

Economic Highlights

Manufacturing and Trade

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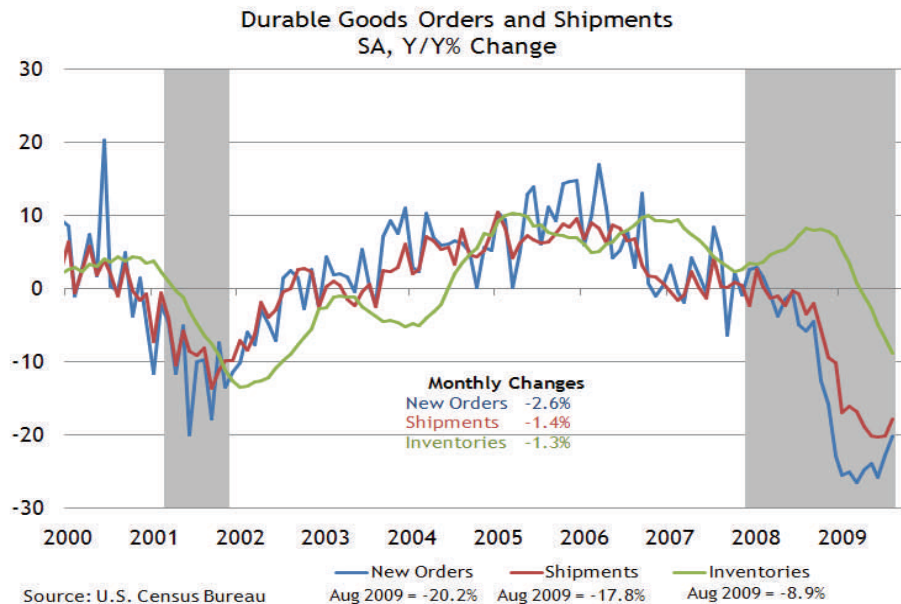
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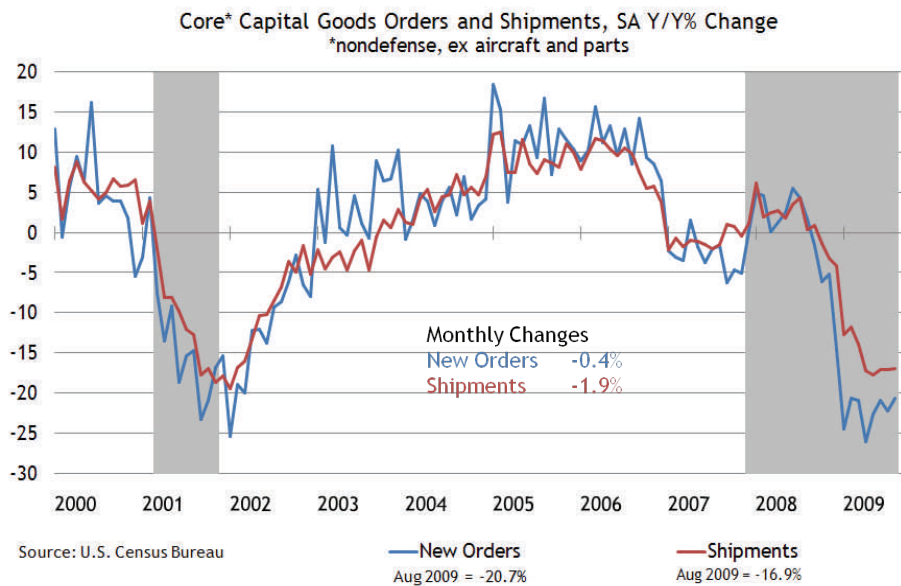
Summary

New orders, shipments, and inventories of durable goods were down in August.



- In August, new orders for manufactured durable goods lost 2.6% month over month, mostly as an adjustment from the sharp increase in civilian aircraft orders last month.
- Shipments fell 1.4% from July levels.
- Inventories continued their downward slide both from a year ago (-8.9%) and the previous month (-1.3%). This decline follows a July decline of 0.8%.

New orders for core capital goods were also down though not by as much as the headline durable goods figure. Significant year-over-year declines remain in new orders and shipments.

