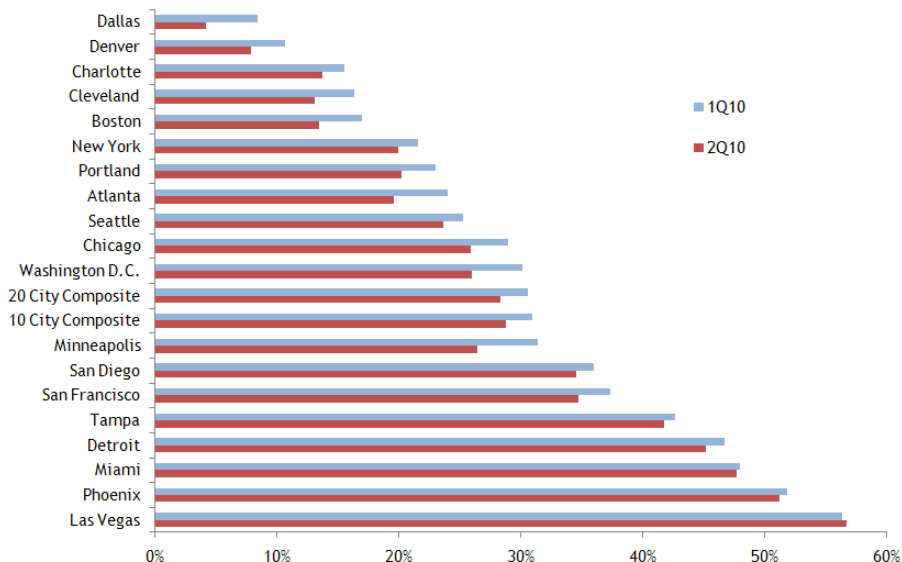
Note: assumes recession ended June 2009
Source: Standard & Poor's and Fiserve Inc.

	June (NSA)	June (SA)	M/M (NSA)	M/M(SA)	Y/Y
Case-Shiller					
20-city index	148.0	147.8	1.0%	0.3%	4.2%
10-city index	161.0	160.9	1.0%	0.3%	5.2%
Atlanta	109.7	109.11	1.7%	0.5%	1.9%
Miami	146.9	148.2	0.4%	0.3%	1.1%
Tampa	138.6	139.0	0.2%	-0.2%	-1.7%

S&P Case-Shiller announced that the U.S. National Home Price Index increased 4.4% in 2Q10 from the prior quarter after declining 2.8% in 1Q10.

Most city home price indices tracked by S&P/Case-Shiller benefited from strong housing demand during 2Q10.

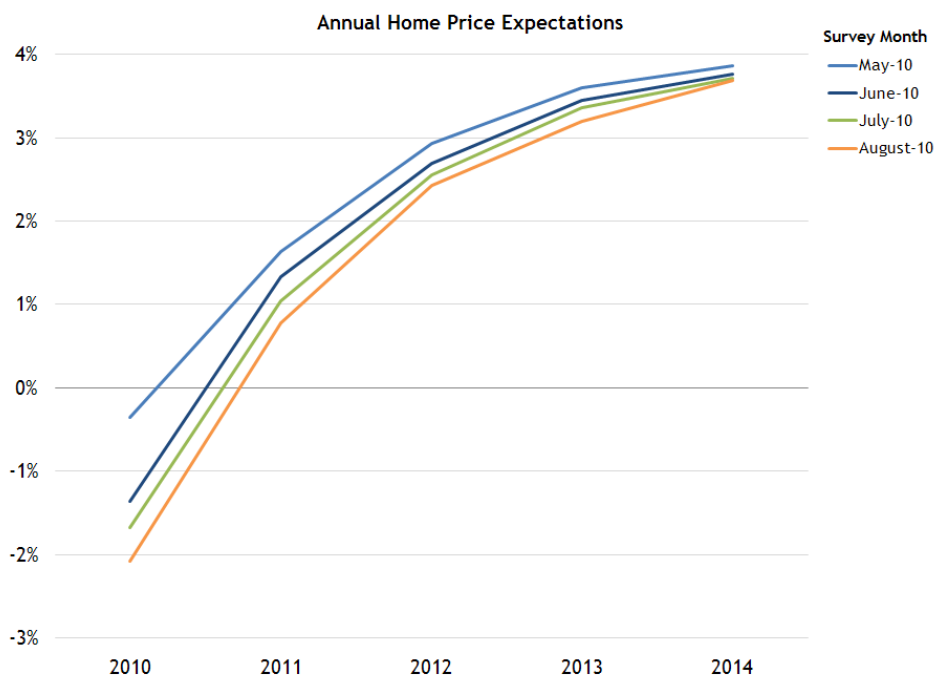
S&P Case-Shiller Home Price Index Decline from local market peak



Source: Standard & Poor's and Fiserve Inc.

