

## Economic Highlights

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### Consumer Spending

Reuters/University of Michigan Consumer Sentiment Index 1

### Manufacturing

Industrial Production and Capacity Utilization 2

### Inflation

Consumer Price Index 3

Producer Price Index 4

### Real Estate

U.S. Home Starts and Single-Family Home Construction 5

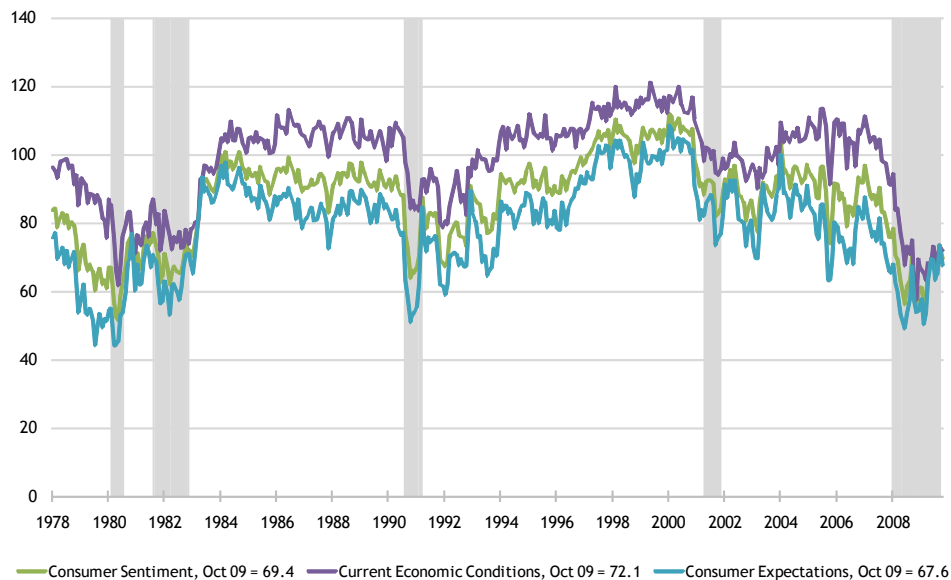
# Consumer Spending

## Summary

In October, preliminary consumer sentiment fell from September.

The decline was driven by the large decline in the consumer expectations component.

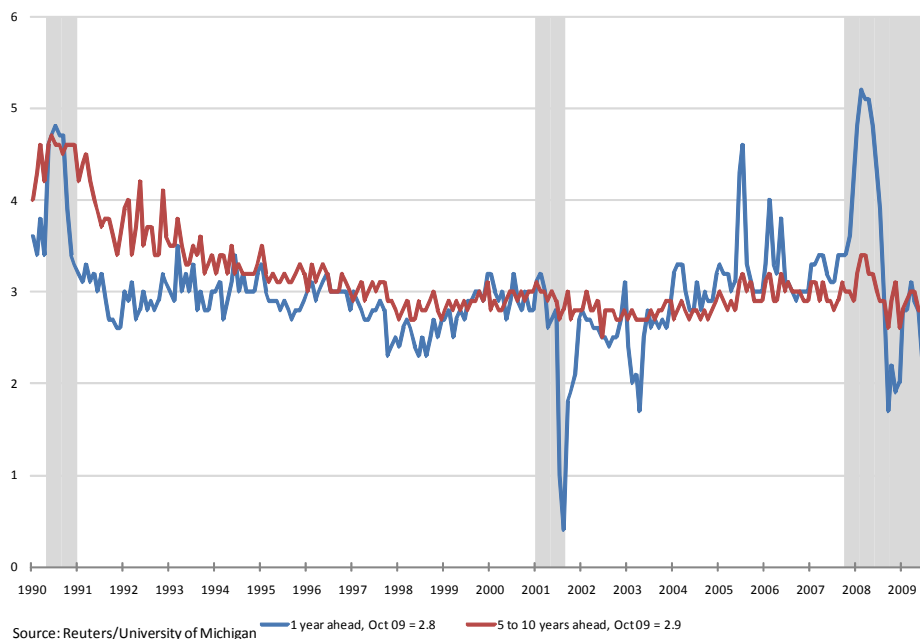
Reuters/University of Michigan Consumer Sentiment Index  
1966Q1= 100