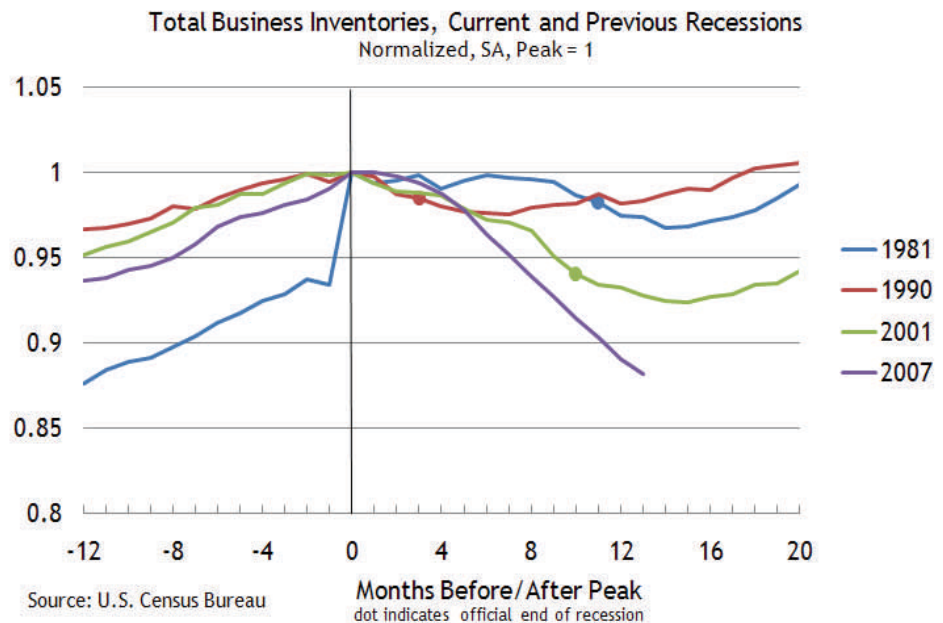


- Core capital goods data, a measure of business investment that excludes defense and aircraft-related figures, were also down annually and monthly.
- New orders for core capital goods were down 0.4% in August.
- Shipments for core capital goods fell 1.9% month over month, one-half of a percentage point more than the headline durable goods figure.

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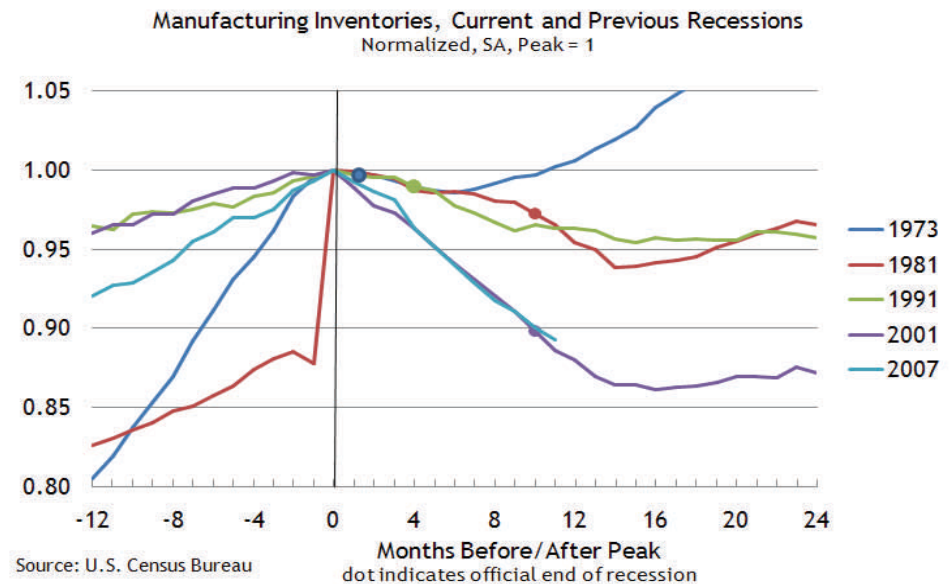
Summary

Inventories are falling deeper and taking longer to recover than in previous recessions.



- This recession comparison chart shows the behavior of total business inventories (manufacturing + retail + wholesale inventories) one year prior to and 20 months after inventories' peaks in the last three recessions.
- For the current recession beginning in 2007, total business inventories peaked in July 2008. Data are currently available through July 2009.
- The latest data release on durable goods inventories hints that the current downward trend will continue in August data.

Manufacturing inventories seem to be following a pattern much like the 2001 recession.