Summary

According to MacroMarkets monthly survey of home price expectations, the outlook for home price growth in the short term weakened further in August; however, the longer-term outlook changed little.



Note: The Home Price Survey is a monthly survey of more than 100 economists, real estate experts, and investment and market strategists. The survey is based on the projected path of the S&P/Case-Shiller U.S. National Home Price Index over the coming five years.

Source: MacroMarkets

Expected Home Price Changes, by Survey Month Year-over-Year (Q4 vs. Q4 of prior year) Survey Month

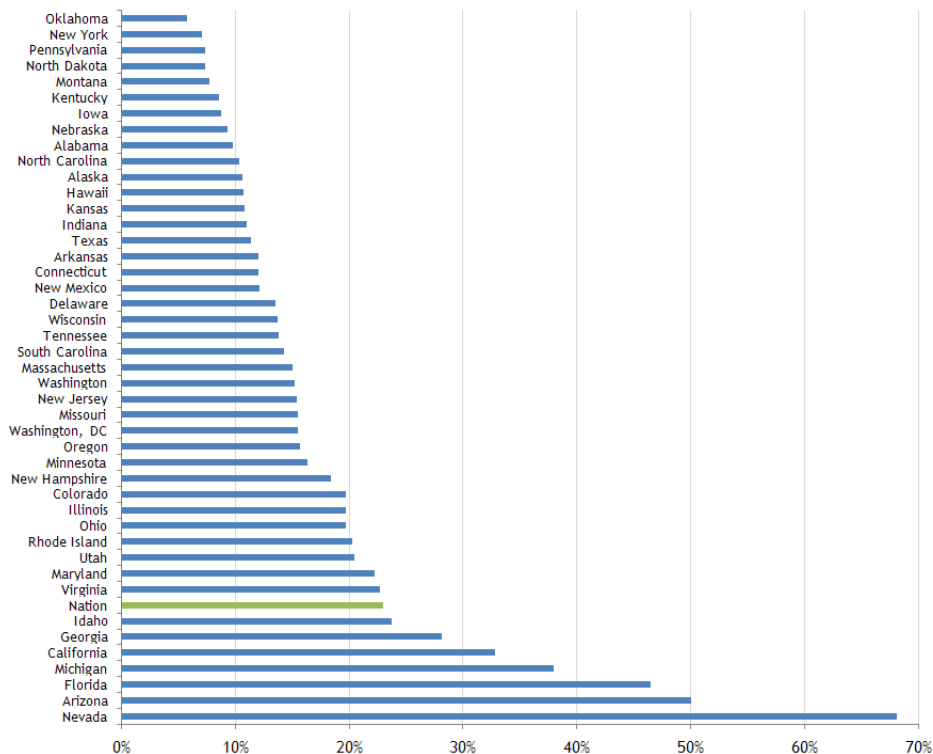
Year	May-10	June-10	July-10	August-10
2010	-0.36%	-1.36%	-1.68%	-2.08%
2011	1.63%	1.33%	1.05%	0.78%
2012	2.93%	2.70%	2.55%	2.43%
2013	3.60%	3.45%	3.36%	3.20%
2014	3.87%	3.77%	3.72%	3.69%

Source: MacroMarkets

Summary

CoreLogic® reported that the national negative equity rate declined again during 2Q10. At the end of 2Q10, 23% of all residential mortgages were in negative equity compared with 24% at the end of 1Q10.

