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Prices

Summary

The August reading showed monthly gains in PPI for all stages of processing, even when excluding food and energy.

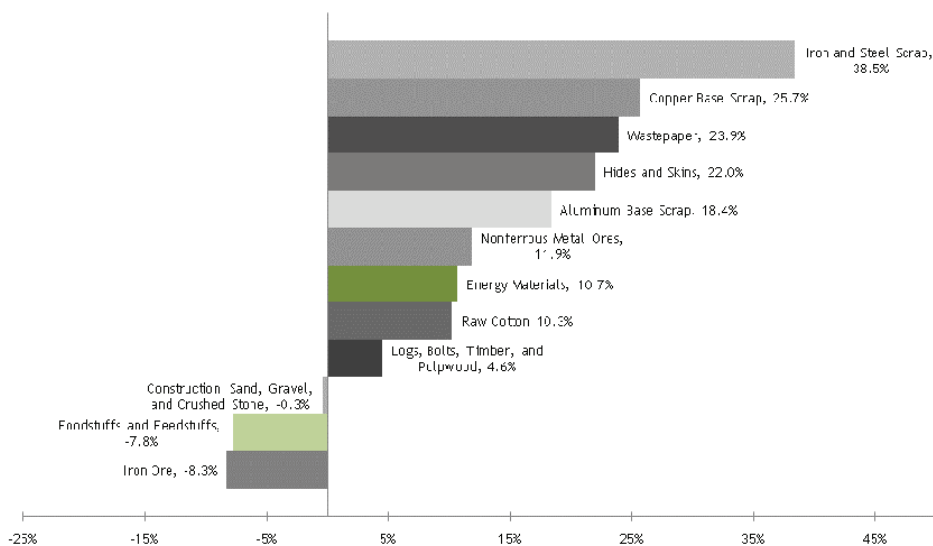
- The headline producer price index (PPI) for finished goods rose 1.7% month over month in August, above Bloomberg consensus expectations for a 0.8% increase. About 85% of the increase came from gasoline prices, which were up 23% from July. Core (less food and energy) PPI for finished goods was also up for the month, boosted by rising automotive prices.
- Energy prices also accounted for much of the increases in intermediate and crude goods prices in August although both measures also rose on a core basis.

	1-month*	3-month*	12-month*	2008**	2003-2008**
Finished	23.1	11.0	-4.3	-1.2	3.2
Less food & energy	2.1	2.3	2.3	4.5	2.5
Intermediate	24.1	14.8	-12.3	-2.6	5.0
Less food & energy	7.2	4.8	-8.2	2.9	4.8
Crude	56.6	15.9	-35.1	-24.3	4.1
Less food & energy	102.0	57.2	-29.87	-24.1	5.4

*Seasonally adjusted annualized rates of change in price indices for given period ending August 2009
 **Seasonally adjusted annualized rates of change in price indices for given period
 Source: U.S. Bureau of Labor Statistics

Upward price pressures on crude materials have been relatively broad-based and could be associated with some strengthening in global industrial activity.

PPI: Crude Materials Components
3-month % change (NSA)
Aug 2009

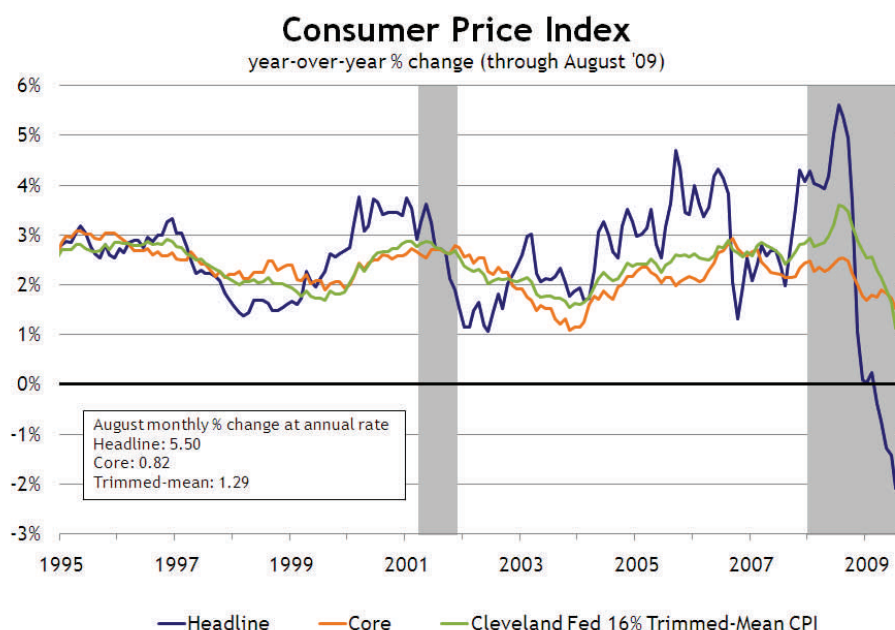


Source: U.S. Bureau of Labor Statistics

Summary

The rate of decline in headline CPI slowed in August year over year, led by easing energy price deflation, largely a result of a lower comparison base (energy prices began to soften in August 2008).