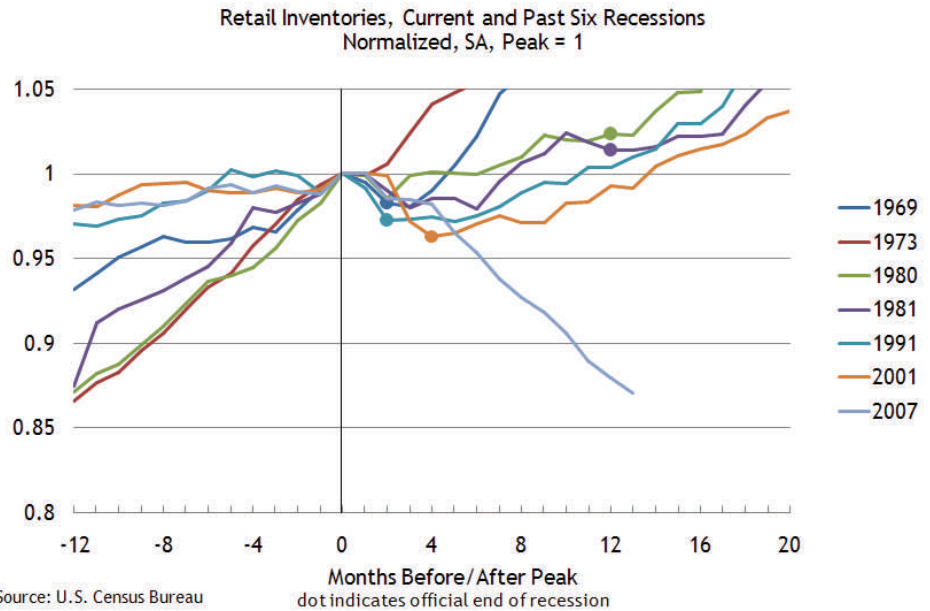


- Manufacturing inventories seem to be following a pattern similar to the 2001 recession. After manufacturing inventories peaked in January 2001, it took three years for them to bottom out in January 2004. They did not recover to peak levels until April 2006.
- Manufacturing inventories for the current recession are shown above 11 months out from their peak in August 2008.

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Summary

For the current recession, retail inventories in particular stand out from previous recessions.



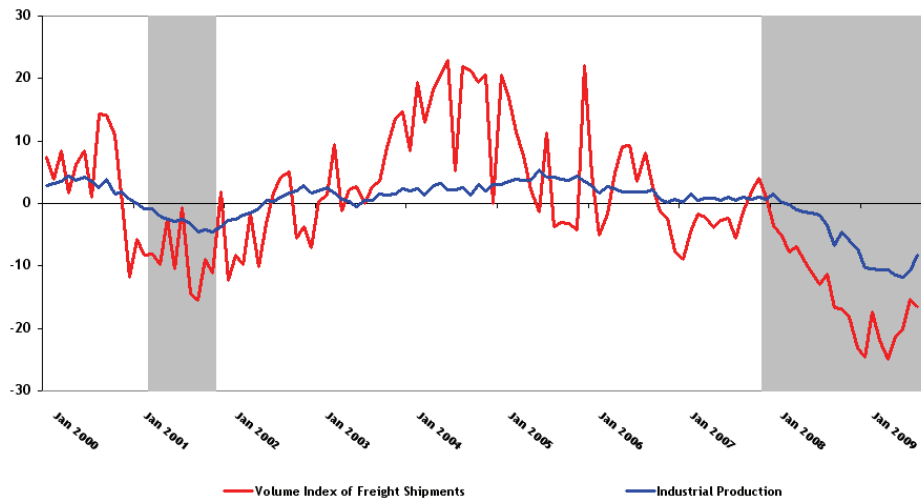
- This chart shows how the 2007 recession stands out from previous ones in terms of retail inventory rebuilding. Data shown are 12 months out from its peak in July 2008.
- Even the 2001 recession (orange), which was relatively slow to rebuild manufacturing and retail inventories, had recovered 13 months from its peak.

Summary

On year-to-year comparisons, freight indexes were still in negative territory. However, they posted month-to-month gains in August 2009.

The Cass freight index (CFI) for August 2009 shows another sequential monthly improvement. The monthly rise in freight volumes was in line with the continuing rebound of industrial production.

CASS Freight Volume Index and Industrial Production Trends through August 2009
Year-Year % Growth

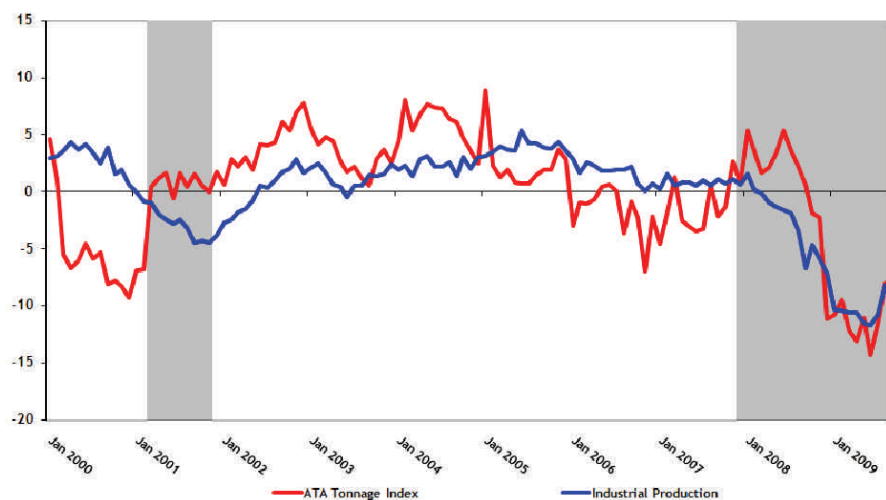


Source: Federal Reserve Board and Cass Information Systems/MEDC

- On a year-over-year basis, the volume of shipments declined 16.6%. However, in August, the index rose 1.6% over July. This index covers both trucking and rail shipments.
- Much of the recent progress in freight movements by rail can be attributed to motor vehicles and chemicals, both of which registered smaller declines in recent weeks.

