

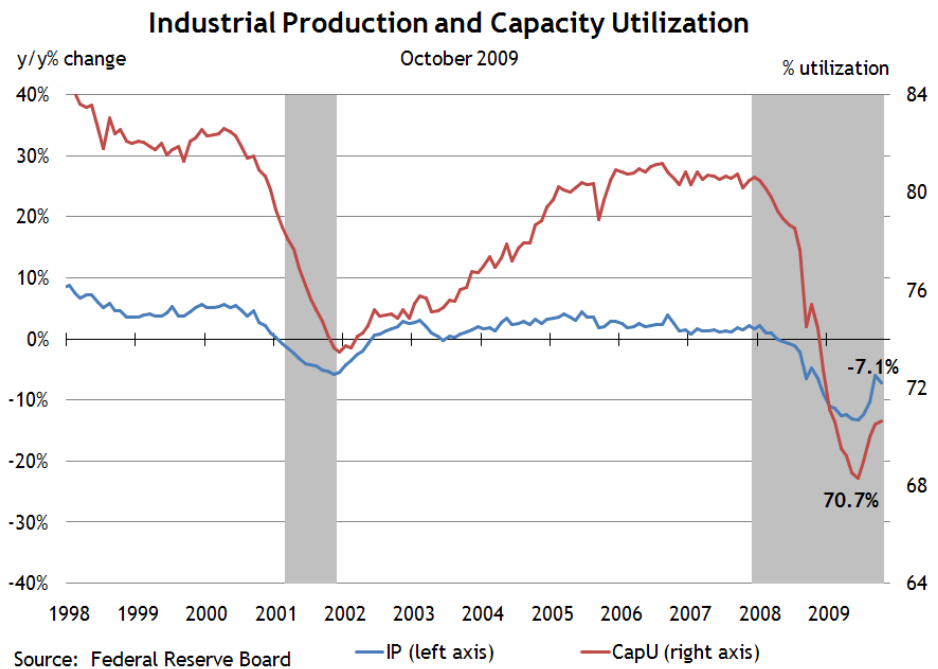
Economic Highlights

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Manufacturing

Summary

Industrial production rose 0.1% in October, much less than the gains of the previous three months. The gain was driven largely by utility output while both manufacturing and mining experienced slight declines in production.



- In October, total industrial production rose 0.1% while manufacturing production dropped 0.1% and mining output declined 0.2%. These losses were offset by gains in utility production, up 1.6%.
- Manufacturing production was down 8% annually in October.
- On a monthly basis, the following components of manufacturing production fared as follows in October: wood products, fabricated metals, computers and electronic products, electrical equipment, appliances, and aerospace and miscellaneous transportation equipment all registered declines of less than 1%. On balance, primary metals jumped 3.5% while machinery gained 0.2% month over month.
- Overall capacity utilization continued to inch upward from June's historic lows, gaining 0.2 percentage points in October to reach 70.7%.
- Capacity utilization for manufacturing industries remained unchanged at 67.6% in October.

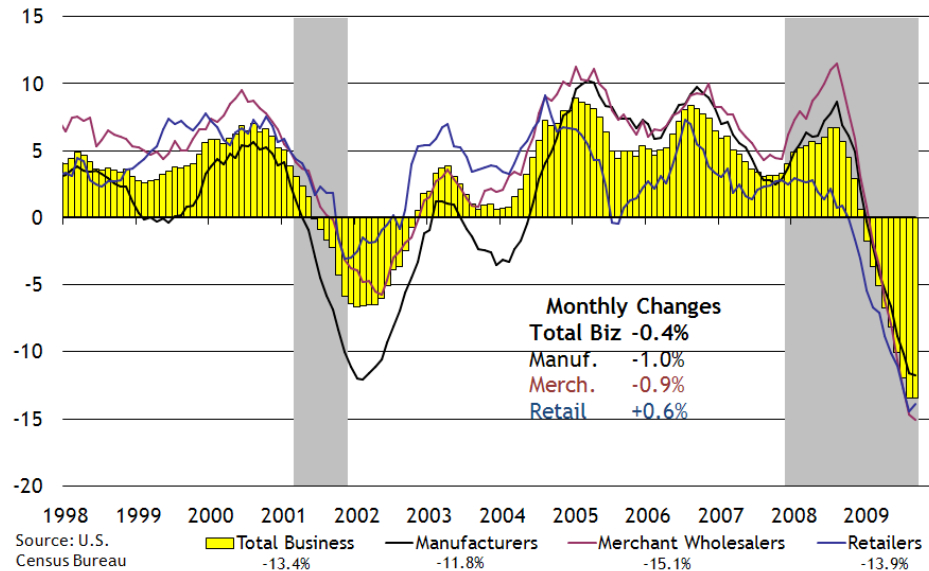
Manufacturing

Summary

Total business inventories fell 0.4% in September. Retail inventories saw a modest gain of 0.6%, but that increase was less than anticipated in the advance third quarter GDP estimate.