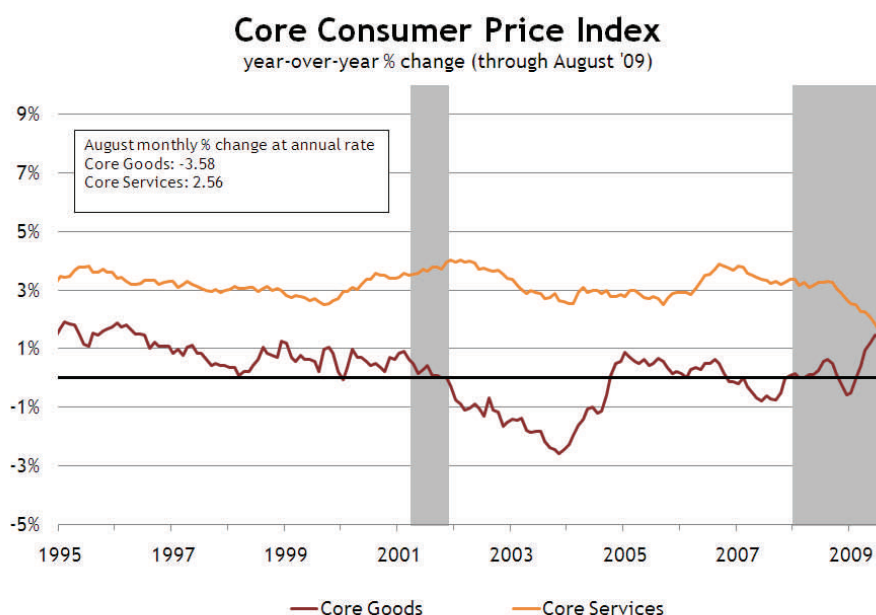
Both core and trimmed-mean measures continue to indicate ongoing disinflationary pressures.



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 August month over month** after experiencing no change in July. More than 80% of the monthly increase was due to a 9.1% gain in the gasoline index. Overall CPI in August is 1.5% below year-earlier levels, up somewhat from the July numbers, which were buoyed by the energy price surge in July 2008.
- The **core** (excluding food and energy) measure of **consumer prices** continued to indicate disinflationary pressure in August, decelerating to a 0.8% annual rate following a 1.1% rate in July. Year-over-year core CPI, which has been decelerating since April, clocked in at **1.4% year over year** in August.
- The Cleveland Fed's trimmed mean CPI measure is also exhibiting signs of disinflation, coming in at 1.1% year over year, the lowest rate in the measure's 25-year history.

Core services inflation continues to decelerate on a year-over-year basis, but the measure did tick up 0.2% in August from the month before, supported by an increase in rent prices.

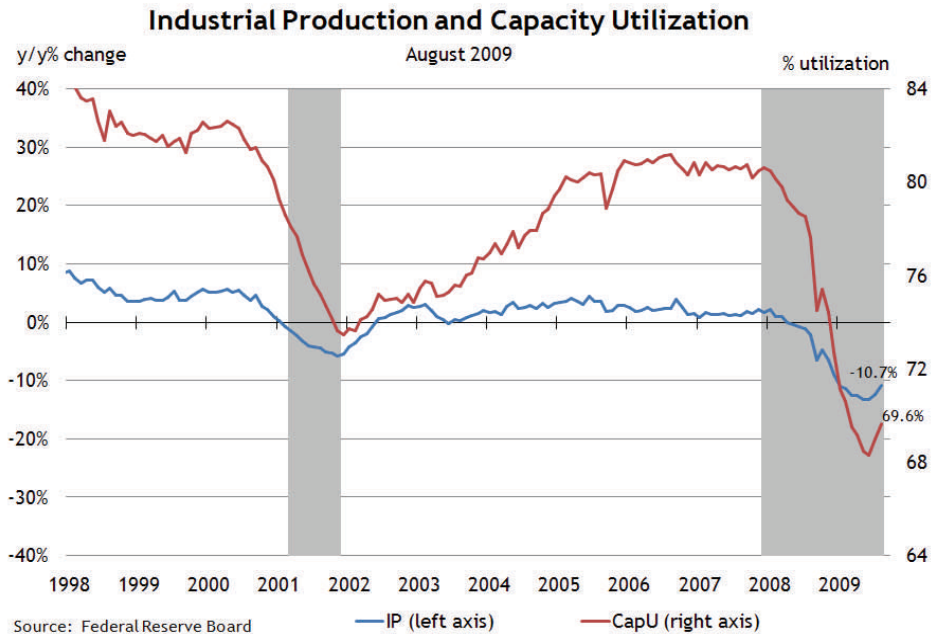


Source: U.S. Bureau of Labor Statistics

Manufacturing and Trade

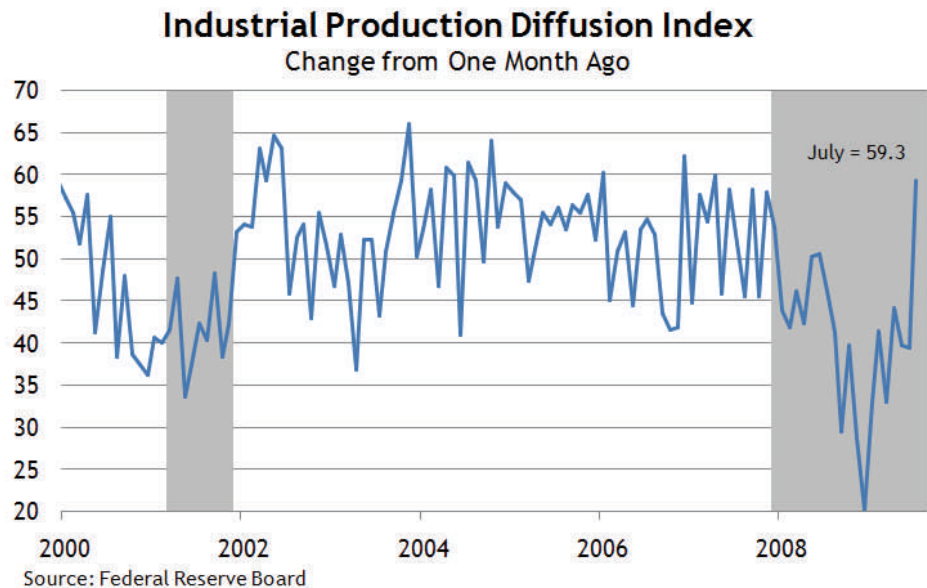
Summary

Industrial production rose 0.8% in August following an upwardly revised 1% in July.