CoreLogic® 2Q10 Negative Equity Share

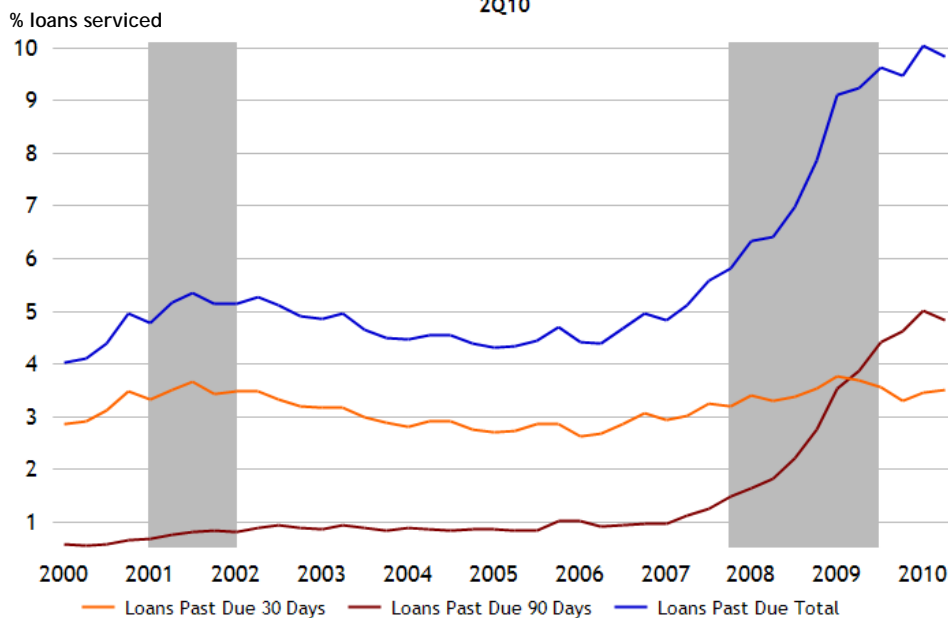


Note: Negative equity, often referred to as “underwater” or “upside down,” means borrowers owe more on their mortgages than their homes are worth. No data were available for Louisiana, Maine, Mississippi, South Dakota, Vermont, West Virginia, and Wyoming.

Source: First American CoreLogic

The Mortgage Bankers Association (MBA) reported that home mortgage delinquencies fell 21 basis points to 9.85; however, more loans are just beginning to be classified as past due. MBA reported a 6 basis point rise in loans past due 30 days.

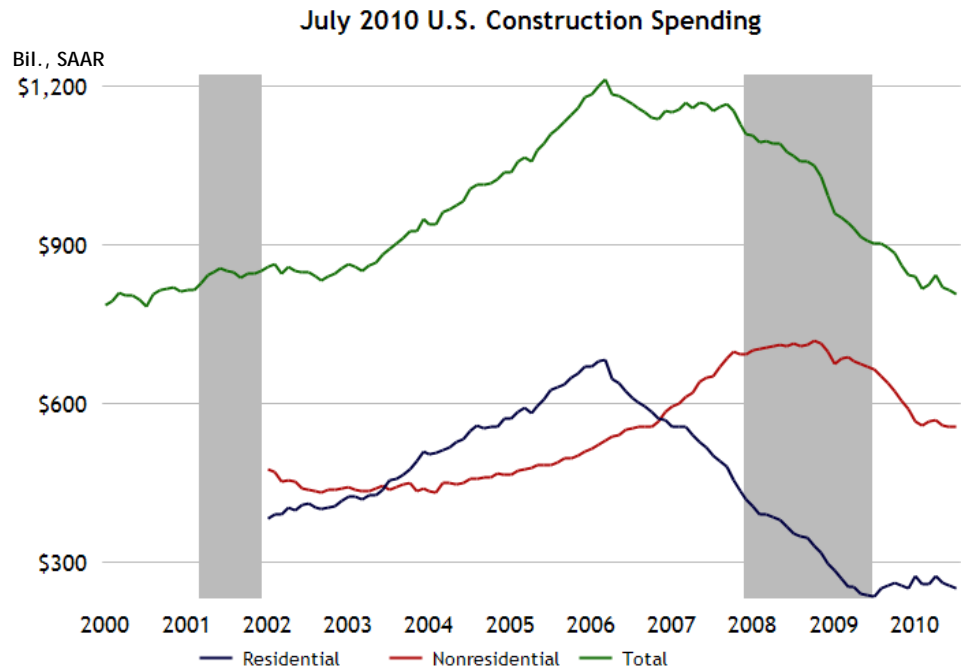
U.S. Mortgage Delinquencies 2Q10



Source: Mortgage Bankers Association

Summary

The U.S. Census reported that construction spending softened slightly in July, down 1% from June.