Business Inventories

y/y % change, September



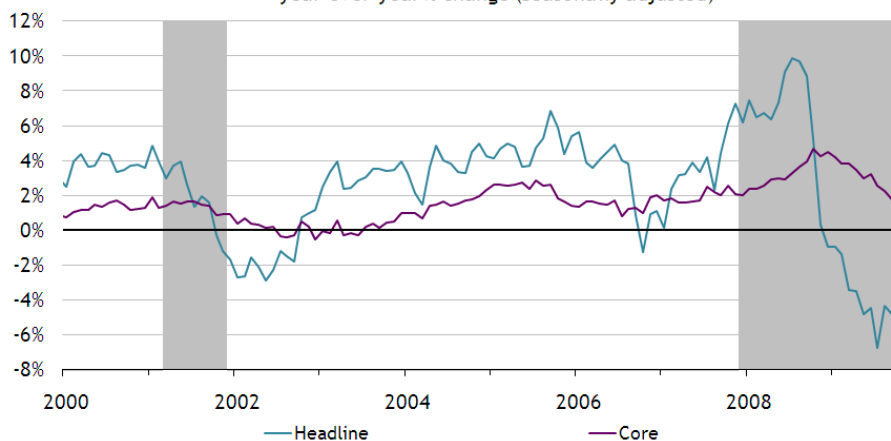
- In September, total business inventories declined at a monthly rate of 0.4%, a much slower rate than the previous several months. Annually, total business inventories are down 13.43%. In August, total business inventories were down 13.46%. Though very small, this moderation of annual decline is the first we've seen in total business inventories for the current recession.
- Retail inventories posted a modest gain of 0.6% in September but are still down 13.9% from year-earlier levels. The 0.6% rise was smaller than the assumption made in the BEA's advance third quarter estimate.
- Downward revisions to August inventory data and lackluster inventory numbers for September point to smaller inventory investment contributions to GDP growth than were anticipated in the BEA's third quarter GDP estimate.

Summary

Rising energy prices fueled increases in headline producer price inflation at all stages of processing in October.

Finished Goods Producer Price Index

year-over-year % change (seasonally adjusted)



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

- The headline producer price index (PPI) for finished goods rose 0.3% month over month in October after declining 0.6% in September. The index gain reflected a 1.6% increase in energy prices and a 1.6% gain in food prices, which offset a sharp decline in core goods PPI. Headline PPI is down 1.9% year over year.
- Core (less food and energy) PPI for finished goods declined 0.6% in October, marking the largest decline since July 2006. The fall was led by a 5.2% drop in prices for lightweight trucks and a 0.5% decrease in passenger car prices.
- Energy prices also accounted for much of the increases in intermediate and crude goods prices in October.

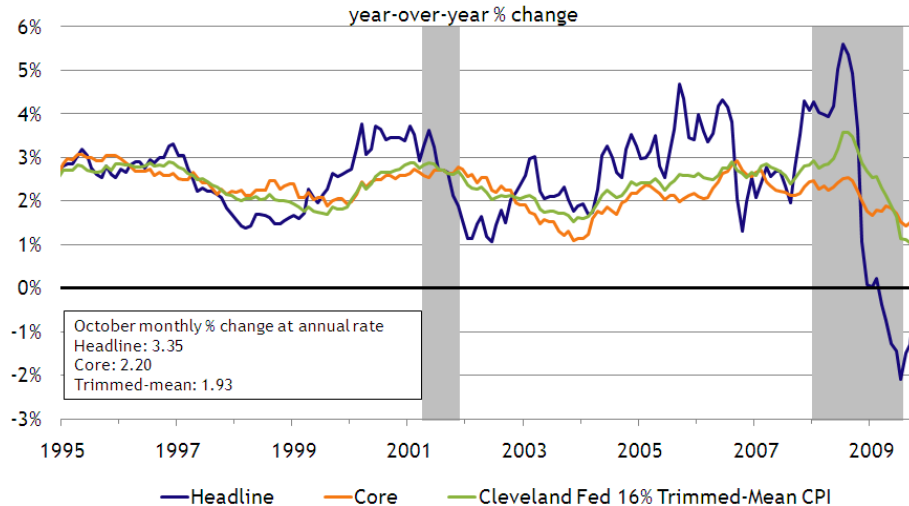
PPI by Stage of Processing					
	1-month*	3-month*	12-month*	2008**	2003-2008**
Finished	3.5	5.9	-1.9	-1.2	3.2
Less food & energy	-6.8	-1.9	0.7	4.5	2.5
Intermediate	4.2	9.7	-7.5	-2.6	5.0
Less food & energy	-2.0	5.5	-5.6	2.9	4.8
Crude	88.4	31.5	-13.9	-24.3	4.1
Less food & energy	6.8	48.7	-1.5	-24.1	5.4

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

Summary

The October headline CPI posted the smallest year-over-year decline since February, supported by easing energy price deflation.