- **Industrial production rose 0.8 percentage points overall in August.** Versus a year ago, however, industrial production still remains down 10.7%.
- **Manufacturing production gained 0.6% in August.** The July figure for manufacturing production was revised upward from 1% to 1.4%.
- While IP for motor vehicles and parts increased 5.5% in August, **nonautomotive manufacturing IP gained 0.4%.**
- In August, mining production gained 0.5% and utilities gained 1.9%.
- **Capacity utilization increased 0.6 percentage points to reach 69.6%,** slowly creeping upward from June's historic low.

The Industrial Production Diffusion Index has reached pre-recession levels.



- **The industrial production diffusion index jumped 19.8 index points in July.**
- The diffusion index is calculated as the percentage of the 255 component industries that increased over the previous month plus one-half the percentage that was unchanged.

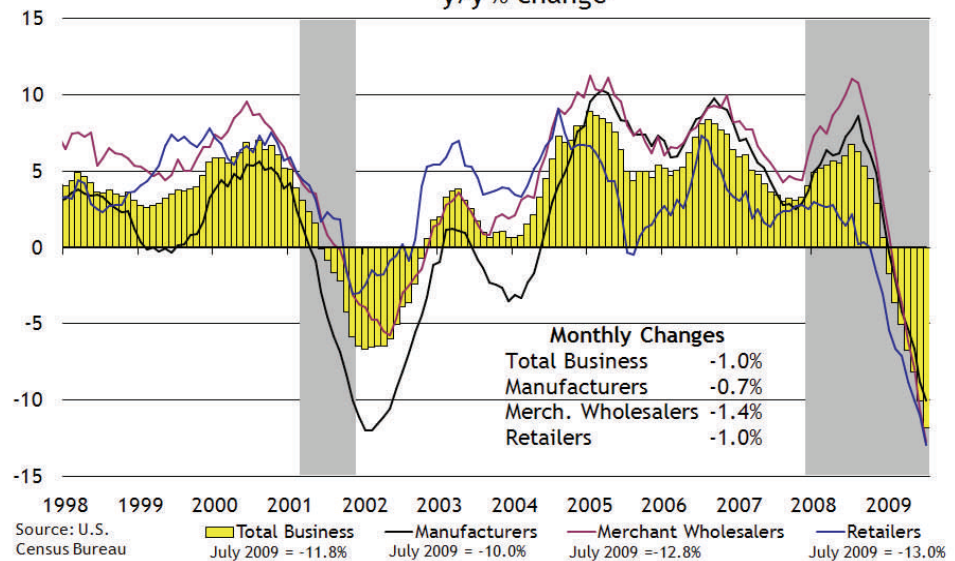
Manufacturing and Trade

Summary

In July, total business inventories declined 1% from June levels.

Business Inventories

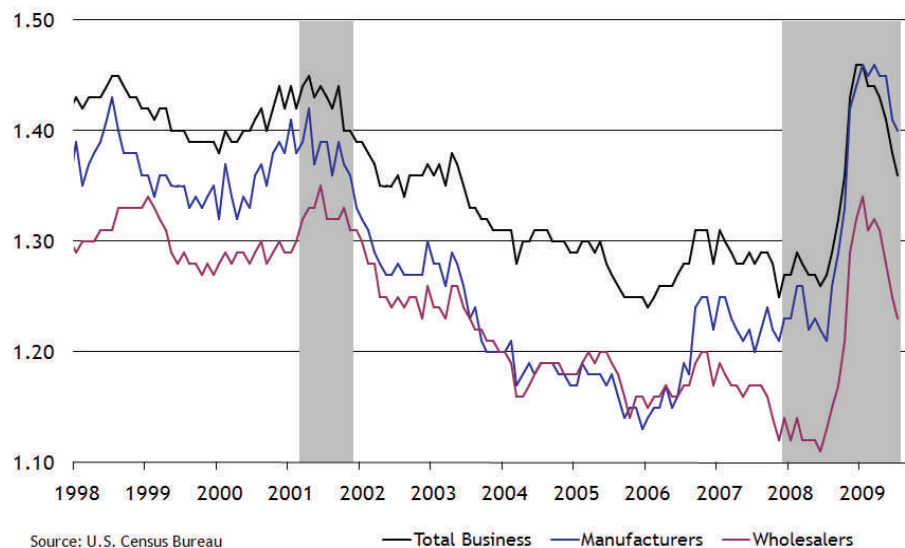
y/y % change



- **Total business inventories were down 1.0% in July month over month.** Significant declines in year-earlier levels also remain and have been the trend since January 2009. June's level of business inventories was down 11.8% compared with the previous year.
- Compared with July 2008, manufacturing inventories in July 2009 fell back 10%, merchant wholesalers' inventories were down 12.8%, and retail inventories dropped 13%.
- Compared with June, manufacturing inventories in July contracted 0.7%, merchant wholesalers' inventories were down 1.4%, and retail inventories declined 1%.

Inventory-to-sales ratios continued their year-to-date declining trend in July with the I/S ratio for total business inventories falling to 1.36.

Inventory-to-Sales Ratios



- Inventory-to-sales (I/S) ratios dropped across the board. **The I/S ratio for total business inventories dropped from 1.38 in May to 1.36 in July.** Merchant wholesalers' I/S ratio slipped from 1.25 to 1.23 month over month, and the manufacturing I/S ratio dropped from 1.41 to 1.40 month over month.