Source: U.S. Census Bureau

July 2010 Construction Spending Put in Place

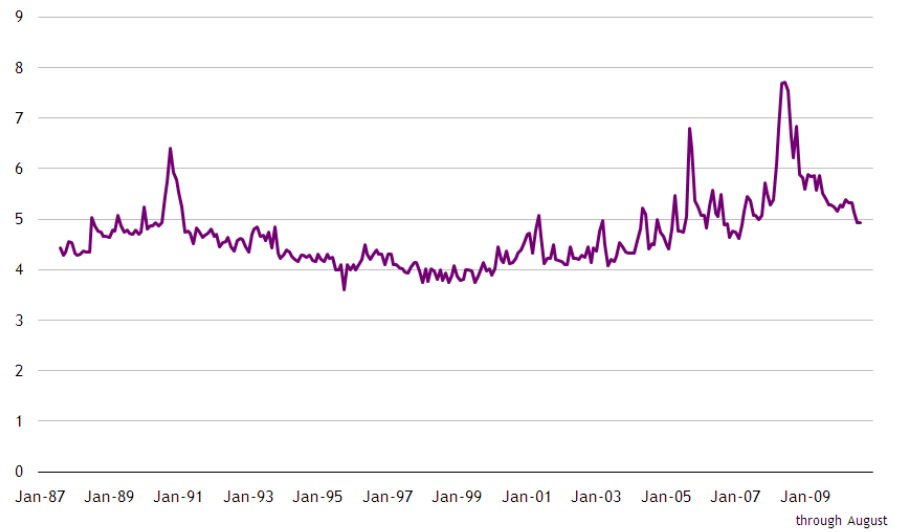
	billions, SAAR	y/y change	m/m change
Total	805.2	-10.7%	-1.0%
Total private	506.4	-12.2%	-0.8%
Total public	298.8	-7.9%	-1.2%
Total nonresidential	554.6	-16.6%	-0.3%
Private nonresidential	266.1	-23.7%	0.8%
Public nonresidential	288.5	-8.6%	-1.3%
Total residential	250.5	6.0%	-2.5%
Private residential	240.3	5.5%	-2.6%

Summary

Consumer inflation expectations were unchanged in August, according to the Conference Board survey.

Inflation Expectations for 12 Months Hence

% Average, not seasonally adjusted

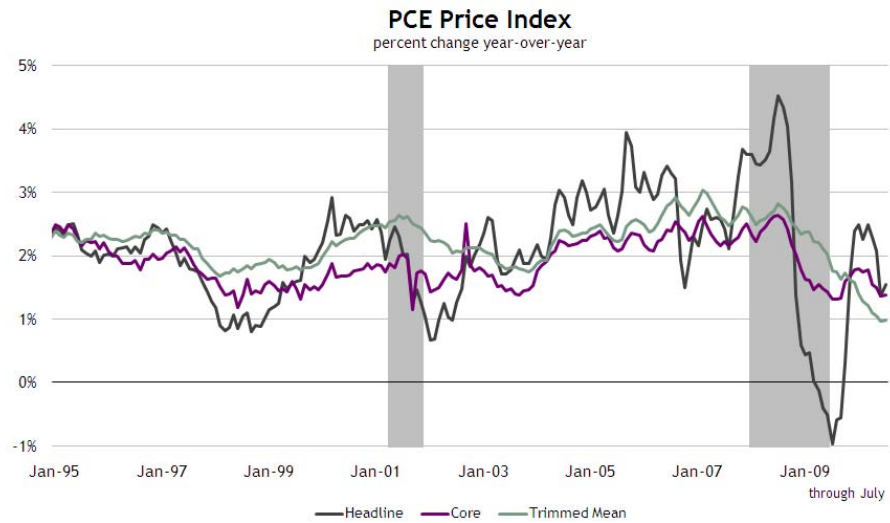


Source: The Conference Board

- Twelve-month-out inflation expectations were 4.9% in August, unchanged from the July Conference Board survey of consumers. The series averaged 5.3% over the first six months of the year.
- The July and August readings marked the first time since March 2007 that expectations fell below 5%.

Summary

Headline personal consumption expenditures (PCE) inflation rose in July after three consecutive monthly declines.



Source: Bureau of Economic Analysis, FRB Dallas

Assumes recession ended June 09.