Consumer Price Index

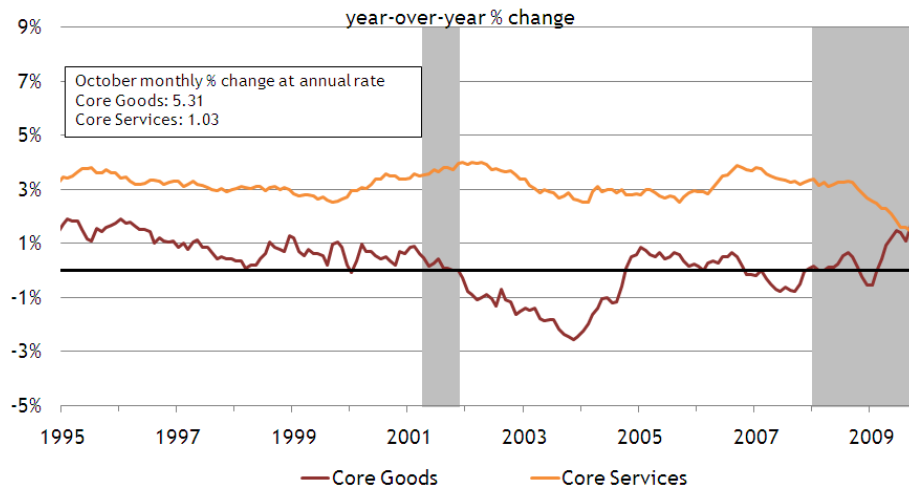


Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

- **Headline inflation**, measured by the consumer price index (CPI), was up 0.3% in October month over month, an increase from 0.2% in September. The overall index was boosted by a 1.5% uptick in the energy index and 0.1% increase in food prices. Overall CPI is 0.2% below year-earlier levels.
- The core (excluding food and energy) measure of consumer prices increased 0.2% month over month, with a surge in new and used motor vehicle prices accounting for more than half the increase, according to the Bureau of Labor Statistics. Year-over-year core CPI increased to 1.7% in October.
- The Cleveland Fed’s trimmed mean CPI measure also increased in October, up 1.2% year over year after posting the lowest rate in the measure’s 25-year history in September.

Core services CPI continued to signal disinflation in October as rent prices declined 0.1% from the previous month.

Core Consumer Price Index



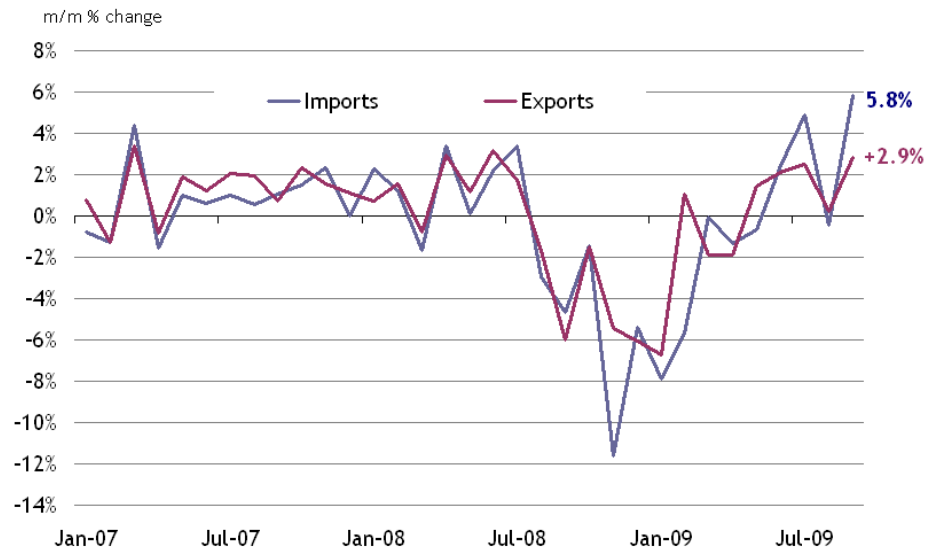
Source: U.S. Bureau of Labor Statistics

International Trade

Summary

The U.S. nominal international trade deficit widened in September by \$5.7 billion to \$36.5 billion as imports rose faster than exports.

