

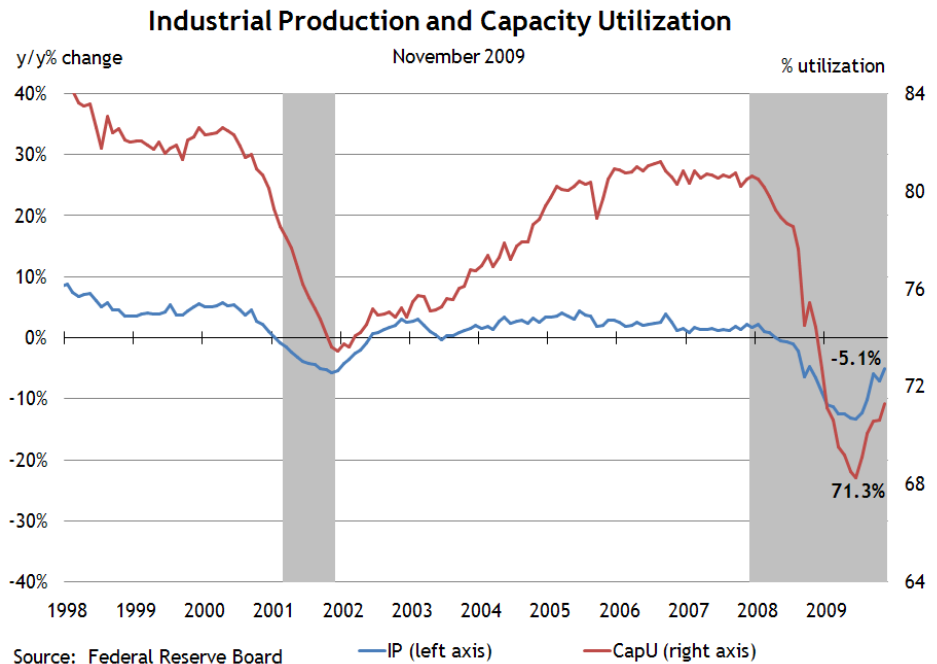
## Economic Highlights

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## Summary

Industrial production rose 0.8% in November from a downwardly revised reading for October.



- Total industrial production rose 0.8% in November from the October reading, which was downwardly revised to unchanged from September.
- The overall rise in IP reflected gains in manufacturing and mining output, up 1.1% and 2.1%, respectively. Manufacturing output was down 4.9% from year-earlier levels while mining was down 6.8% annually.
- Among the gains in manufacturing output for November, the index for durable goods rose 1%. This increase reflected robust gains in nonmetallic mineral products, primary metals, motor vehicles and parts, and furniture and related products. The production of nondurable goods rose 1.1% in November. Gains of more than 1% were registered for the majority of nondurable categories.
- Unseasonably warm November temperatures reduced the demand for gas utilities for the month, largely driving the 1.8% decrease in utility output.
- Overall capacity utilization gained 0.7 percentage points from October's 70.6% to reach 71.3% in November.
- The capacity utilization for manufacturing and mining increased 0.8% and 1.9%, respectively. Capacity utilization for manufacturing is down 4.9% from year-earlier levels.

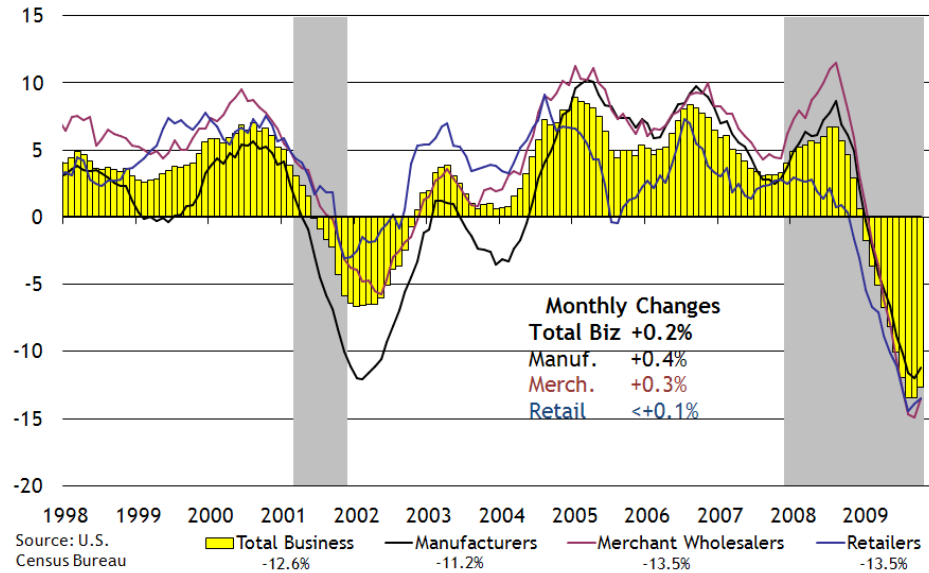
# Manufacturing

## Summary

Total business inventories increased 0.2% in October. Increases were seen across all categories on a monthly basis.