Source: Reuters/University of Michigan

- The October preliminary Reuters/University of Michigan Consumer Sentiment Index fell from 73.5 points to 69.4, below the market consensus expectation of 73.1 points. Present economic conditions fell 1.3 points to 72.1, and October consumer expectations fell 5.9 points to 67.6.
- Although consumer sentiment declined in October, it is still well above the cyclical low of November.

University of Michigan: Median Inflation Expectations

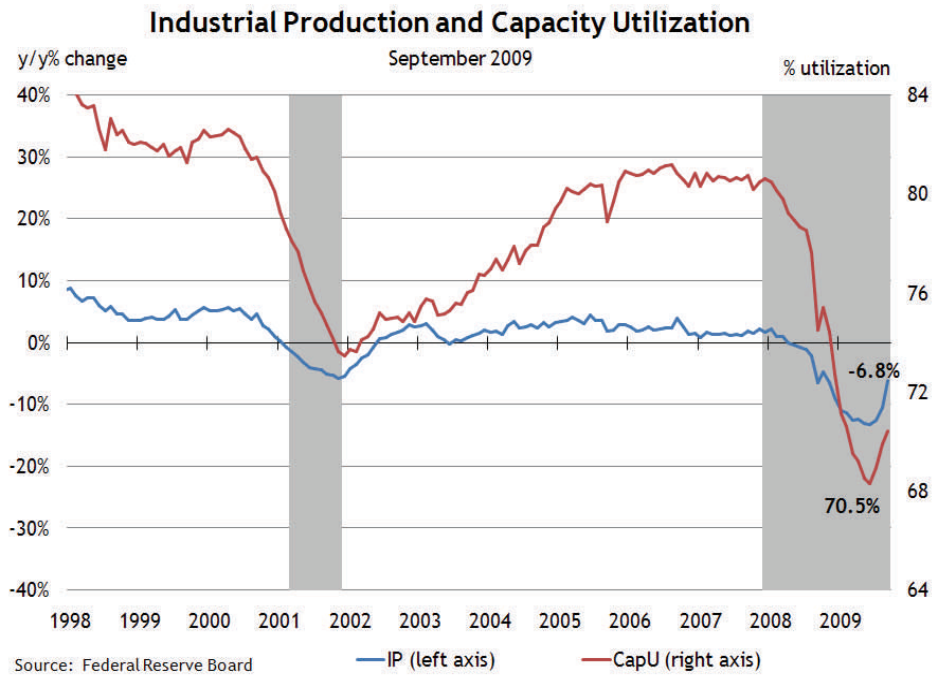


- Expected inflation levels increased in October. The median one-year-ahead inflation climbed 0.6% from September to 2.8%. The median five-to-ten-year outlook rose a modest 0.1% to 2.9% from September.

# Manufacturing

## Summary

Industrial production (IP) rose 0.7% in September, higher than the consensus panel's estimate of 0.2%.



- In September, total industrial production rose 0.7% while manufacturing IP rose 0.9%.
- For the third quarter, IP rose at a 5.3% annual rate while manufacturing IP increased at a 7.1% annual rate. Overall, IP still lingers 6.8% below year-earlier levels.
- Overall capacity utilization continued to inch up from June's historic lows. In September, capacity utilization gained 0.6 percentage points to reach 70.5%.
- Capacity utilization for manufacturing industries also saw improvement in September, gaining 0.7 percentage points to reach 67.5%.