September U.S. International Trade



Source: U.S. Bureau of the Census

- The nominal trade deficit increased more than expected in September to \$36.5 billion from \$30.8 billion in August as growth in both exports and imports rebounded from the August dip. September's nominal deficit is about \$10 billion above the cyclical trough in May.
- In real terms, the merchandise deficit also widened as imports rose more than exports. Trade flows were broadly based across major goods categories. Industrial supplies and materials and capital goods dominated other major categories on both the export and import sides. In line with improving global economic activity, real merchandise trade flows rebounded by 9% from May's lows but still remain nearly 16% below their peak in February 2008.
- Both imports and exports grew faster in September than assumed in the BEA's advance third quarter GDP report. The September international trade data showed that imports outpaced exports by more than previously estimated, indicating a bigger negative contribution from net exports to third quarter GDP growth.

Consumer Spending

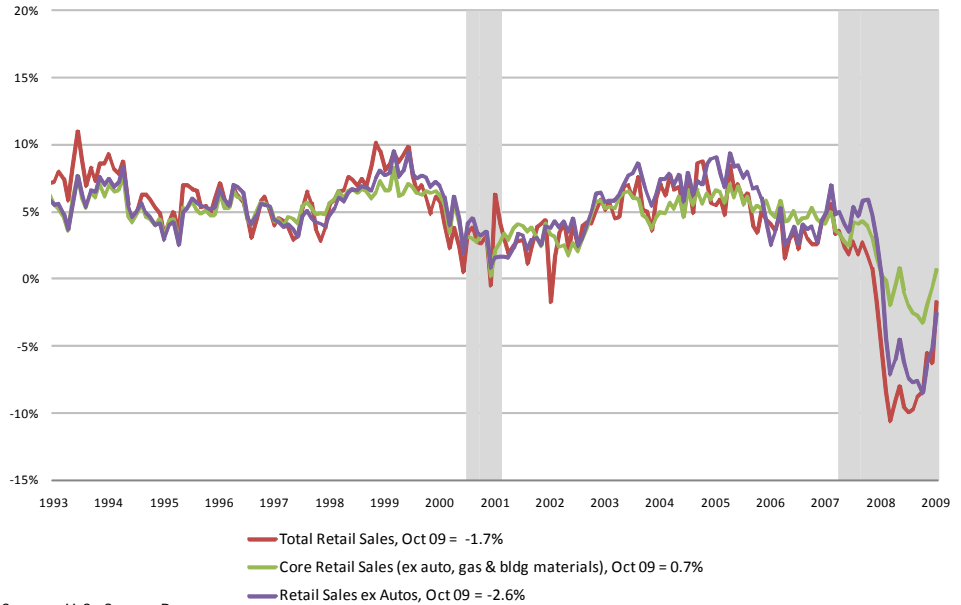
Summary

In October, retail sales strengthened, surpassing analysts' expectations, after slipping in September.

September retail sales were revised downward to much lower numbers because of adjustments in auto sales.

On a year-over-year basis, retail sales have been declining at a slower rate since April of this year.