## Business Inventories

y/y % change, October



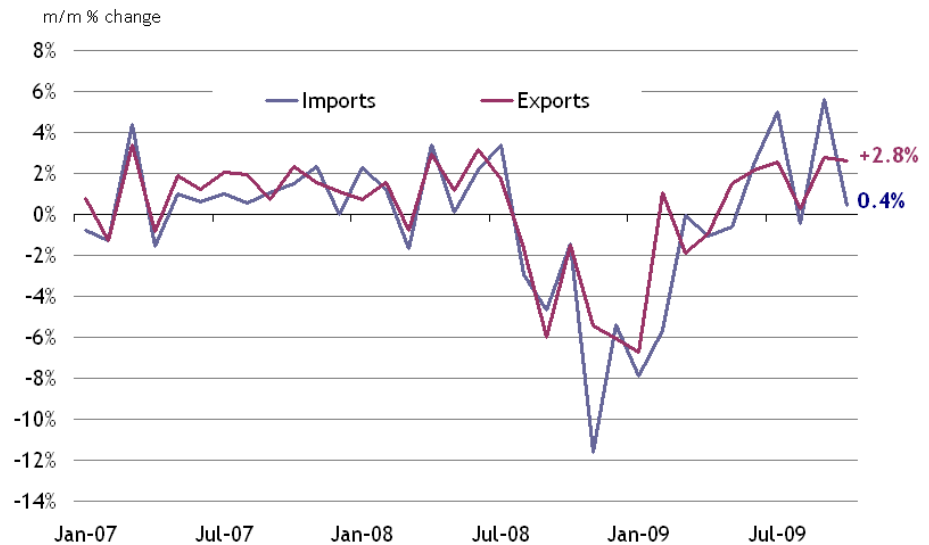
- In October, total business inventories increased at a monthly rate of 0.2% after September's 0.4% decrease. Annually, total business inventories were down 8.2%.
- Manufacturing inventories posted a modest gain of 0.4% in October but were still down 11.2% from year-earlier levels.

# International Trade

## Summary

U.S. nominal international trade narrowed unexpectedly in October to \$32.9 billion.

## October U.S. International Trade



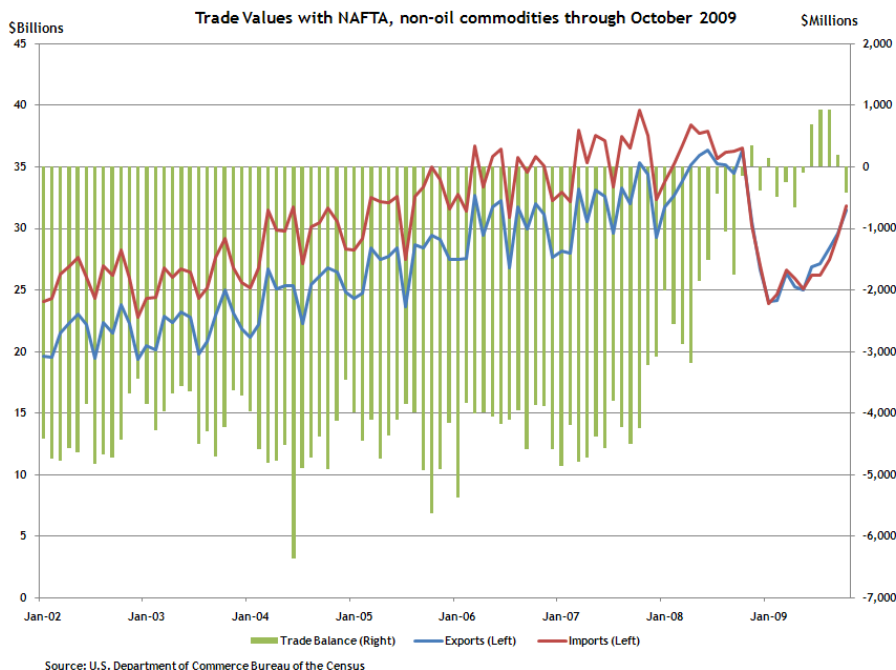
Source: U.S. Bureau of the Census

- The nominal trade deficit narrowed surprisingly in October to \$32.9 billion. The Bloomberg consensus expected an increase in the deficit to \$37 billion. Continued solid and broad-based growth in exports and declines in price and volume of imported petroleum contributed to the narrowing of the deficit. Outside of petroleum and "other goods" category, major import categories increased in October.
- In real terms, the merchandise deficit also declined as exports rose a considerable 4.1%, while imports remained essentially unchanged.
- Sustained broad-based growth in exports over the past several months is generally in line with the ongoing improvement in economic outlook for U.S. major trading partners. Still, compared to a year earlier, U.S. exports were down 10% in October. Meanwhile, U.S. imports are recovering more slowly and were 19% below the year-earlier level.

# International Trade

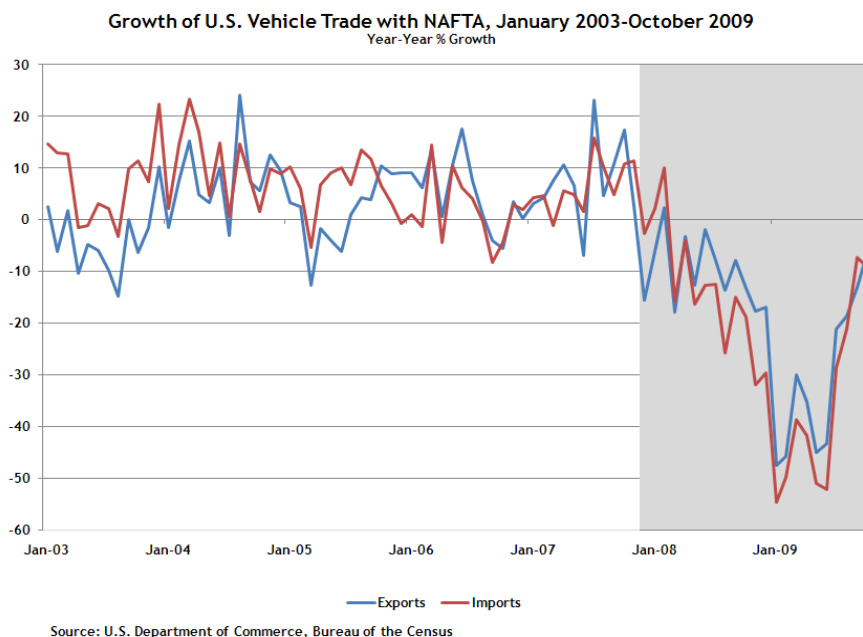
## Summary

The non-oil U.S. trade gap with NAFTA member countries shrank in 2009, led by a dramatic fall in imports of motor vehicles and other goods.