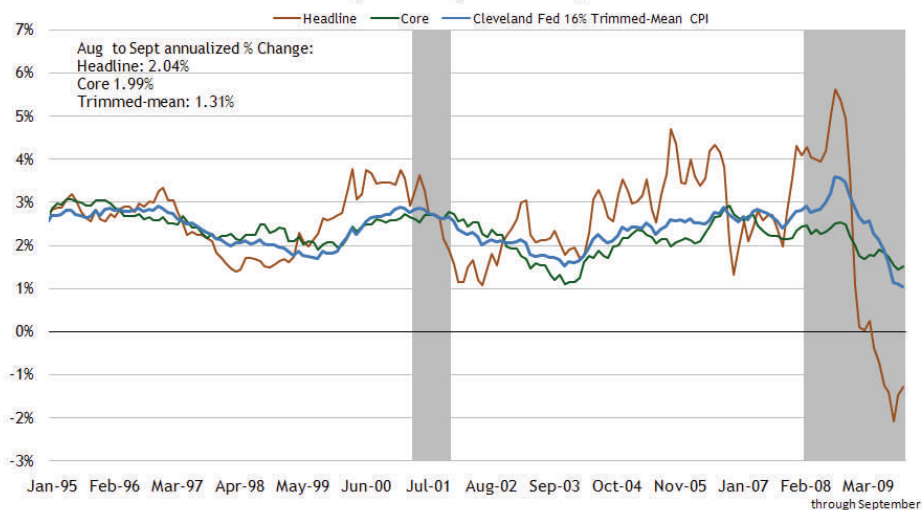
## Summary

In line with Bloomberg consensus expectations, both seasonally adjusted headline and core CPI rose 0.2% from August to September (2% at an annualized rate).

Year over year, headline CPI was down 1.3%, core CPI was up 1.5%, and the trimmed mean CPI was up 1.0% in September.

## Consumer Price Index

year-over-year % change

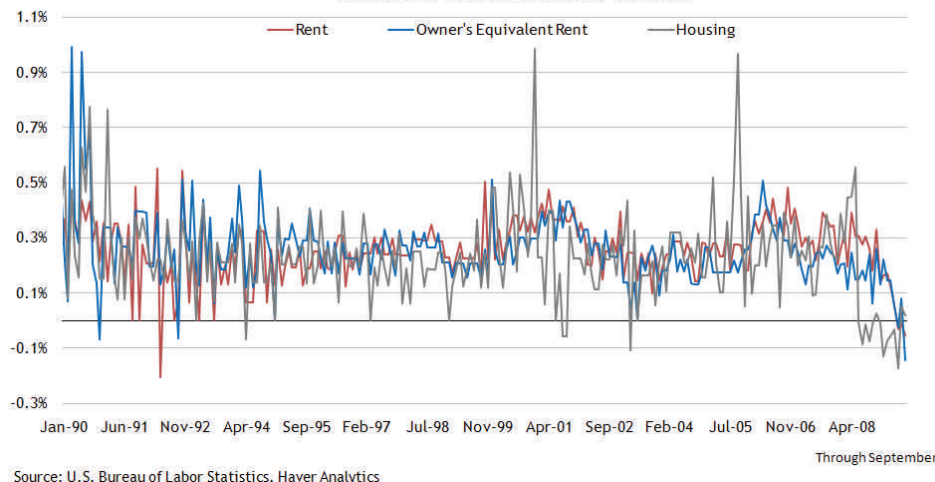


- The food index, which accounts for about 15% of CPI, fell 0.1% in September and is down 0.2% year over year. Food away from home was up 2.6% year over year while food at home was down 2.5% year over year.
- The energy index, which accounts for about 7.6% of the CPI, increased 0.6% in September after increasing 4.6% in August. Compared to this time last year, however, the energy index is down 21.6%.
- Some core CPI components that increased year-over-year include new vehicles, apparel, medical care, education, and tobacco, which were up 1.6%, 1.1%, 3.5%, 5.1%, and 29%, respectively; used cars and trucks were down 2.7%, and housing was down 0.5%.

The heavily weighted housing component of headline CPI has declined 11 out of the last 14 months.