Retail Sales
Year over Year % Change



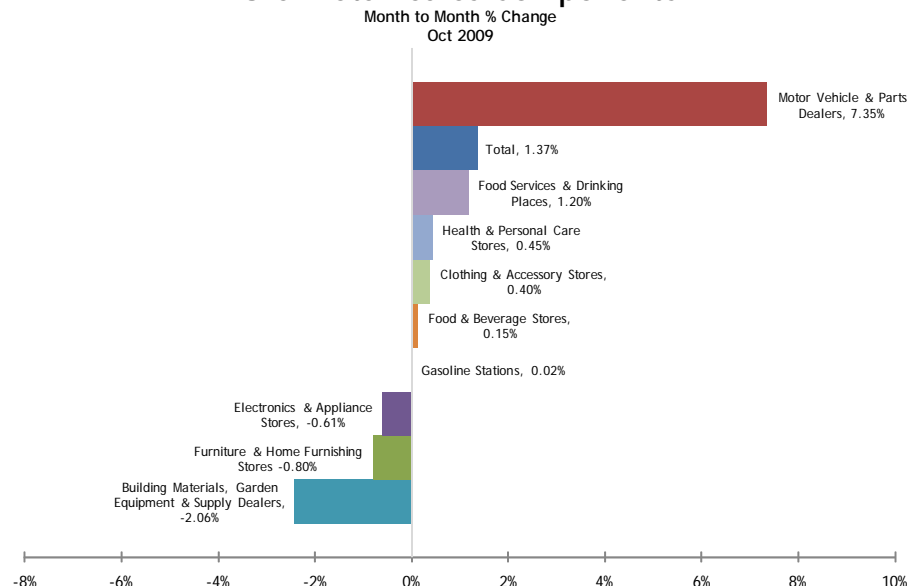
Source: U.S. Census Bureau

- Retail sales posted a healthy gain in October, increasing 1.4% from September; Bloomberg's market consensus expectation was for an increase of 0.9%. On a year-over-year basis, total retail sales are down 1.7%, the highest level since September 2008.
- From September to October, retail sales excluding autos increased 0.2% and core retail sales increased 0.5%. On a year-over-year basis, the decline in retail sales excluding autos continued to decelerate, falling to -2.6%, while core retail sales (total excluding gas, autos, and building supplies) are up 0.7% from October 2008.
- The decrease in retail sales was led by the sharp decline in building materials and supplies, which are being hit hard possibly because of the slowdown in construction. Surprisingly, auto sales were very strong in October; analysts' believed the "cash for clunkers" program during the summer would have distortionary effects on auto sales for months to come.

In September, auto sales pulled up total retail sales.

Building materials and supplies experienced sharp declines in October.

U.S. Retail Sales Components



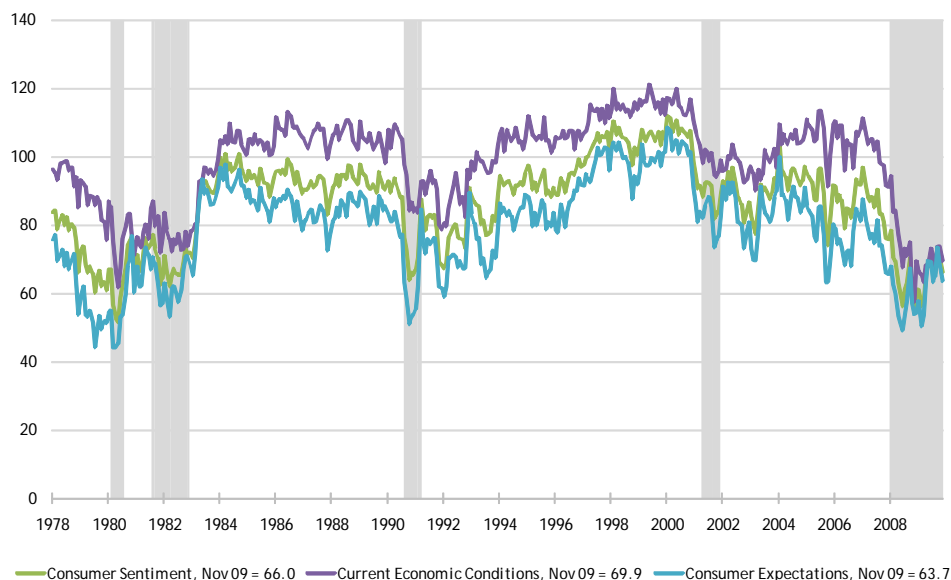
Source: U.S. Census Bureau

Consumer Spending

Summary

In November, the Reuters/University of Michigan Consumer Sentiment Index declined for the second consecutive month.

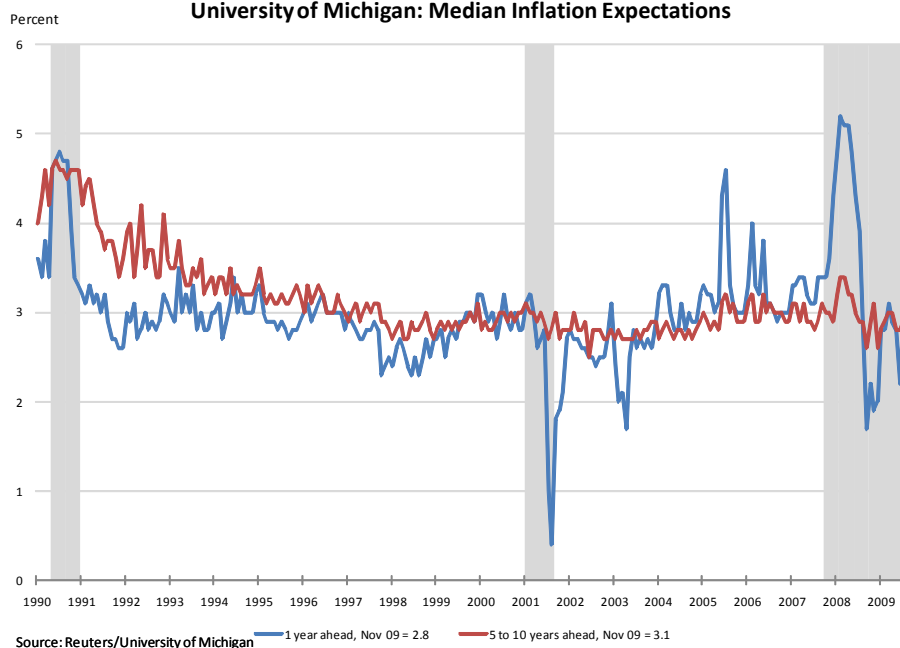
Reuters/University of Michigan Consumer Sentiment Index
1966Q1= 100