- Through October 2009, total U.S. trade with NAFTA member countries, Canada and Mexico, were about 22% of U.S. total trade. Excluding oil, U.S. exports and imports with NAFTA were 31% and 24%, respectively, of total U.S. shipments worldwide.
- The U.S.-NAFTA trade gap, excluding oil commodities, shrank sharply in earlier months and turned positive between June and September 2009.

The recent pickup in vehicle production in North America has gradually improved the pace of U.S. vehicle exports and imports with NAFTA member countries.



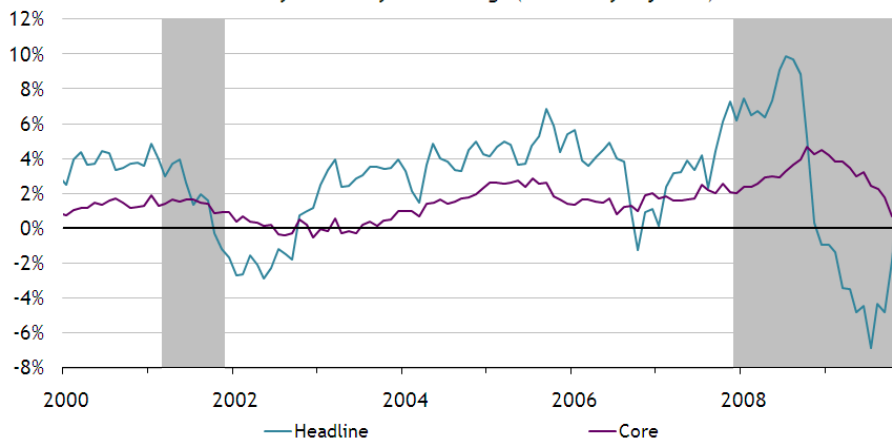
- Through October 2009, the value of U.S. vehicle exports and imports with NAFTA member countries were 77% and 49%, respectively, of total global motor vehicle shipments.
- By October 2009, U.S. exports and imports with NAFTA member countries declined only 7% and 9%, respectively, from a year earlier, contrasting with double-digit drops posted in early 2009.

Summary

Rising energy prices boosted headline producer price inflation at all stages of processing in November.

Finished Goods Producer Price Index

year-over-year % change (seasonally adjusted)



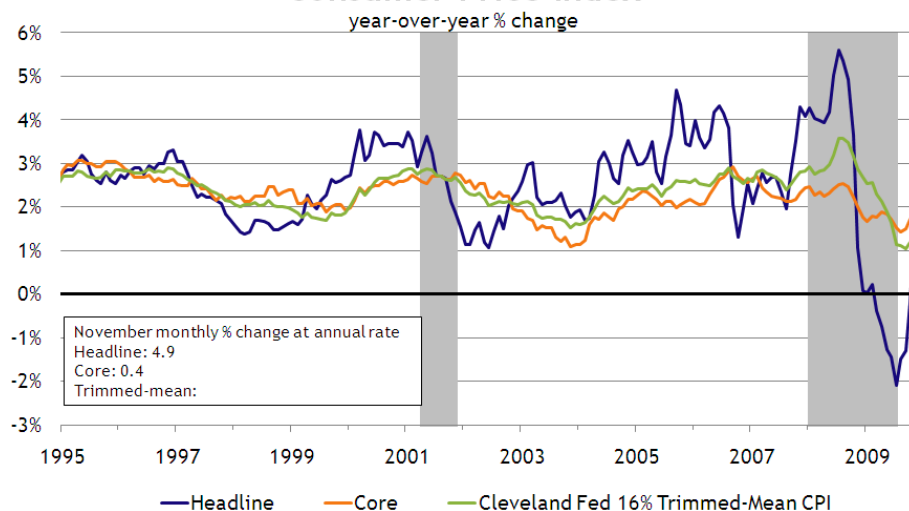
Source: U.S. Bureau of Labor Statistics (through Nov)

- The headline producer price index (PPI) for finished goods rose 1.8% month over month in November after rising 0.3% in October. About three-fourths of the November increase was due to higher prices for energy goods, according to the Bureau of Labor Statistics. The energy index jumped 6.9% in November (mostly because of a surge in gasoline prices), and the index for finished goods advanced 0.5%. Headline PPI is up 2.4% year over year.
- Core (less food and energy) PPI for finished goods increased 0.5% month over month in November—the largest monthly gain in more than a year. The gain was led by a 4.2% rise in the index for light motor trucks. The index for finished core PPI is up 1.2% year over year.
- Energy prices also accounted for much of the increases in intermediate and crude goods prices in November.
- Core crude goods prices declined in November for the first time since February 2009.

Summary

The November headline CPI posted the first year-over-year increase since February, with the energy index rising for the first time in a year.