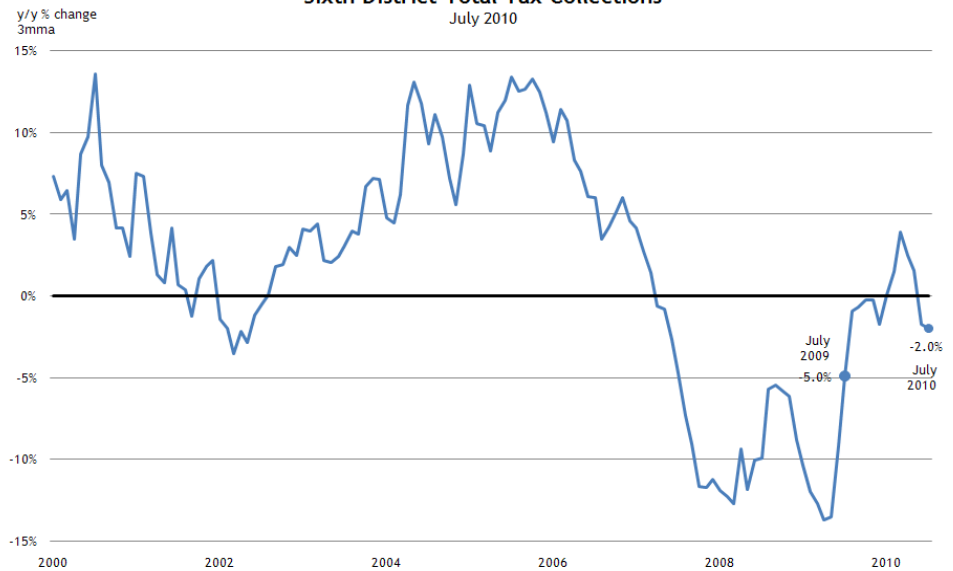
- July headline inflation, as measured by the consumer spending deflator, was up 2.9% on an annualized monthly basis following three consecutive months of decline. Headline PCE prices were up 1.5% year over year.
- Core (less food and energy) PCE prices increased by 1.3% (annual rate) in July, up from 0.5% the month before. Year-over-year core PCE inflation was 1.4%, unchanged from the month before.
- The Dallas Fed trimmed-mean 12-month PCE inflation rate in July was unchanged at a 0.9% annual rate.

State Government Finances

Summary

Though as a whole the District's total tax collections are down about 2% from year-earlier levels, collections in five out of six states are up year over year. Louisiana's dismal 20.6% year-over-year decrease in total revenues dragged the District aggregate down in July.

Sixth District Total Tax Collections



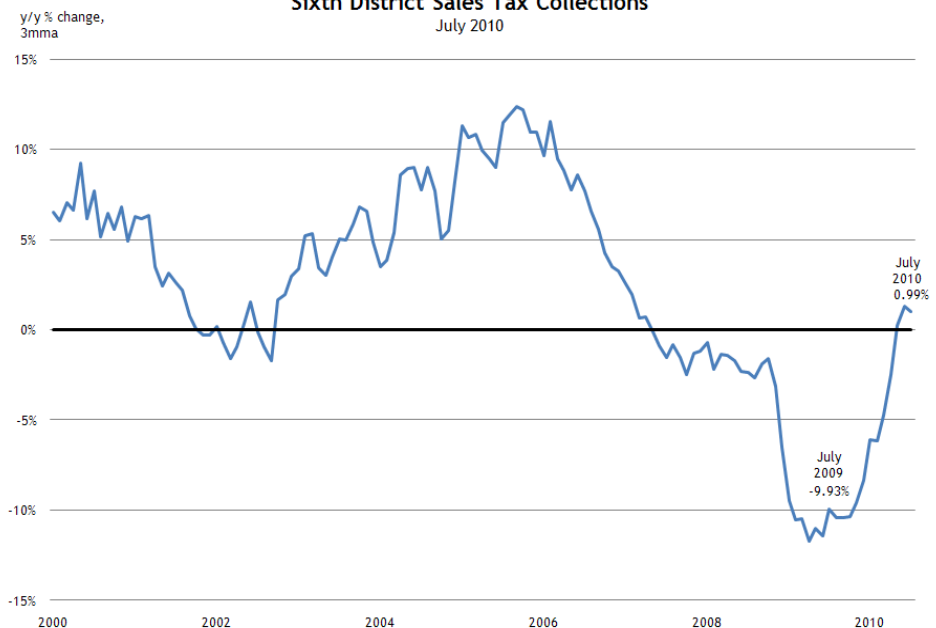
Sources: Alabama Department of Revenue, Florida Department of Revenue, Georgia Department of Revenue, Tennessee Department of Revenue, Mississippi Department of Revenue, Louisiana Department of Revenue

July 2010	AL	GA	FL	TN	MS	LA
Y/Y % Change, 3mma	+1.0%	+0.9%	+2.7%	-0.44%	-2.5%	-20.6%

- In July, Georgia and Alabama saw their first year-over-year increases in total tax collections since November 2008.
- Though on a 3-month-moving-average, year-over-year basis the state's collections are still down 0.44%, Tennessee noted its largest month-over-month increase since April 2007.
- In July, Louisiana's budget, down roughly 21% from a year earlier, dragged down the District's aggregate of total tax collections.

In the aggregate, District states' sales tax collections are up about 1%. All states contributed to the District's increase except Louisiana and Mississippi, which had mild year-over-year declines.

Sixth District Sales Tax Collections



Sources: Alabama Department of Revenue, Florida Department of Revenue, Georgia Department of Revenue, Tennessee Department of Revenue, Mississippi Department of Revenue, Louisiana Department of Revenue