The American Trucking Associations (ATA) also reported that the August tonnage index climbed for the second month in a row.

ATA Trucking Index and Industrial Production trends through August 2009
Year-Year % Growth



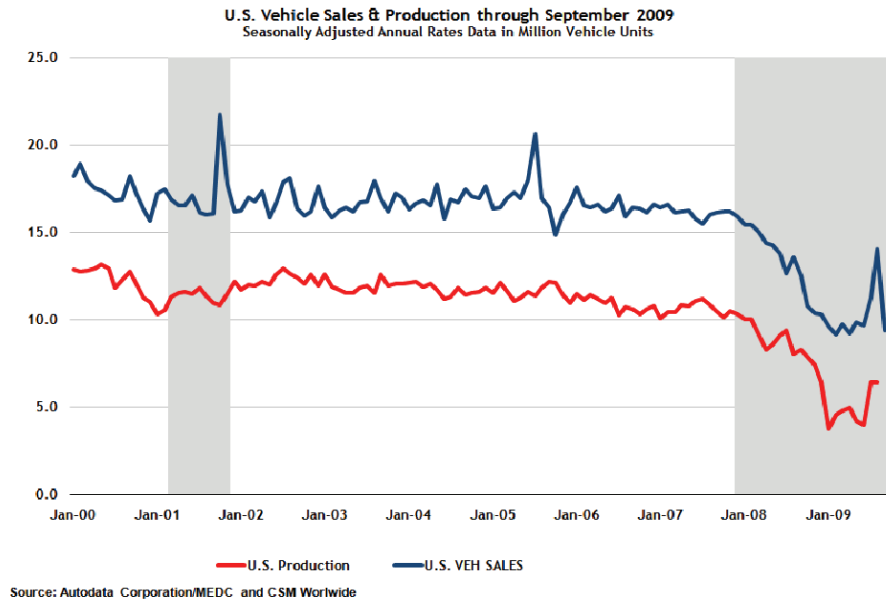
Source: Federal Reserve Board and American Trucking Associations/MEDC

- The ATA tonnage index in August climbed 2.1% from July 2009 but was 7.5% lower than August 2008.
- ATA economists noted that while the worst of their freight recession may be over, they expect moderate and probably some inconsistent growth in months ahead.

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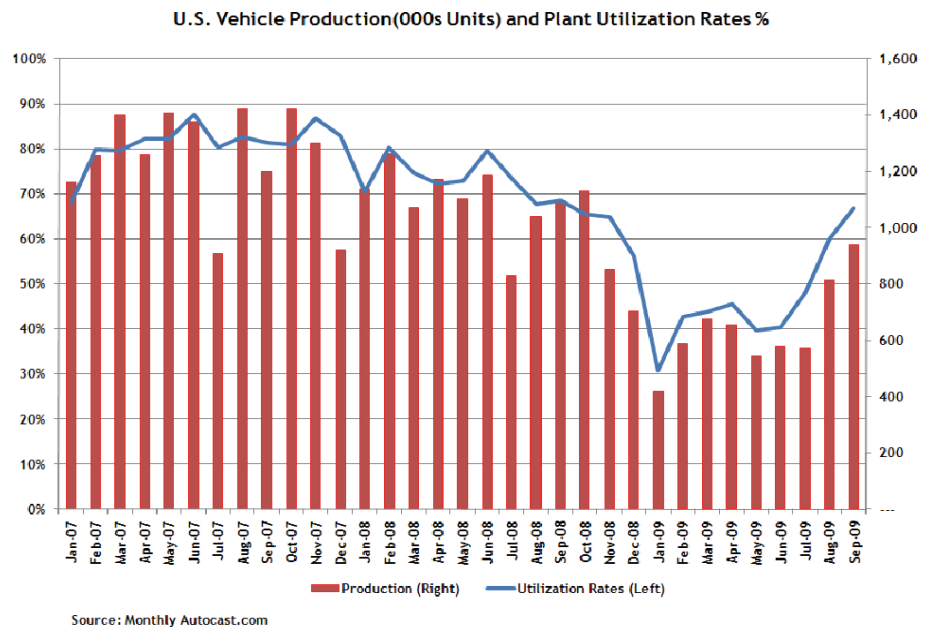
Summary

Vehicle production is rising, but producers must deal with much lower sales volumes. Edmunds.com projects 9.4 million SAAR vehicle sales for September, contrasting with the 14 million vehicles sold in August, helped by the Cash for Clunkers program.