Consumer Price Index

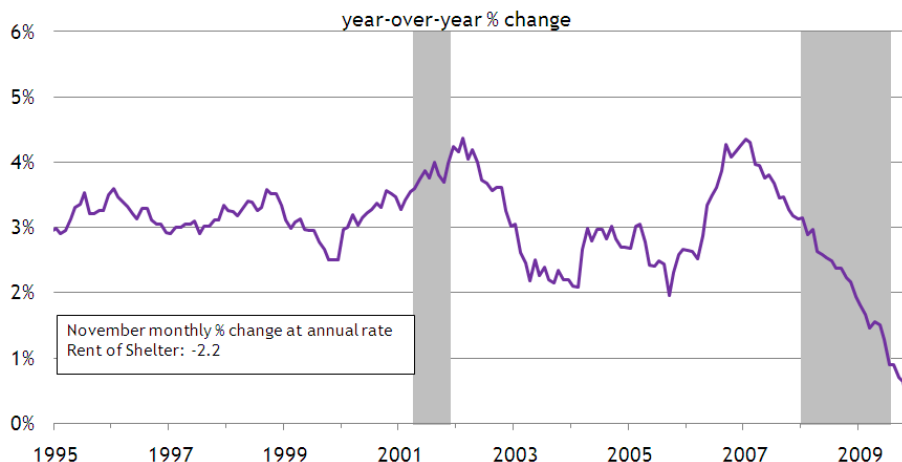


Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

- **Headline inflation**, measured by the consumer price index (CPI), was up 0.4% in November month over month, an increase from 0.3% in October. The overall index was boosted by a 4.1% uptick in the energy index. Overall CPI is 1.8% above year-earlier levels. (Note that much of the year-over-year increase comes from a lower comparison level.)
- The **core** (excluding food and energy) measure of consumer prices was essentially unchanged (+0.03%) from the month before, with declines in shelter prices offsetting increases in indices for new and used motor vehicles, medical care, airline fares, and tobacco. Year-over-year core CPI increased 1.7% in November, matching the 1.7% increase in October.

The rent of shelter component of CPI, which accounts for almost a third of the overall index, continues to indicate price disinflation.

Consumer Price Index: Rent of shelter



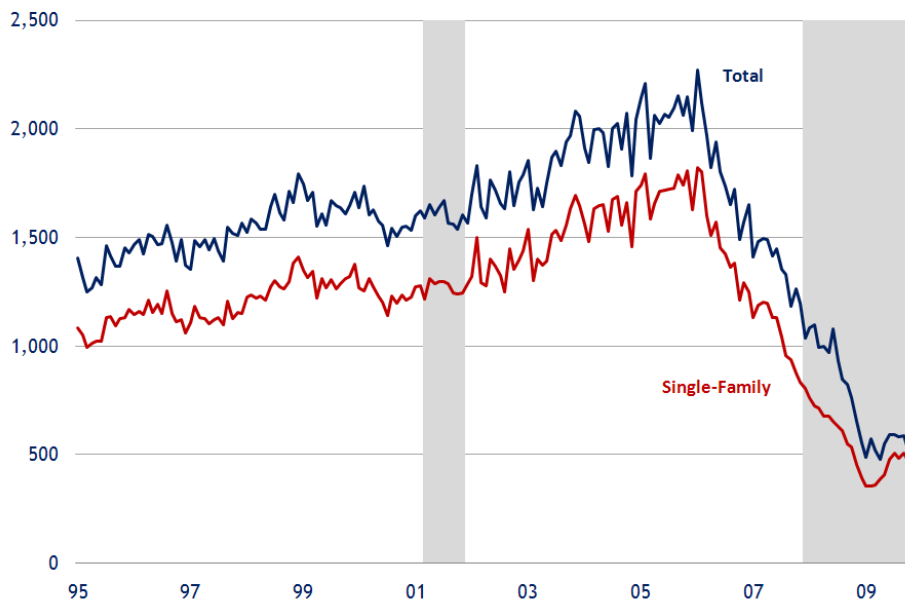
Source: U.S. Bureau of Labor Statistics

- **Core services inflation** continues to decelerate as the **rent of shelter** index—which makes up 31% of the overall CPI index—declined 0.2% in November from the previous month. The index is up a mere 0.3% from a year earlier, the smallest annual increase in the series' 20-year history.

## Summary

U.S. home starts improved in November following a sharp decline the prior month. Total starts increased 8.9% from October while single-family starts increased a more modest 2.1%.

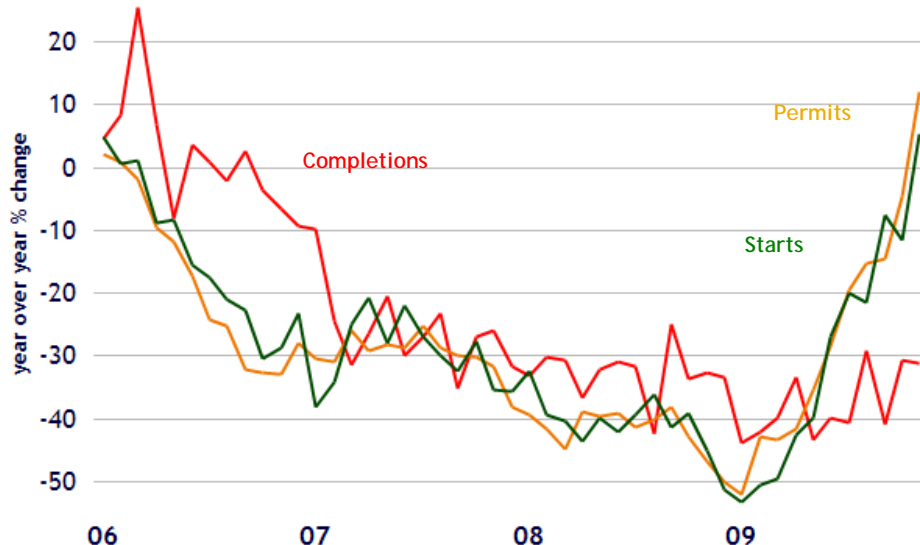
**U.S. Home Starts**  
SAAR, Thousands



Source: U.S. Census Bureau

In November, for the first time since early 2006, single-family starts and permits exceeded year-earlier levels.