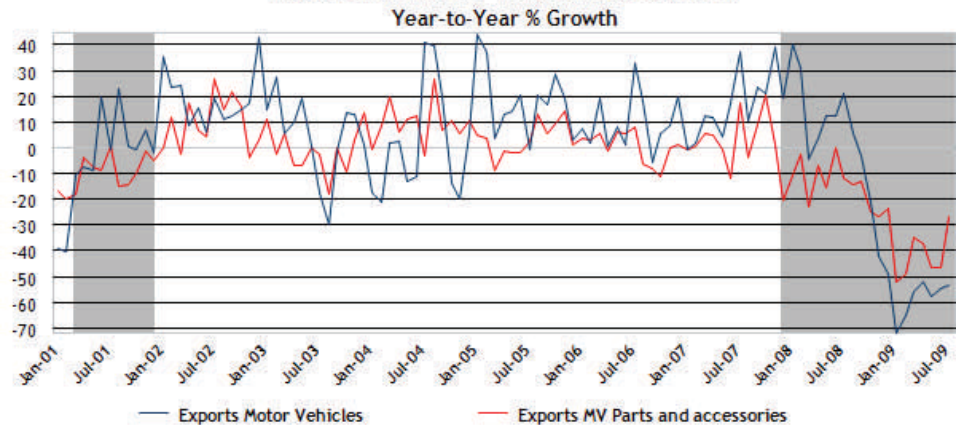
Manufacturing and Trade

Summary

During the current recession, motor vehicle trade with Canada, the United States' top trading partner, has dropped dramatically.

In less than a year, the pace of U.S. exports of motor vehicles to Canada turned from a plus 20% rate to a minus 60% performance.

Exports of motor vehicles to Canada

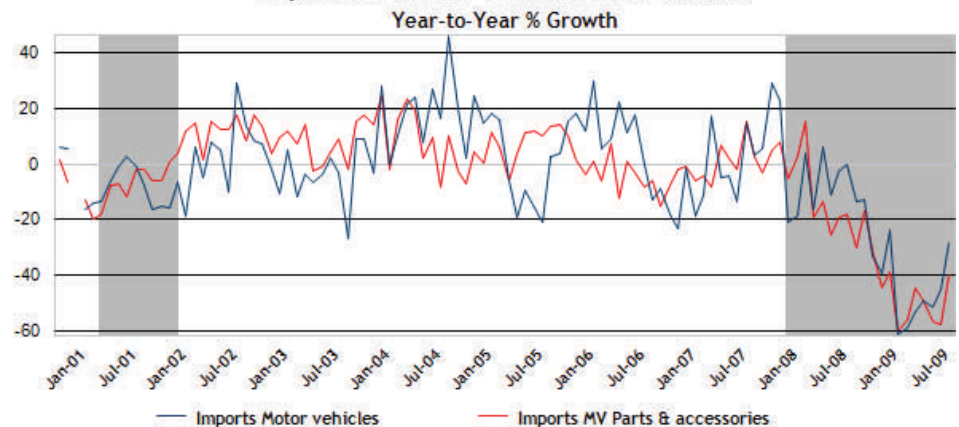


Source: U.S. Bureau of the Census/MEDC

- The pace of U.S. exports of motor vehicles to Canada reached an all-time low in early 2009. But it declined less dramatically by July 2009.

About one-fifth of North American vehicle production and parts originates in Canada. For most of 2009, U.S. imports of motor vehicles and parts from Canada were sharply below 2008 levels.

Imports of motor vehicles from Canada



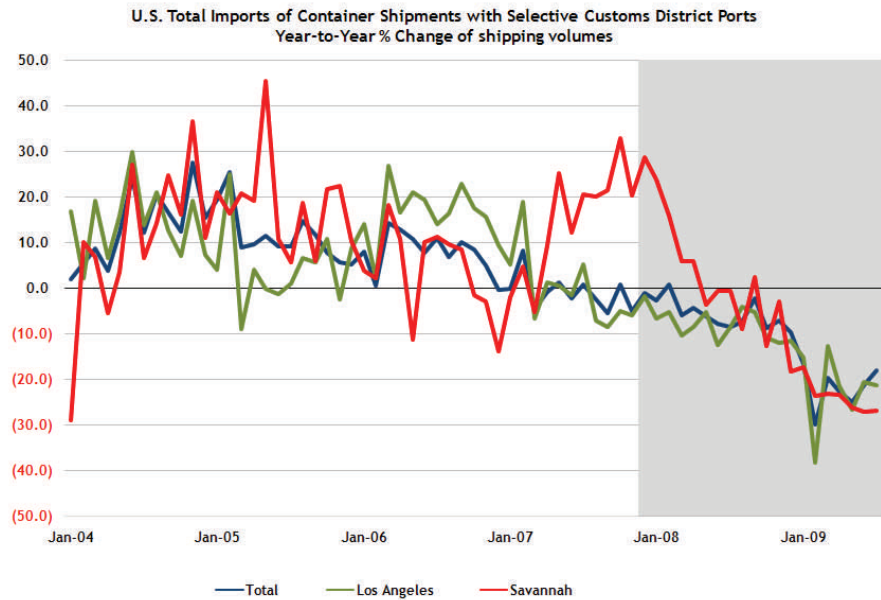
Source: U.S. Bureau of the Census/MEDC

- In 2008, about one-fourth of U.S. nonoil imports from Canada came from motor vehicle and parts manufacturing industries.
- Since late 2008, U.S. imports of motor vehicles and parts from Canada have been declining at an average pace of 30% and 40%, respectively, reversing the double-digit gains posted in previous years.

Manufacturing and Trade

Summary

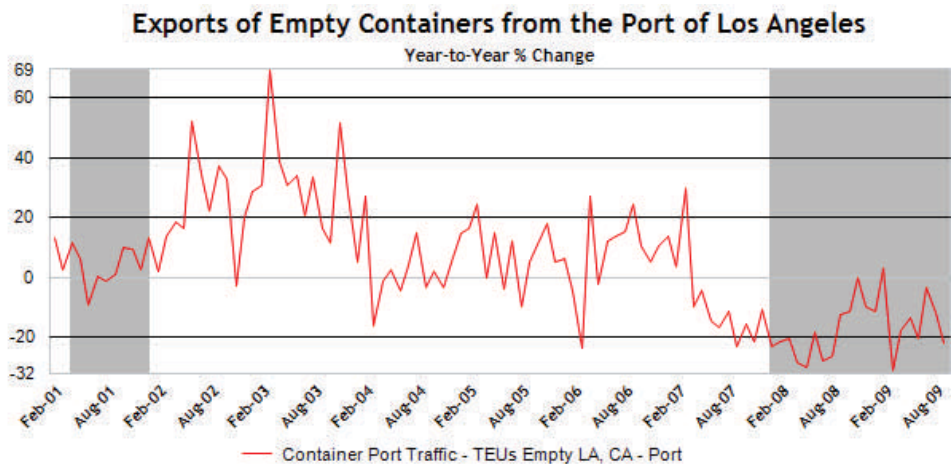
Import container volume is one transportation indicator worth watching. Weak container shipments at leading national ports signal a weak season for imported retail merchandise.