Source: Reuters/University of Michigan

- The November Reuters/University of Michigan Consumer Sentiment Index decreased from 70.6 points to 66.0. Current economic conditions declined 4.1 points to 69.6, and consumer expectations fell 4.9 points to 63.7 in November.
- Unemployment expectations continued to deteriorate in November to their most negative balance since July: 43% of respondents expect rising unemployment in the year ahead, up from 36% in October and 30% in September; the proportion expecting unemployment to decrease remained at 16% from October.
- The median one-year-ahead expected inflation rate declined modestly from 2.9% in October to 2.8% in November while the median five-to-ten-year outlook increased from 2.9% to 3.1%, the highest level this year.

University of Michigan: Median Inflation Expectations



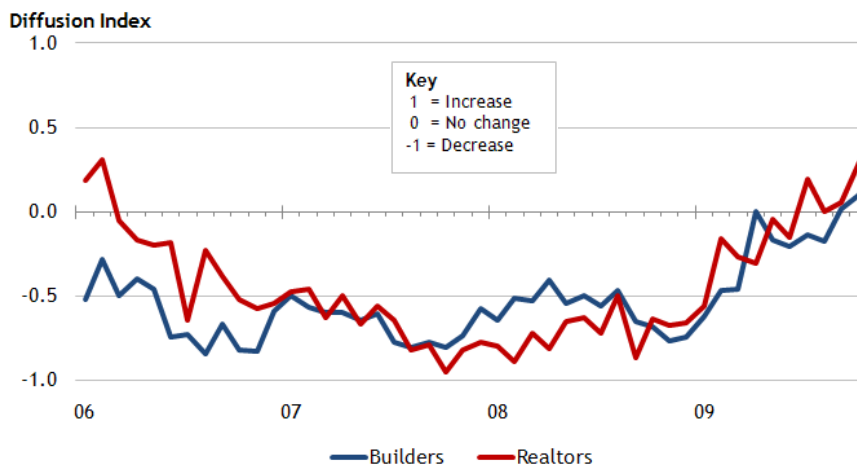
Source: Reuters/University of Michigan

Summary

October home sales continued to strengthen, according to our survey of Southeastern Realtors and homebuilders.

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.

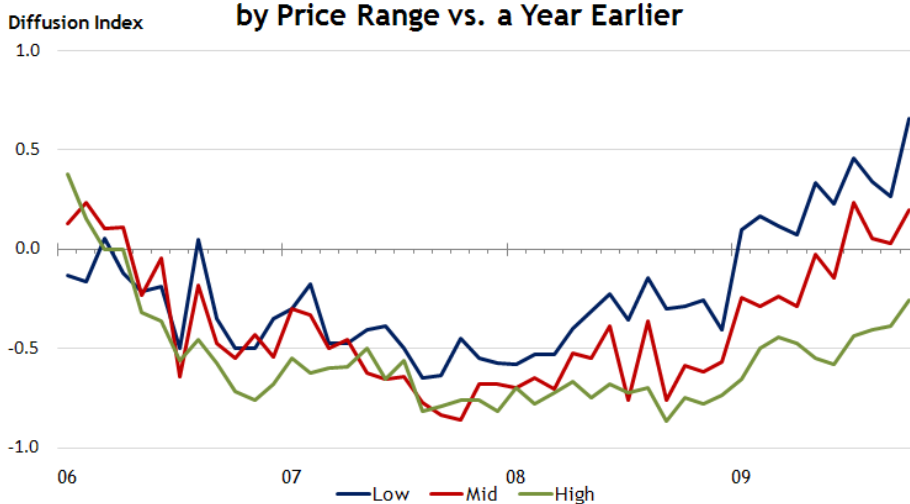
October 2009 Southeast Home Sales vs. a Year Earlier



Source: FRBA business contact survey

According to Southeastern Realtors, home sales improved across all price ranges, but high-end home sales remained below the year-earlier level.