- Industry analysts expect smaller vehicle sales volumes in 2010. Substantial rebates and high fleet sales kept auto sales artificially high during 2006-07. However, cash-strapped carmakers are not likely to freely use these tools.
- Domestic automakers with fewer assembly plants, a smaller labor force, and high debts are more eager to improve margins.

The auto industry's slump led U.S vehicle assemblies to sharply cut plant operating capacity. However, since mid-2009 utilization rates have been climbing.

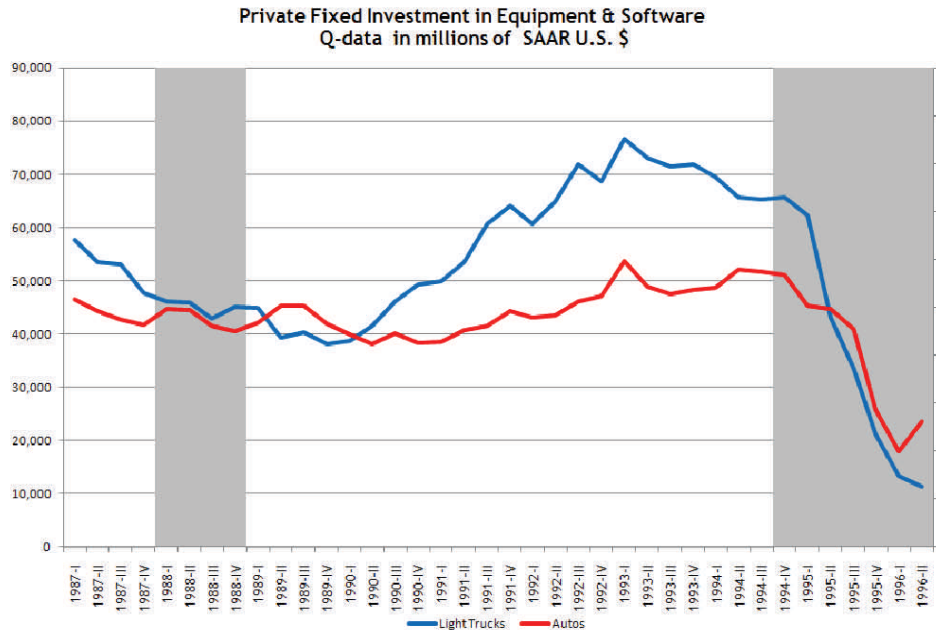


- According to MonthlyAutocast.com, U.S. production and capacity utilization rates in recent months have been recovering. By September 2009, utilization rates have climbed to 67%.
- According to CSM Worldwide, U.S. vehicle production plans for the fourth quarter are up slightly from 2008 levels. Ford, Toyota, and Nissan are planning double-digit production gains from late 2008.

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Summary

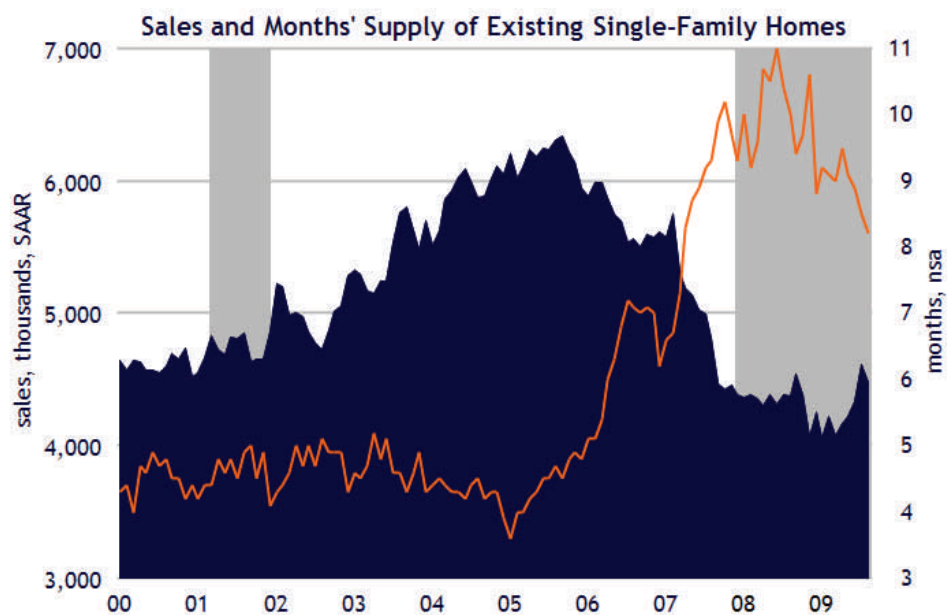
Recently, the auto industry's private investments in high-tech equipment and software have been far below trend. To remain competitive, the industry faces multiple challenges related to implementing new technologies.