Source: U.S. Department of Commerce/MEDC

- Through July 2009, U.S. container imports for leading national ports were about 20% and 30% below year-earlier levels.
- The National Retail Federation estimated that the peak season for retail imports this year will fall to their lowest level in seven years. Regional contacts have similarly noted that after disappointing back-to-school results, some retailers may be holding back on orders for the holiday season.

Exports of empty containers can add important information to the direction of future consumer retail imports, particularly for national ports with strong ties and trade imbalances to countries like China. The recent weak outbound pace of empty containers anticipates continued weaknesses in demand for consumer imported goods.



Source: Port of Los Angeles/MEDC

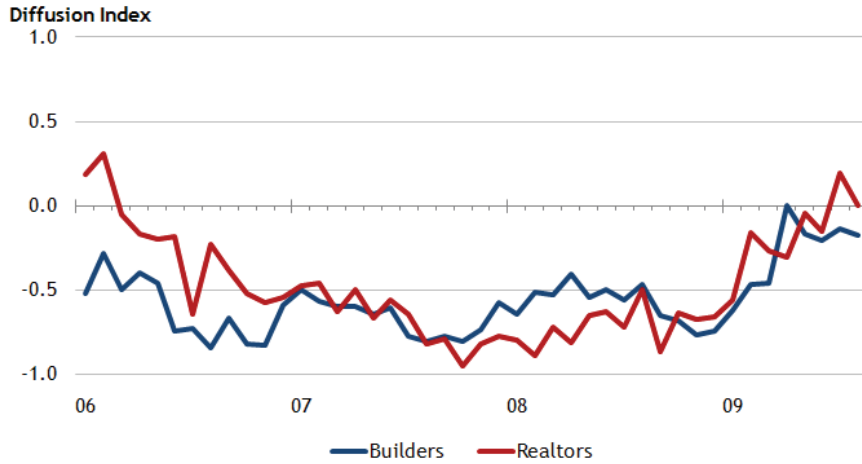
- Regional port contacts have noted similar patterns of weak outbound “empties.”
- In recent years, regional ports have benefited by growing container trade and the spreading of large retail distribution centers. However, weakening intermodal shipments by rail and truck this year depict the negative impact of trade on the transportation sector, a key driver of the regional economy.

Summary

August home sales softened somewhat according to our survey of Southeastern Realtors and homebuilders. The majority of homebuilders reported that sales declined in August compared with a year earlier. Realtor reports were mixed; nearly half said sales decreased on a year-over-year basis.

Note: The housing survey's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values of the index indicate increased activity among the majority of contacts while negative values indicate decreased activity.

Southeast Home Sales vs. a Year Earlier



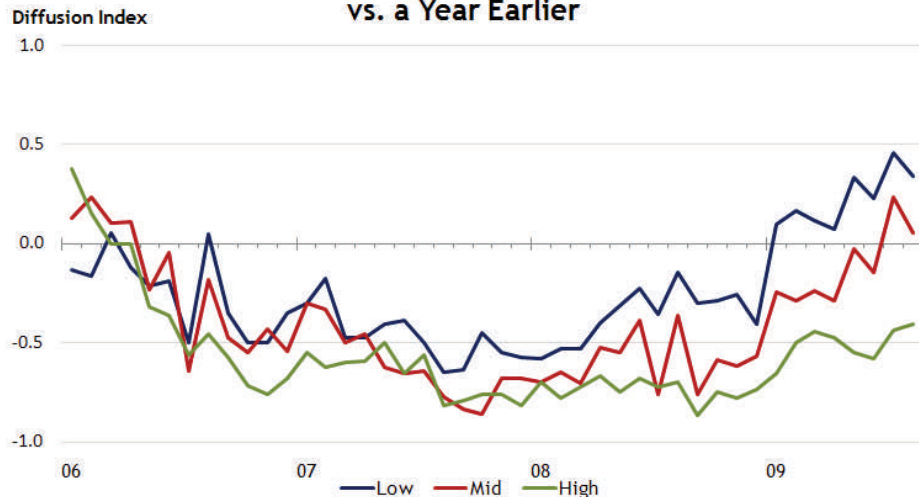
Source: FRBA business contact survey

Preliminary August survey results are based on responses from 82 Realtors and 47 homebuilders.

- Reports from Florida Realtors remained the most upbeat, with the majority of contacts continuing to note year-over-year gains in August; however, reports indicated that year-over-year growth moderated somewhat from July. Reports from Florida builders indicated weakening as well, with the majority reporting sales declined year-over-year following reports of flat to modest growth in sales in the July report.
- Alabama builders noted a slight pickup in new home sales year-over-year growth.
- Reports from Georgia homebuilders and Realtors remained the weakest.
- Homebuilders outside of Florida noted that buyer traffic improved on a year-over-year basis while Florida contacts said that traffic moderated from its recent high in August.
- Most Southeastern Realtors reported that buyer traffic remained above the year-earlier level in August but had softened somewhat from July.

Southeastern Realtors continued to report that demand in the low to mid price home market remained positive in August but moderated somewhat while the high end of the market continued to trend up slightly.