## “Housing” Price Index

month-over-month, seasonally adjusted

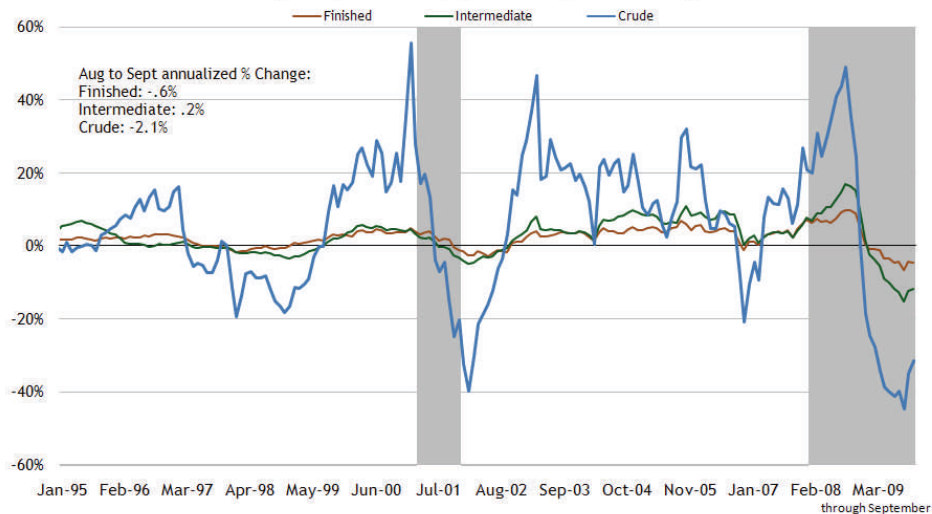


- The price index for rent has fallen for three consecutive months. Likewise, the owner’s equivalent rent index has fallen two of the last three months. Before July, neither index had decreased since 1992.

## Summary

The headline producer price index (PPI) declined in September primarily because of falling energy prices.

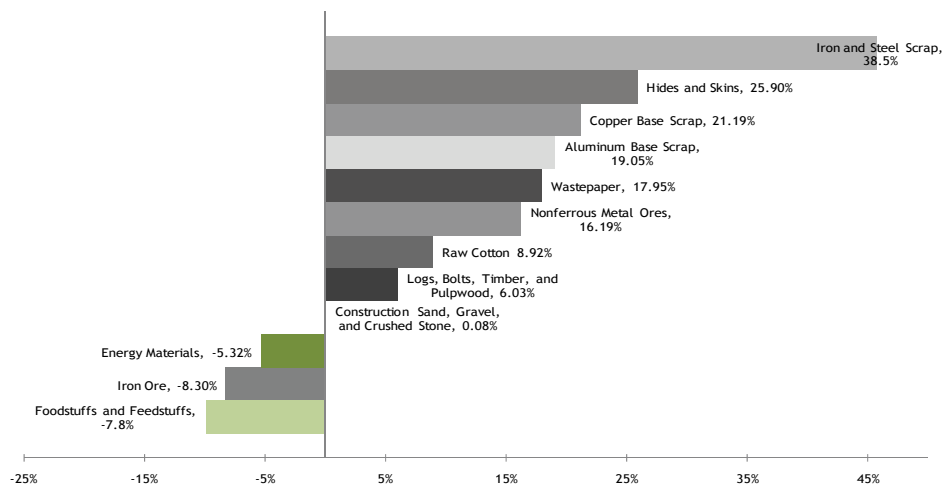
### Headline Producer Price Index stages of production, year-over-year % change



- The headline producer price index for finished goods fell 0.6% month over month in September, below Bloomberg consensus expectations for no change. Core PPI, which excludes food and energy, fell 0.1%.
- Prices for energy and food products fell at all levels of processing in September.