- The auto industry is one of the most capital-intensive sectors of the U.S. economy. According to U.S. Bureau of Economic Analysis data, high-tech investments in autos and light trucks in 2006 totaled \$130 billion, accounting for more than 12% of the U.S. total private fixed investment in equipment and software.
- The flow of private investments in late 2008 dropped to about \$35 billion in the second quarter of 2009, a whopping 73% decline in private high-tech investments.
- In coming years several major vehicle manufacturers will introduce improved components in their new vehicles. Some will be using updated battery technology from hybrids or electric vehicle plug-ins. These improvements are aimed at improving fuel efficiency and reducing fossil fuel dependence.

Summary

The National Association of Realtors (NAR) reported that existing single-family home sales in August fell back following four consecutive monthly gains. Sales remained above the year-earlier level, and months' supply continued to decline.



Source: National Association of Realtors

August Existing Home Sales

	thousands, SAAR	y/y change	m/m change
Total	5,100	3.5%	-2.7%
Single-family	4,480	2.5%	-2.8%
Multifamily	620	10.1%	-1.6%

August Metro Single-Family Home Sales

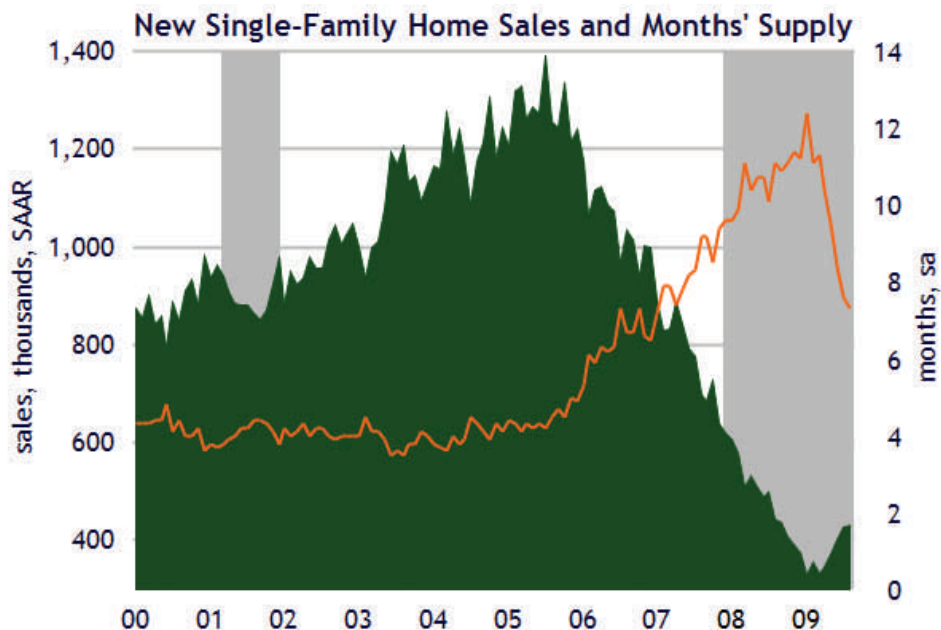
	nsa	y/y change
Atlanta	8,742	-1.5%
Miami-Fort Lauderdale	2,139	52.2%
New Orleans	1,067	6.4%

- Single-family home sales in August declined 2.8% from the prior month following a gain of 7.3% in July. Gains measured year over year also moderated in August, up 2.5 percent following a 5% gain in July.
- The NAR reported that total housing inventory at the end of August fell 10.8% to 3.6 million existing homes available for sale, which represents 8.5 months' supply.
- Single-family existing homes available for sale declined 9.1% in August to 3 million homes, which represents 8.2 months' supply.

Summary

The U.S. Census Bureau reported that single-family new home sales continued to improve in August, up 1% from July to August and modestly below consensus expectation of 1.6%.

The supply of new homes available for sale at the current rate of sale continued to decline to 7.3 months, the lowest level since January 2007.