Southeast Home Sales by Price Range vs. a Year Earlier

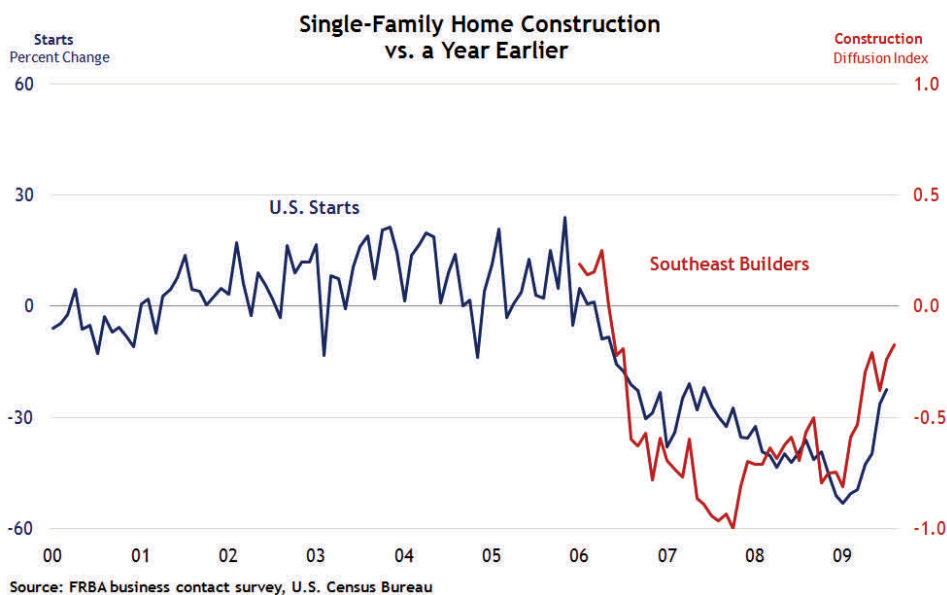


Note: Low, mid, and high are Realtor defined

Source: FRBA business contact survey

Summary

Southeastern homebuilders reported that new home construction activity remained below the year-earlier level.



Home Construction Activity vs. a Year Earlier								
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Up significantly	4%	0%	2%	0%	5%	2%	4%	7%
Up slightly	0%	10%	16%	23%	27%	23%	26%	24%
No change	10%	22%	10%	25%	15%	13%	16%	22%
Down slightly	27%	20%	24%	18%	19%	23%	24%	28%
Down significantly	58%	49%	47%	34%	34%	40%	30%	20%

- The share of homebuilders reporting significant year-over-year declines in home construction continued to decline in August.

The three-month outlook for Southeastern home sales weakened among both Realtors and homebuilders in August.

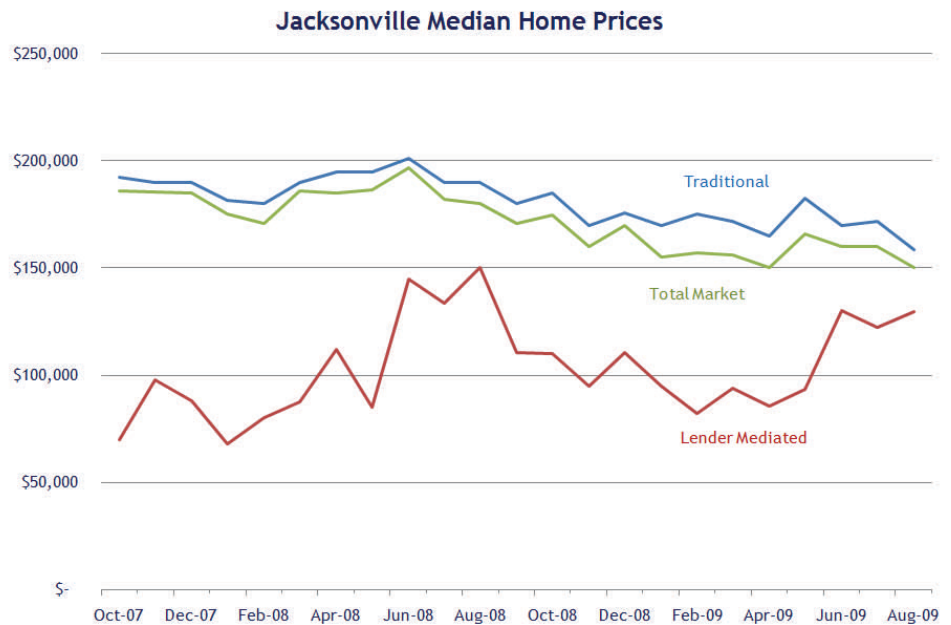
Southeast Home Sales Outlook



Summary

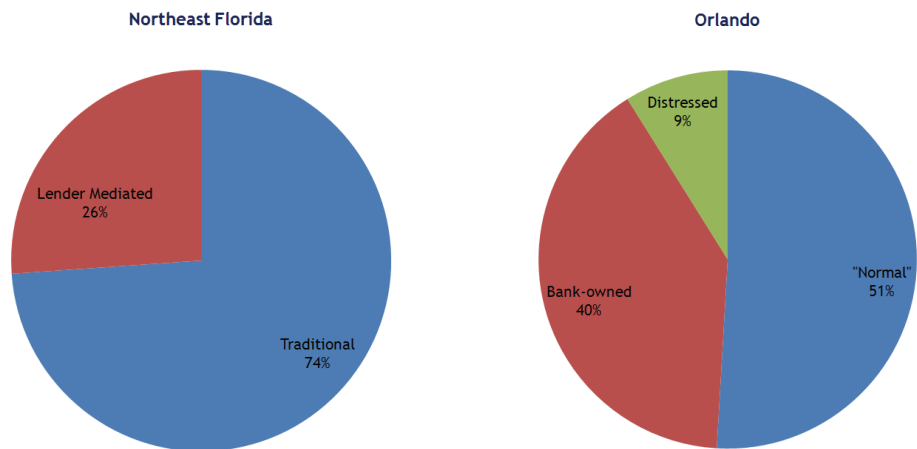
Home price data from the Northeast Florida Association of Realtors demonstrates the downward pressure on the total market from foreclosed, pre-foreclosed, and short sales.