**U.S. Single-Family Home Construction**  
activity since the peak in January 2006



Source: U.S. Census Bureau

### November starts, SAAR

Total	574K	-12.4% y/y	8.9% m/m
Single-family	482K	5.5% y/y	2.1% m/m
Multifamily	92K	-53.4% y/y	67.3% m/m

### November permits, SAAR

Total	584K	-7.3% y/y	6.0% m/m
Single-family	473K	12.1% y/y	5.3% m/m
Multifamily	111K	-46.6% y/y	8.8% m/m

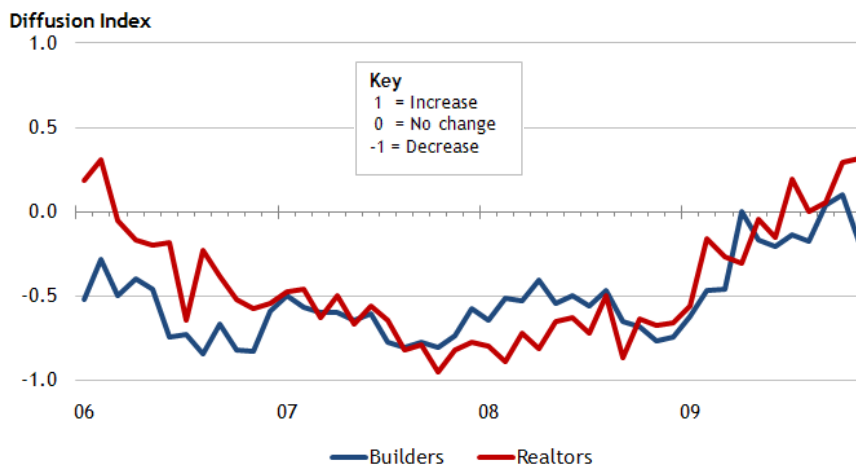


## Summary

November home sales continued to strengthen, according to our survey of Southeastern Realtors, while homebuilders indicated that sales weakened.

*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.*

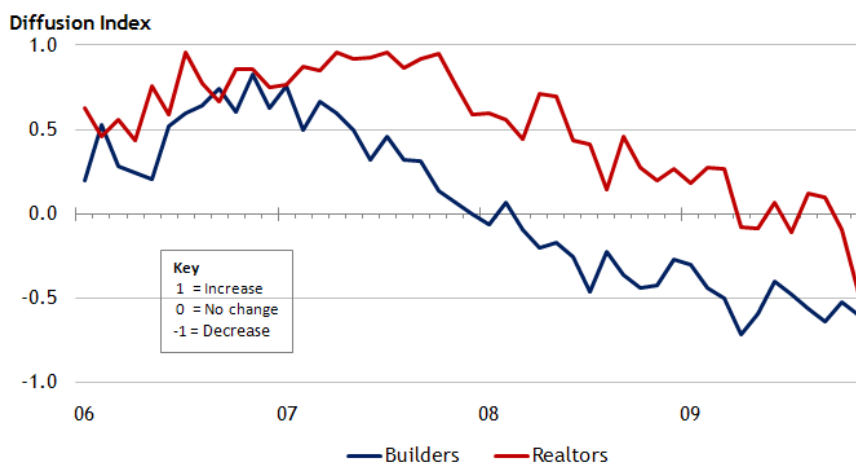
### November 2009 Southeast Home Sales vs. a Year Earlier



Source: FRBA business contact survey

Inventories for new and existing unsold homes continued to decline in November. None of the Southeast Realtors surveyed reported an increase in unsold home inventory on a year-over-year basis, resulting in a sharp decline in the diffusion index.

### November 2009 Home Inventory vs. a Year Earlier



Source: FRBA business contact survey

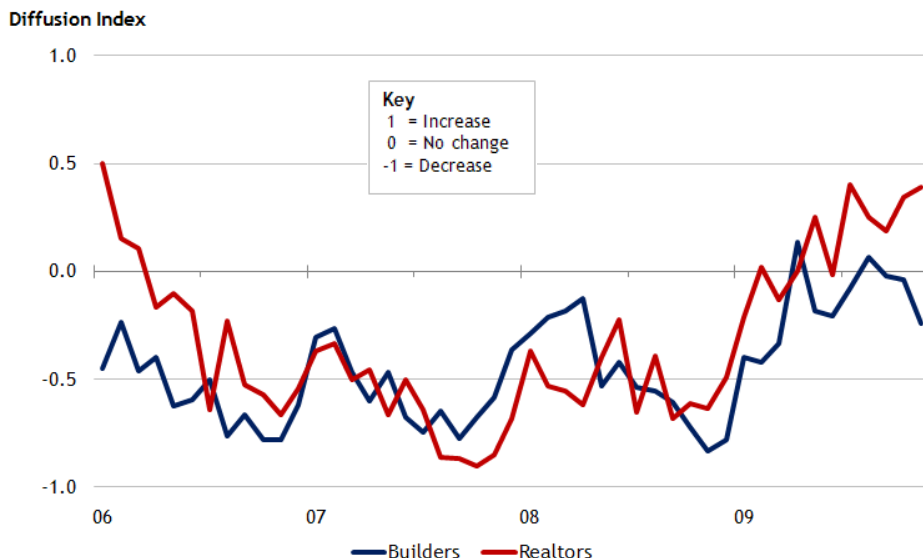
Note: November survey results are based on responses from 73 Realtors and 41 homebuilders.