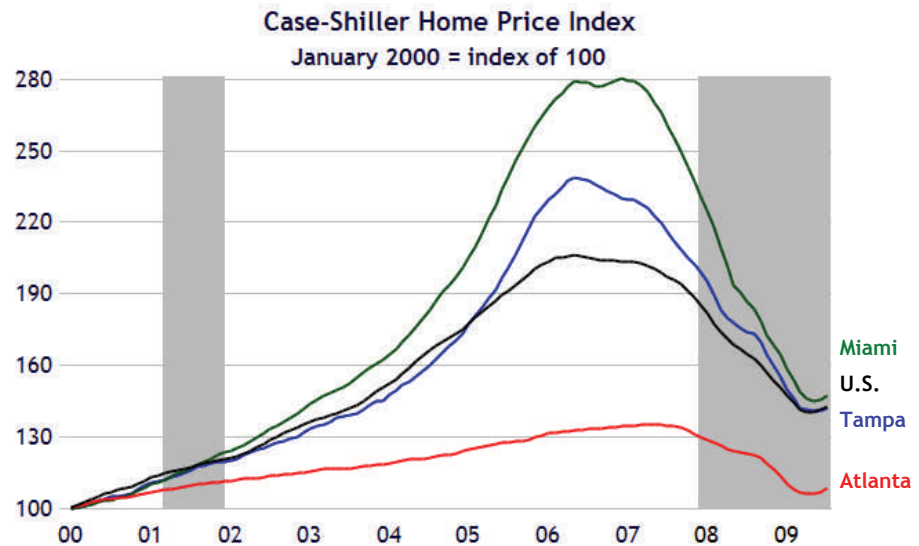
Source: U.S. Census Bureau

- The U.S. Census Bureau reported that new single-family home sales were at a seasonally adjusted annual rate of 429,000 in August. Sales increased 1% month over month following a 6.5% increase the prior month. Sales remained below the year-earlier level in August, down 3.4%.
- New home sales in the South census region held steady from July to August at a seasonally adjusted annual rate of 224,000 homes following a 14.9% increase the prior month. Home sales declined 11.1% year over year in August following a 17.7% increase the prior month.
- New home sales in the West census region rose 30.4% year over year in August. This increase is the first regional year-over-year gain since January 2006. The Northeast census region recorded its second consecutive year-over-year gain. New home sales in the South and Midwest regions remained below the year-earlier level.

Summary

Both the 20-city and 10-city composites of the Case-Shiller Home Price Index increased from June to July for the second month in a row.

Southeast markets showed signs of firming home prices as well in July.



Sources: Standard & Poor's and Fiserv Inc.

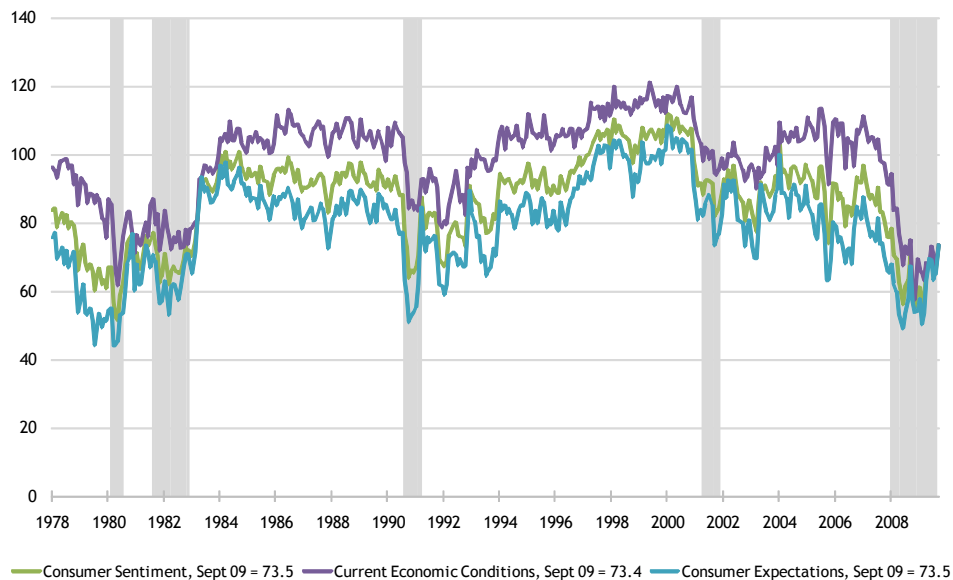
Case-Shiller	June (SA)	July (SA)	M/M	Y/Y
20-City Index	141.4	143.1	1.2%	-13.3%
10-City Index	152.8	154.7	1.3%	-12.8%
Atlanta	106.8	108.5	1.6%	-11.8%
Miami	146.0	147.3	1.0%	-21.2%
Tampa	141.2	142.0	0.5%	-18.5%

Consumer Spending

Summary

In September, the Reuters/University of Michigan Consumer Sentiment Index climbed to its highest level since January 2008.