Both the traditional median price and the total market median price continued to weaken despite recent improvements in the lender-mediated median price.



Note: "Lender Mediated" indicates properties listed as foreclosed, REO, pre-foreclosed, or short sale.
Source: Northeast Florida Association of Realtors

August 2009 Existing Home Sales by Property Type



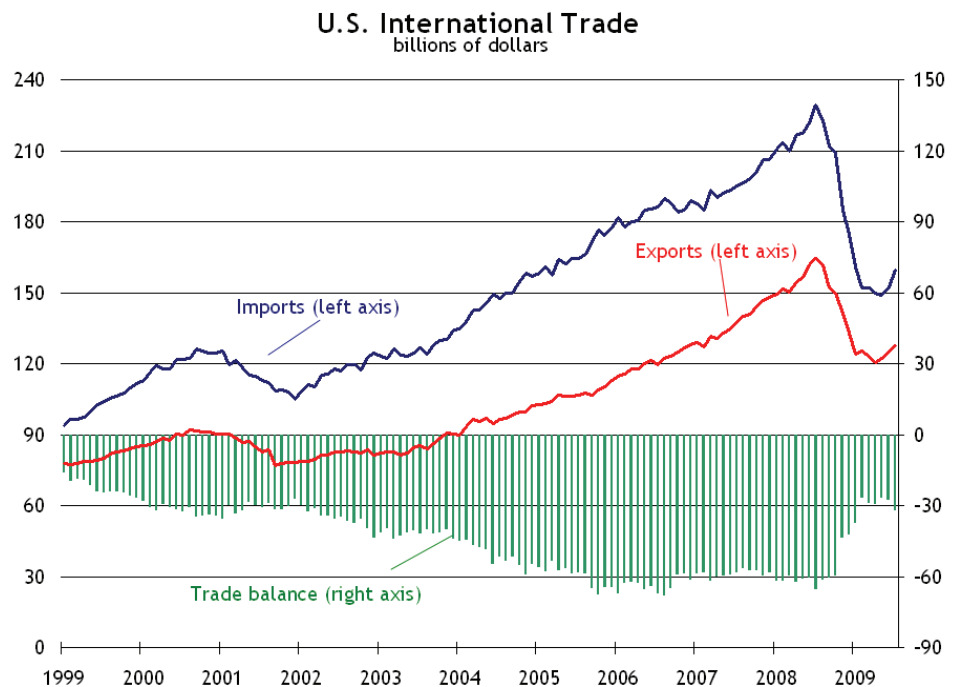
Note: Distressed represents properties listed as foreclosed or pre-foreclosed.
Source: Orlando Regional Realtors Association, Northeast Florida Association of Realtors

International Trade

Summary

The U.S. nominal trade deficit widened a bit for the second consecutive month in July.

Both exports and imports recorded strong and broad-based gains.



Source: U.S. Bureau of the Census

- The U.S. **nominal trade deficit widened** in July by \$4.5 billion to \$32.0 billion—much higher than the Bloomberg consensus estimate of \$27.4 billion. Both imports and exports recorded large gains for the month. The deficit, however, widened because the increase in imports outpaced export growth in July.
- Nominal exports increased for the third consecutive month in July, while imports posted the second positive monthly growth. **Increases in both exports and imports were broad based** across major categories (except for the food category), although automotive vehicles and parts clearly dominated trade flows on both sides.
- **Merchandise trade volume** (exports plus imports) in July rose at the second-fastest monthly rate in the series' 15-year history—in line with the **much-improved economic outlook in the United States and abroad**. According to the Organisation for Economic Co-operation and Development, “clear signals of recovery are now visible in all G-7 economies, in particular in France and Italy, as well as in China, India and Russia.” Still, the July U.S. merchandise trade volume was 18% below the year-earlier level.

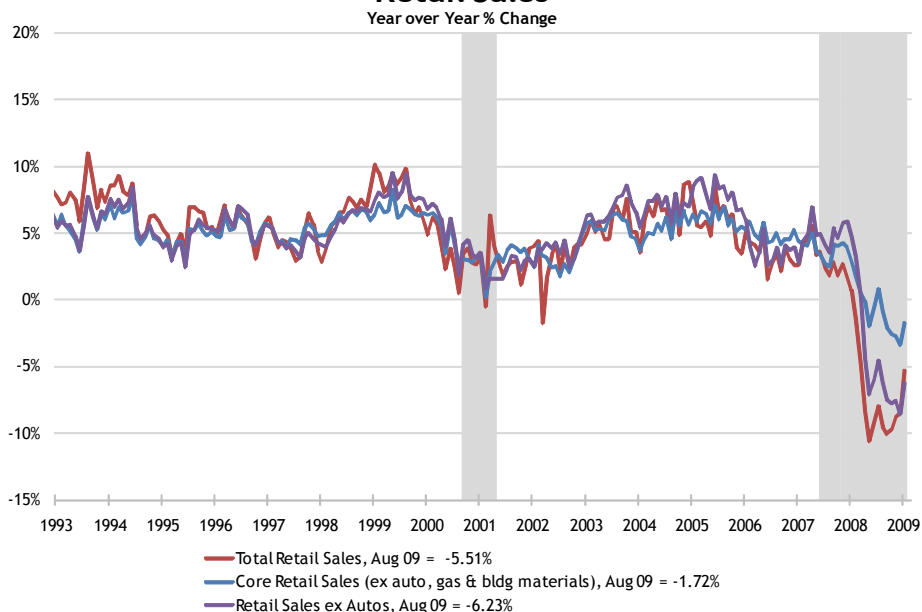
Consumer Spending

Summary

In August, retail sales posted the largest gain since October 2006.