October 2009 Southeast Home Sales by Price Range vs. a Year Earlier



Note: Low, mid, and high are Realtor defined

Source: FRBA business contact survey

Note: October survey results are based on responses from 91 Realtors and 53 homebuilders.

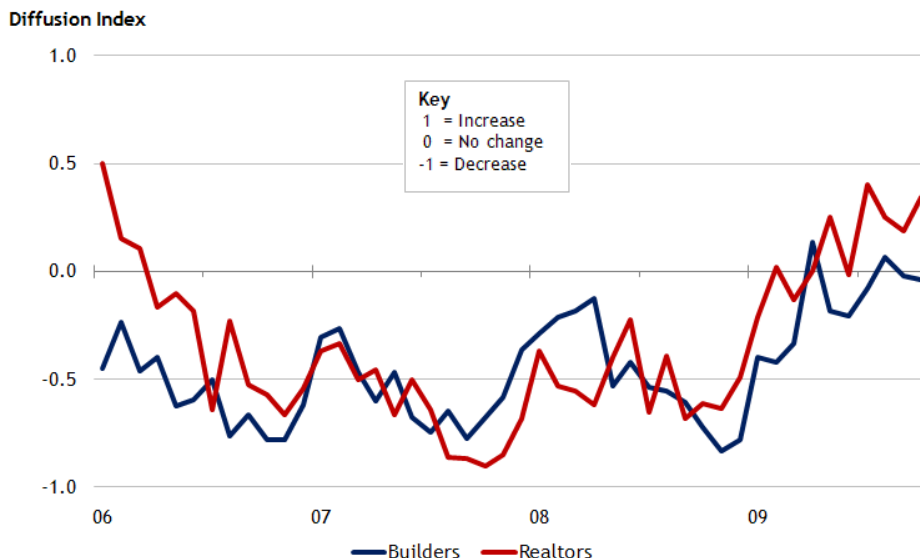
- Florida homebuilder reports indicated that sales softened somewhat but remained slightly above the year-earlier level. Builders elsewhere indicated that sales growth strengthened.
- Florida Realtor reports indicated that sales weakened somewhat in October but continued to exceed the year-earlier level. Georgia sales weakened while the majority of contacts in Alabama, Louisiana, Mississippi, and Tennessee said sales improved in October and exceeded the year-earlier level.
- Many Southeastern Realtors reported that it remained difficult to get buyers qualified or to get banks to move ahead on short sales.

Summary

Southeastern Realtors experienced stronger buyer traffic during October while homebuilders reported that traffic weakened and fell below the year-earlier level.

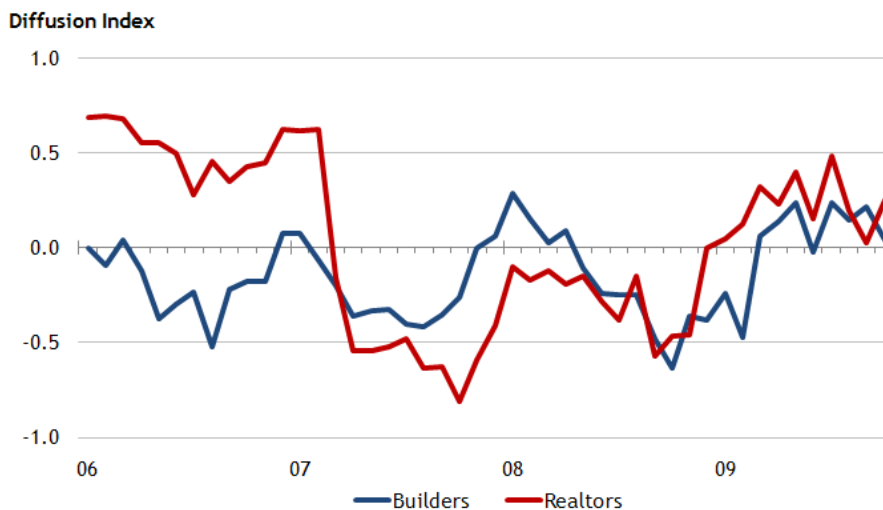
The outlook for sales over the next several months among Southeastern contacts largely reflects buyer traffic trends in October.