- Reports from Florida Realtors indicated that home sales softened somewhat in November but remained above the year-earlier level. Georgia contacts reported improvements but sales remained below the year-earlier levels. In the remainder of the Southeast, most Realtors reported that sales held steady above the year-earlier level.
- Florida and Georgia homebuilders indicated a sharp decline in new home sales during November; more than half reported that sales declined year over year in November. Elsewhere in the Southeast, builders indicated that new home sales were similar to year-earlier levels.
- Contacts continued to note that sales were restrained by economic uncertainty. Many speculated that potential buyers are unwilling to act because of continuing job losses.

## Summary

Southeastern Realtors continued to experience stronger buyer traffic during November while homebuilders reported that traffic weakened further.

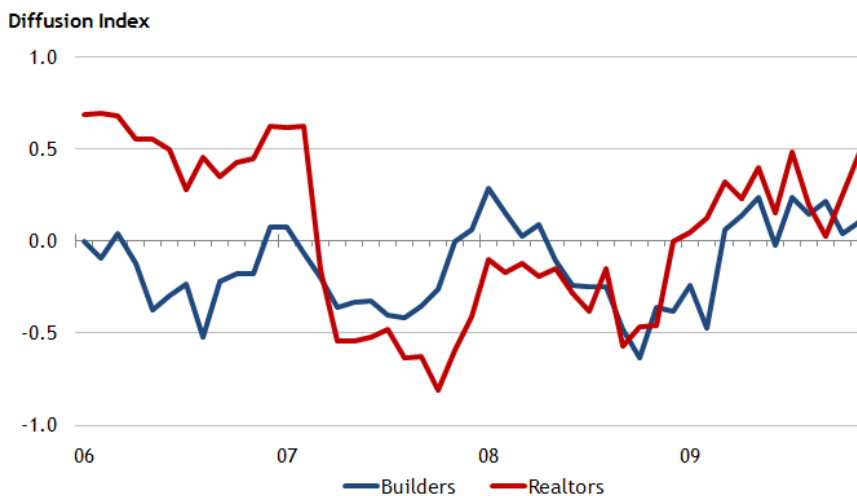
### November 2009 Southeast Buyer Traffic vs. a Year Earlier



Source: FRBA business contacts survey

The outlook for sales over the next several months among Southeastern contacts improved.

### November 2009 Southeast Home Sales Outlook vs. a Year Earlier



Source: FRBA business contact survey

Note: The November survey period was December 1-9.

- Many Realtors expressed that the extension and broadening of the housing stimulus package should continue to boost home sales.
- Builders continued to report that it remained difficult to compete with foreclosed (REO) homes and lots.

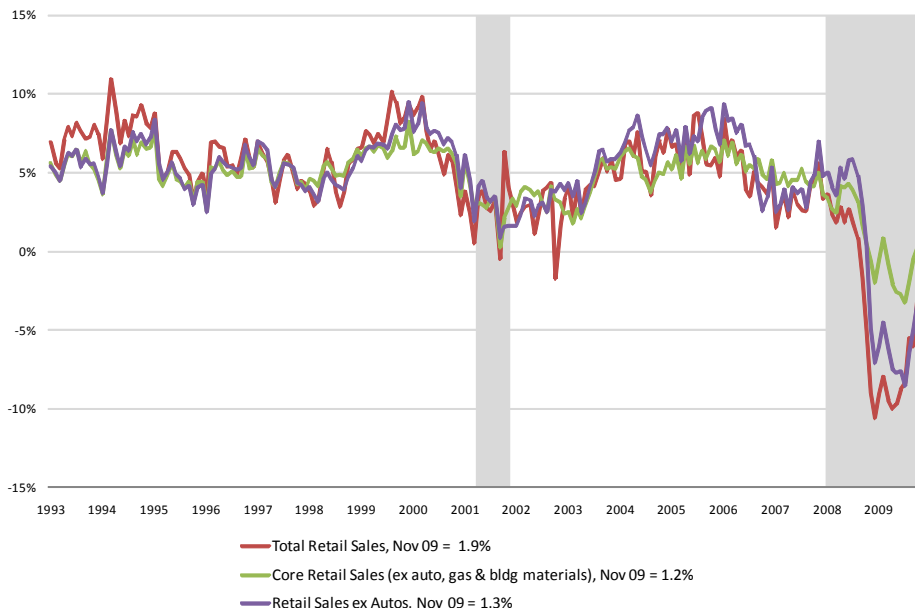
# Consumer Spending

## Summary

Total retail sales experienced positive growth on a yearly basis in November for the first time since August of last year.

Retail sales came in much stronger than analysts' projections.