Gains far surpassed Bloomberg's market consensus expectations of a 1.9% increase from July to August.

Retail Sales



Source: U.S. Census Bureau

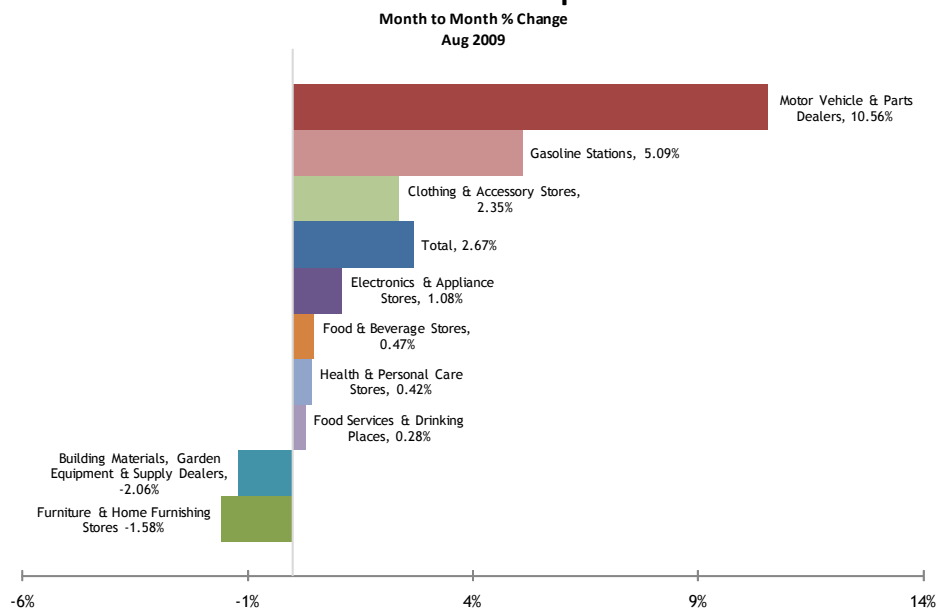
- Retail sales surged in August, increasing 2.7% from July. On a year-over-year basis, retail sales are down 5.5%, the highest yearly level since October 2008.
- On a year-over-year basis, the decline in retail sales excluding autos and core retail sales (total excluding gas, autos, and building supplies) decelerated for the first time since early 2009, falling to -6.2% and -1.7%, respectively. From July to August, retail sales excluding autos increased 1.1%, while core retail sales rose 0.7%.
- The increase in retail sales was led by auto sales (because of the “cash for clunkers” program); gasoline (because of high prices); and back-to-school-related merchandise (according to analysts from economy.com).

Auto and gasoline sales led the increase in retail sales.

Although auto sales surged to the highest monthly increase since 2001 in August, retail sales excluding auto increased 1.1%.

Retail sales showed strength in every component apart from building supply and furniture stores.

U.S. Retail Sales Components

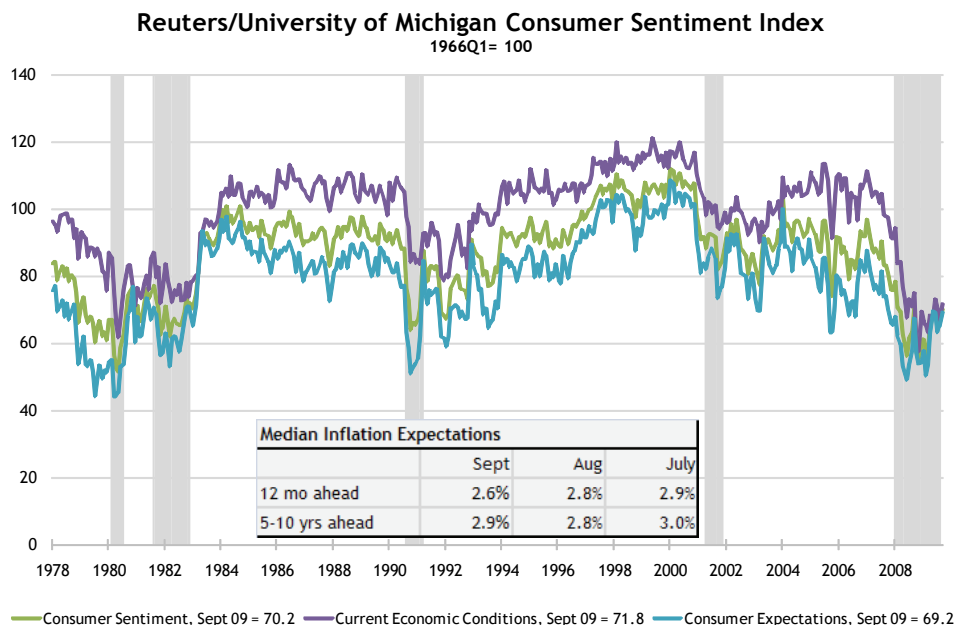


Source: U.S. Census Bureau

Consumer Spending

Summary

September preliminary consumer sentiment rose slightly after two consecutive months of declines.



Source: Reuters/University of Michigan

- The September preliminary Reuters/University of Michigan Consumer Sentiment Index rose from 65.7 points to 70.2, above the market consensus expectation of 67.5 points. Present economic conditions rose 5.2 points to 71.8, and August consumer expectations rose 4.2 points to 69.2.
- Analysts note that moderating job losses and the “cash for clunkers” incentive program were chiefly responsible for the overall consumer sentiment index gain.
- Although consumer sentiment showed signs of improvement in September, it still remains at relatively low levels. The index is well below prerecessionary levels as the unemployment rate remains elevated, credit remains hard to acquire, and the housing market has not yet stabilized.
- Expected inflation levels were mixed in September. The median one-year-ahead inflation rate fell 0.2%, and the median five-to-ten-year outlook rose 0.1% to 2.9%.