October 2009 Southeast Buyer Traffic vs. a Year Earlier



Source: FRBA business contacts survey

October 2009 Southeast Home Sales Outlook



Source: FRBA business contact survey

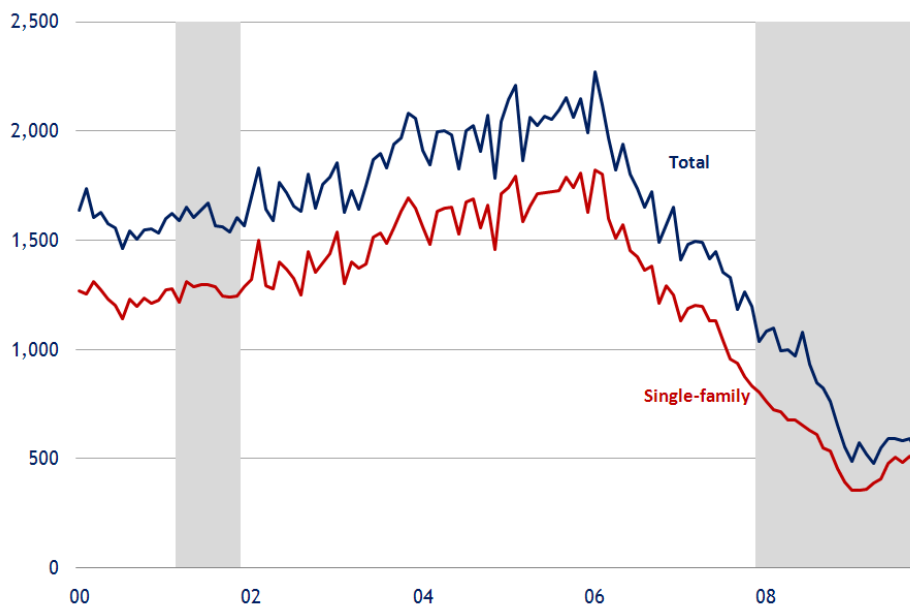
Note: October survey period was November 2–11.

- Many Realtors expressed that they were hopeful that an extension/expansion of the stimulus package would continue to support sales while some noted that the pipeline of eligible buyers was rather thin.
- Southeastern builders reported that it remained difficult to compete with foreclosed (REO) homes and lots entering the market.

Summary

U.S. home starts declined sharply in October, down 10.6% from September. Single-family home starts fell 6.8% over the same period.

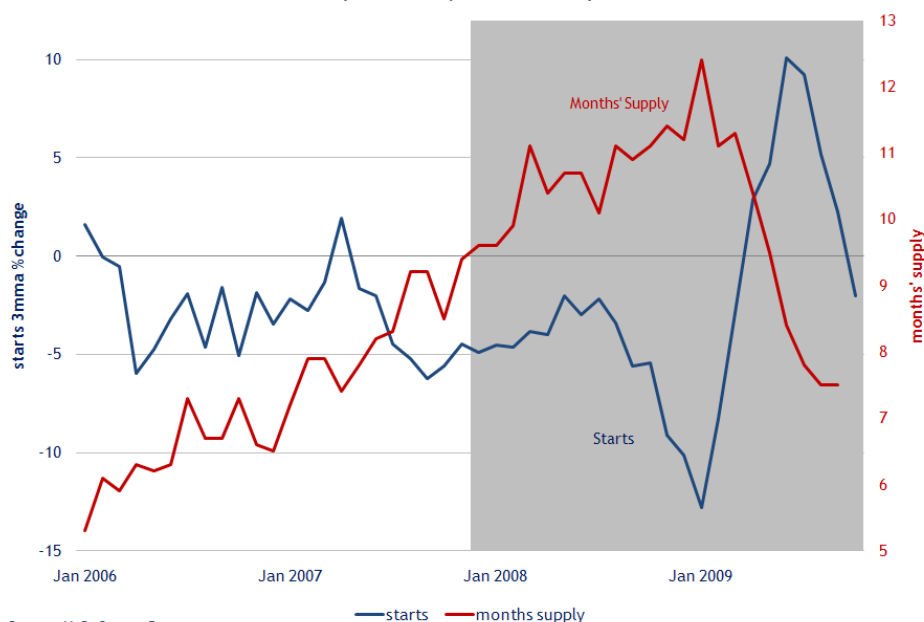
October 2009 U.S. Home Starts
SAAR, Thousands



Source: U.S. Census Bureau

Single-family starts continued to soften in October while new home months' supply held steady in September.

New Single-Family Home Market activity since the peak in January 2006



Source: U.S. Census Bureau

October starts, SAAR

Total	529K	-30.7% y/y	-10.6% m/m
Single-family	476K	-10.9% y/y	-6.8% m/m
Multifamily	53K	-76.9% y/y	-34.6% m/m

October permits, SAAR

Total	552K	-24.3% y/y	4.0% m/m
Single-family	451K	-15.7% y/y	-0.2% m/m
Multifamily	101K	-61.0% y/y	-17.9% m/m