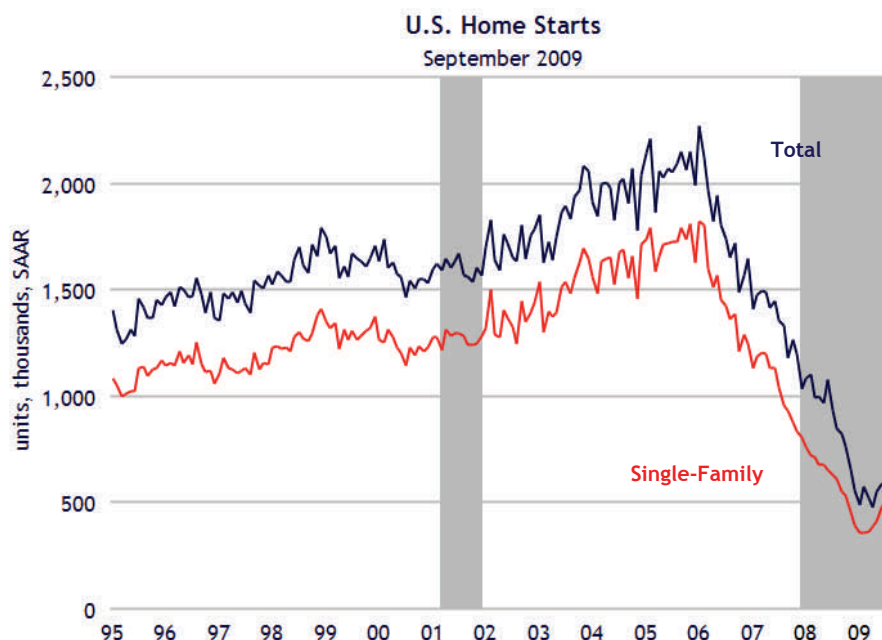
Crude material component price increases were broad based.

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



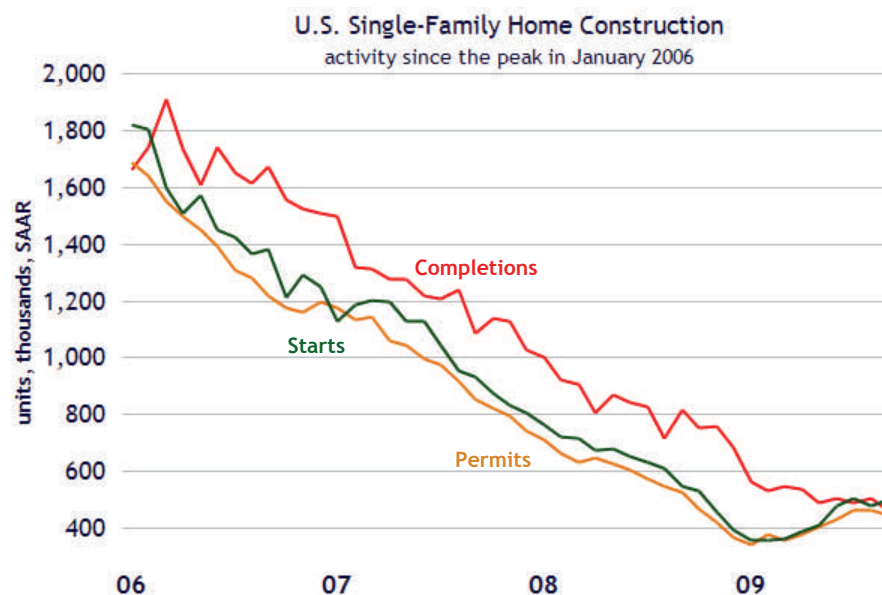
## Summary

U.S. home starts held steady in September as gains in single-family starts were mostly offset by declines in multifamily starts.



Source: U.S. Census Bureau

Single-family home permits and starts have leveled off in recent months after bottoming early this year. Single-family completions fell 8% below starts during September.



Source: U.S. Census Bureau

### September starts

Total	590K	-28.2% y/y	0.5% m/m
Single-family	501K	-8.7% y/y	3.9% m/m
Multifamily	89K	-67.4% y/y	-15.2% m/m

### September permits

Total	573K	-28.9% y/y	-1.2% m/m
Single-family	450K	-14.9% y/y	-3.0% m/m
Multifamily	123K	-55.6% y/y	6.0% m/m