**Retail Sales**  
Year-over-Year % Change

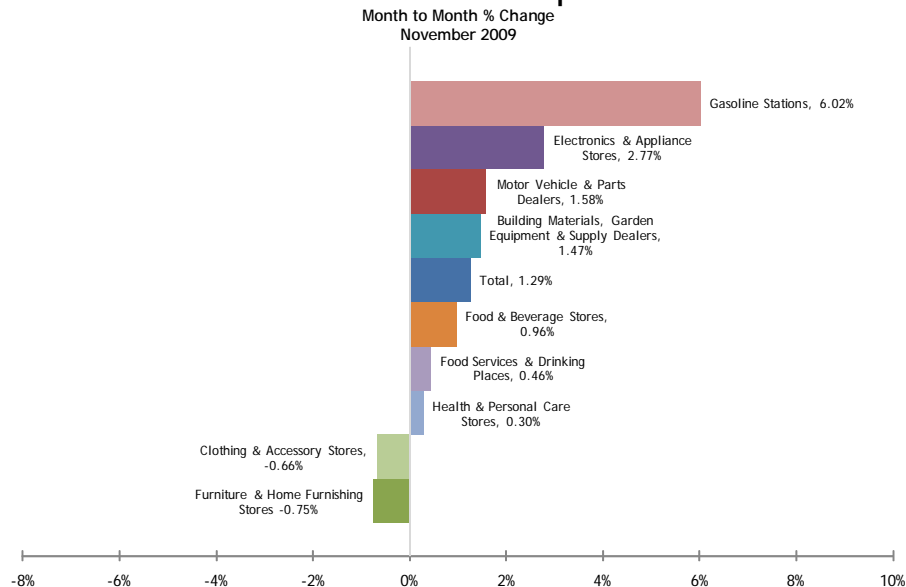


Source: U.S. Census Bureau

- Retail sales came in strong in November, increasing 1.4% from October; Bloomberg's market consensus expectation was an increase of 0.7%. On a year-over-year basis, total retail sales are up 1.9%, the highest level since June 2008.
- From October to November, retail sales excluding autos increased 1.2%, and core retail sales increased 0.5%. On a year-over-year basis, retail sales excluding autos and core retail sales (total excluding gas, autos, and building supplies) were up 1.3% and 1.2%, respectively, from November 2008.
- The increase in retail sales was led by the strong increase in gasoline stations. Apparel and home furniture were the only components to experience declines from October to November; this decline is in line with retailer's tepid holiday sales reports, particularly with regards to apparel.

Gains in November were dispersed across all components apart from apparel and furniture stores, which declined modestly from October.

## U.S. Retail Sales Components



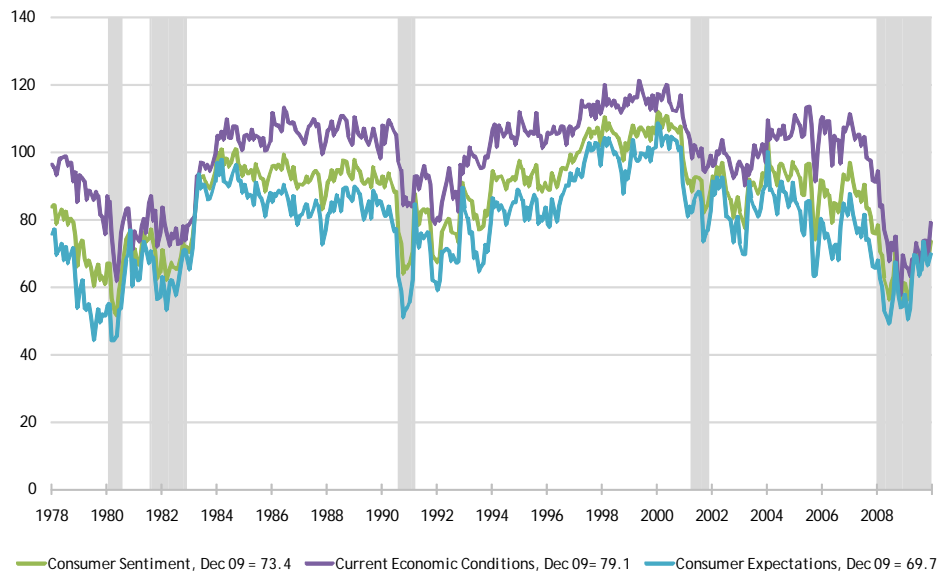
Source: U.S. Census Bureau

# Consumer Spending

## Summary

The Reuters/University of Michigan Consumer Sentiment Index increased in December.

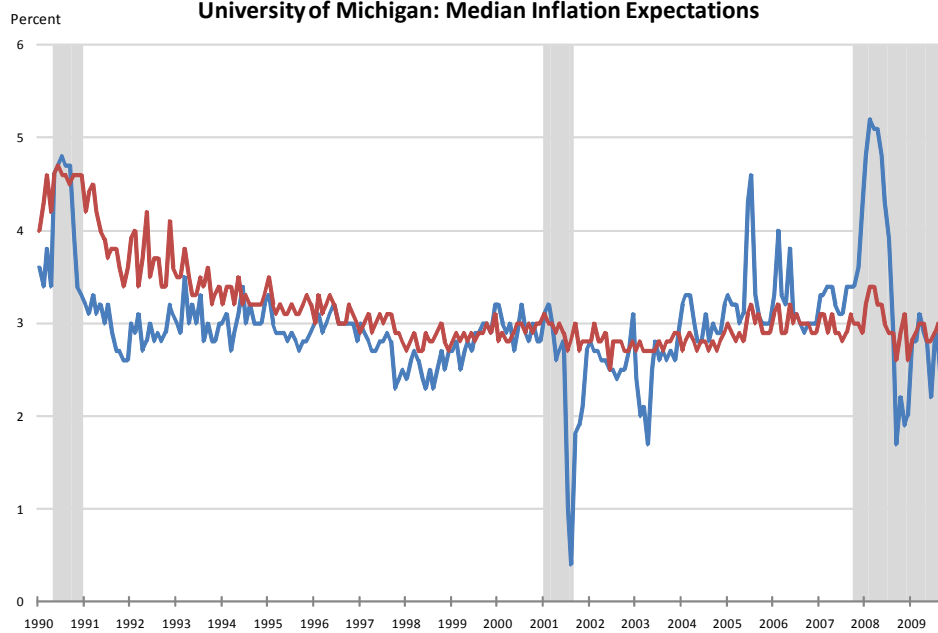
Reuters/University of Michigan Consumer Sentiment Index  
1966Q1 = 100