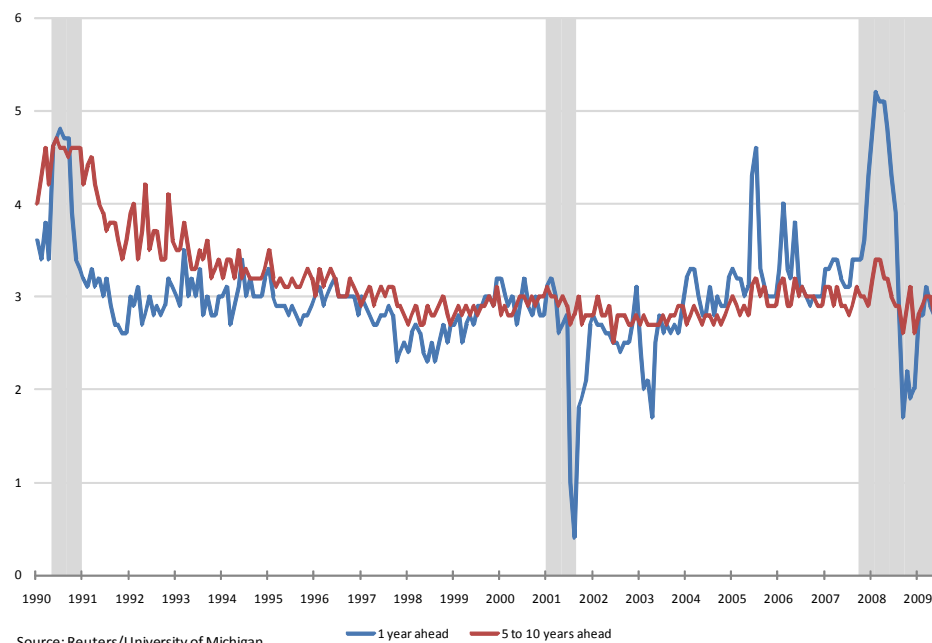
Reuters/University of Michigan Consumer Sentiment Index
1966Q1= 100



Source: Reuters/University of Michigan

- September's Reuters/University of Michigan Consumer Sentiment Index increased from 65.7 points to 73.5. The current economic conditions component rose 6.8 points to 73.4, and the consumer expectations component increased 8.5 points to 73.5.
- Both components of the consumer sentiment index strengthened in September as job losses slow and business activity appears to be strengthening.

Median Inflation Expectations



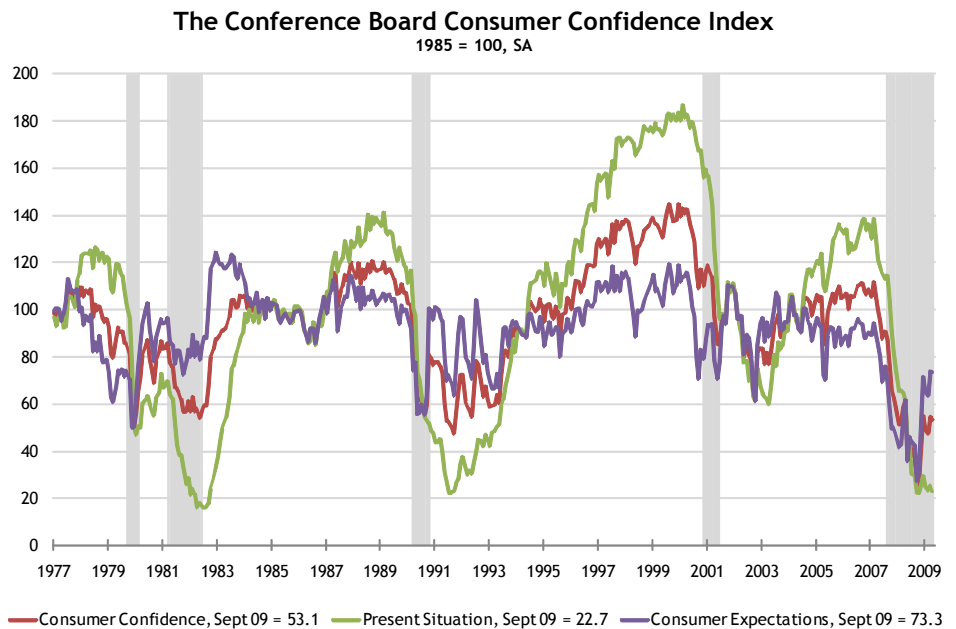
Source: Reuters/University of Michigan

- Expected inflation levels were mixed in September. The median one-year-ahead inflation rate plunged 0.6% to 2.2%, and the median five-to-ten-year outlook remained unchanged at 2.8%.

Consumer Spending

Summary

Unlike the Reuters/University of Michigan measure of consumer sentiment, which reported large gains in September, the Conference Board Consumer Confidence Index fell in September after large increases in August.



Source: The Conference Board

- In September, the Conference Board index of consumer confidence fell 1.4 points to 53.1.
- Both components of the index experienced declines in September. The consumer expectations component fell 0.5 points from August to 73.8, and the present conditions component declined 2.7 points in September to 22.7, less than a point above the cyclical low.
- Analysts presume consumers' assessment of the current economic state continues to be wary because of stagnant wage growth and difficulty in obtaining credit and employment.
- Assessment of the labor market deteriorated in September. A reported 46.3% of respondents said jobs were hard to get while only 3.4% reported jobs were plentiful.