Source: Reuters/University of Michigan

- In December the Reuters/University of Michigan Consumer Sentiment Index increased from 67.4 points to 73.4, surpassing analysts' expectations of 69. Current economic conditions surged 10.3 points to 79.1, and consumer expectations rose 3.2 points to 69.7.
- The Reuters/University of Michigan index is now approximately 18 points above its cyclical low.
- The median one-year-ahead expected inflation rate declined sharply from 2.7% to 2.1% from November to December, while the median five-to-ten year outlook decreased from 3% to 2.6%. The five-to-ten-year inflation expectations have not been below 2.6% since September 2002.

University of Michigan: Median Inflation Expectations

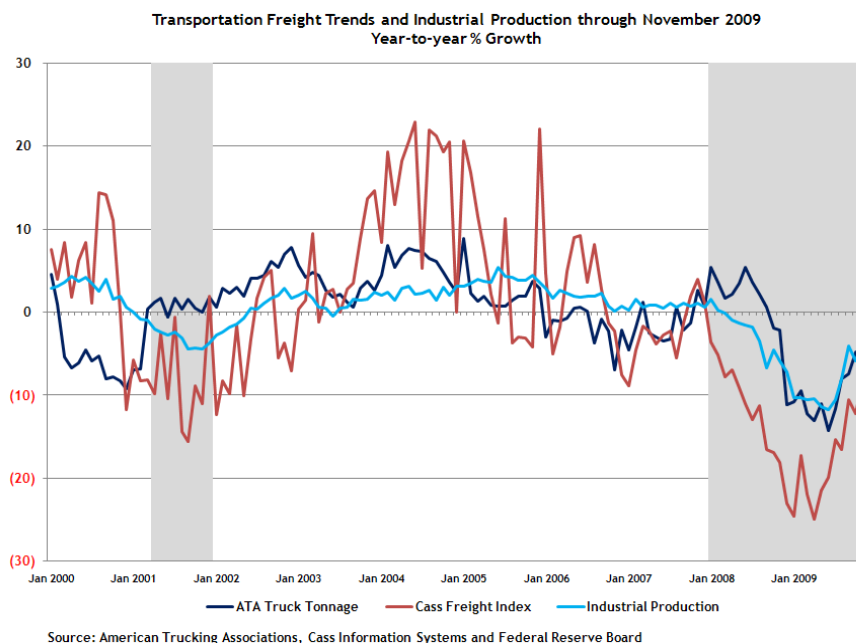


Source: Reuters/University of Michigan

# Transportation

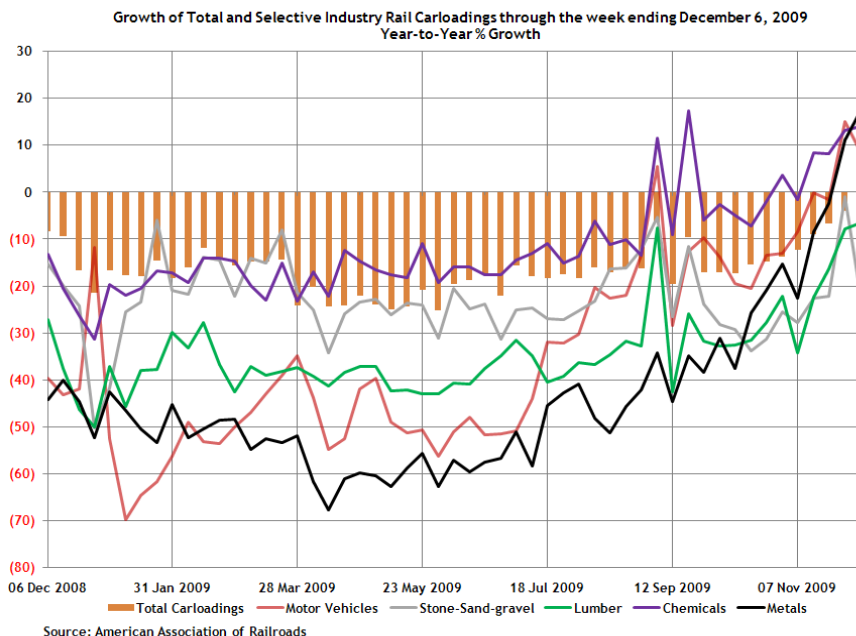
## Summary

Year-over-year declines in freight indicators continued to moderate through November 2009.



- Both the ATA (truck only) and the Cass Freight indexes (a wider range of shipping companies) posted single-digit year-over-year declines in October and November, contrasting with their double-digit drops in early 2009.
- Transportation contacts speculated that the latest readings reflect an economic recovery that is still trying to gain balance but is on more solid ground than in earlier months.

Railroad shipments through early December continued to post steady improvements.



- The Association of American Railroads reported that total rail shipments through early December were off 5% from 2008 levels, an improvement from double-digit declines reported in previous weeks.
- Three key rail industry shipments—autos, chemicals, and metals—posted gains in recent weeks, suggesting that the worst in the decline of industrial shipments may be over. However, construction-related shipments, such as stone and gravel and lumber, continued to post declines during November and early December from comparable weeks in 2008.