

Economic Highlights

Economic Activity	
Contributions to Real GDP Growth	1
Consumer Spending	
Real Personal Income and Consumption Expenditures	2
Personal Savings Rate	3
University of Michigan and Conference Board Consumer Confidence Indexes	3
Manufacturing	
ISM Purchasing Managers Index	4
Prices	
PCE Price Index	5
University of Michigan Median Consumer Inflation Expectations	6
Real Estate	
U.S. Construction Spending	7
S&P Case-Shiller Home Price Index	8
Pending Home Sales Index	9

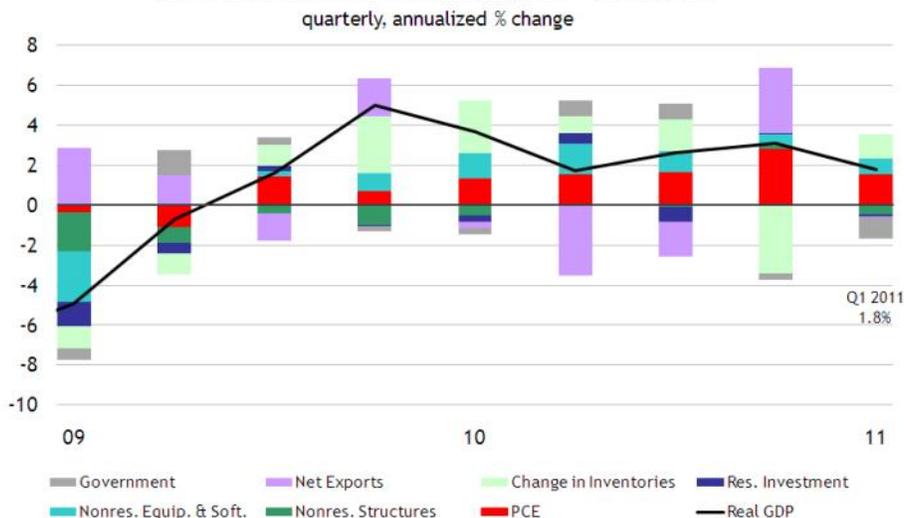
Economic Activity

Summary

According to the U.S. Bureau of Economic Analysis's second release, real gross domestic product (GDP) grew 1.8% in the first quarter of 2011, unchanged from the first estimate.

Among the components of GDP, a downward revision to consumer spending was offset by an upward revision to inventories.

Contributions to Real GDP Growth



Source: U.S. Bureau of Economic Analysis

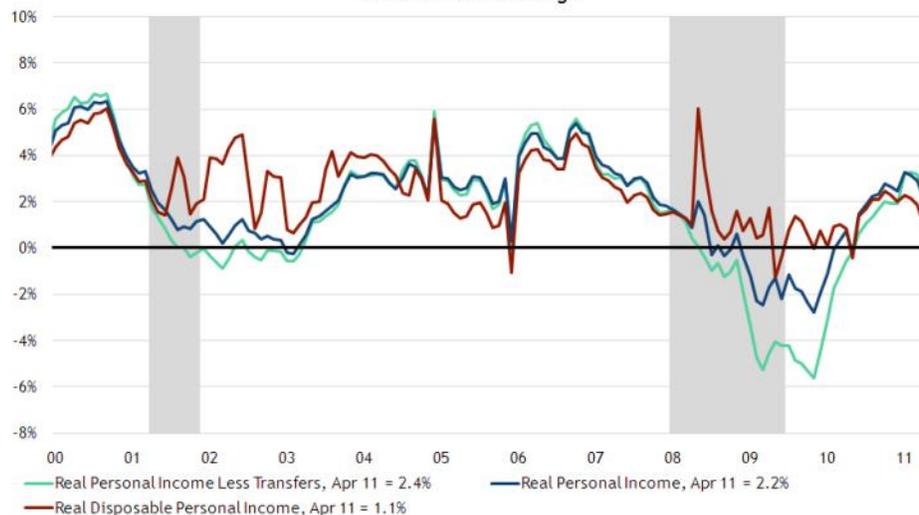
- According to the U.S. Bureau of Economic Analysis's second estimate, real gross domestic product (GDP) grew 1.8% in the first quarter of 2011, unchanged from the first estimate. Consumer spending was revised down, offset by an upward revision to inventories.
- **Real personal consumption expenditures (PCE)** increased 2.2% in the first quarter of 2011, below the first estimate of 2.7% and the robust 4% in the fourth quarter of 2010. Spending on both goods and services were revised down.
- **Inventories** contributed 1.2 percentage points to first-quarter GDP growth, up from the first estimate of 0.93 percentage points, following a large drag of 3.4 percentage points in the fourth quarter of 2010.
- **Net exports'** contribution to growth in the first quarter was essentially unchanged, reflecting an upward revision to both exports and imports. **Exports** are now estimated to have grown 9.2% in the first quarter, up from 4.9% in the first estimate, marking the highest rate in a year. Meanwhile, **imports** were also revised up, from 4.4% to 7.5% for the first quarter.
- This release also includes the first estimate of **corporate profits** for the first quarter of 2011. Corporate profits rose by \$22 billion, or a 5.3% annual rate from the fourth quarter of 2010.

Consumer Spending

Summary

Real income measures were essentially flat in April and compared with a year earlier are at the lower end of the range of prerecession averages.

Real Personal Income Year over Year % Change



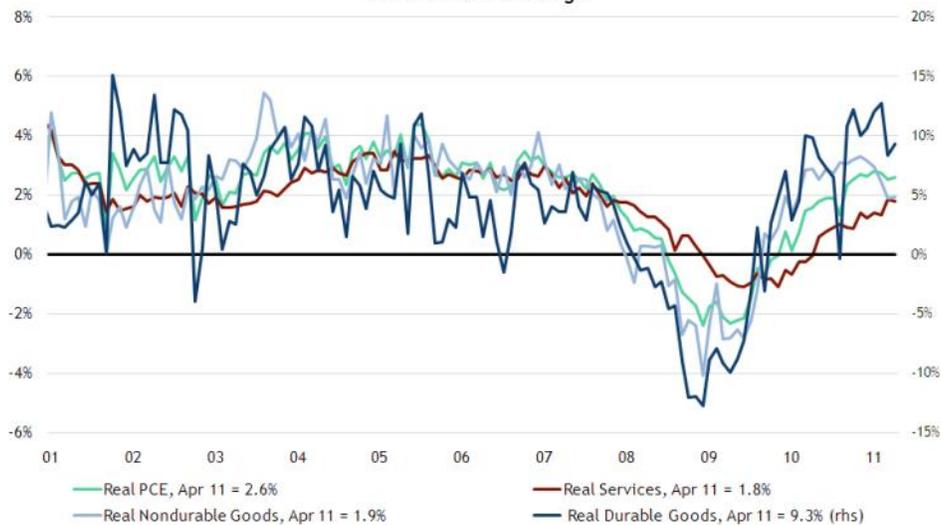
Source: BEA, Haver

- Real personal income didn't increase in April, marking the second consecutive month of no increase.
- On an annual basis, measures of real personal income notched down in April and are at the lower end of the average range of 2%-4% seen during the last expansion.

Real personal consumption expenditures (PCE) posted a small increase in April.

On a year-over-year basis, PCE continued to decelerate for the third consecutive month.

Real Personal Consumption Expenditures Year over Year % Change



Source: BEA, Haver

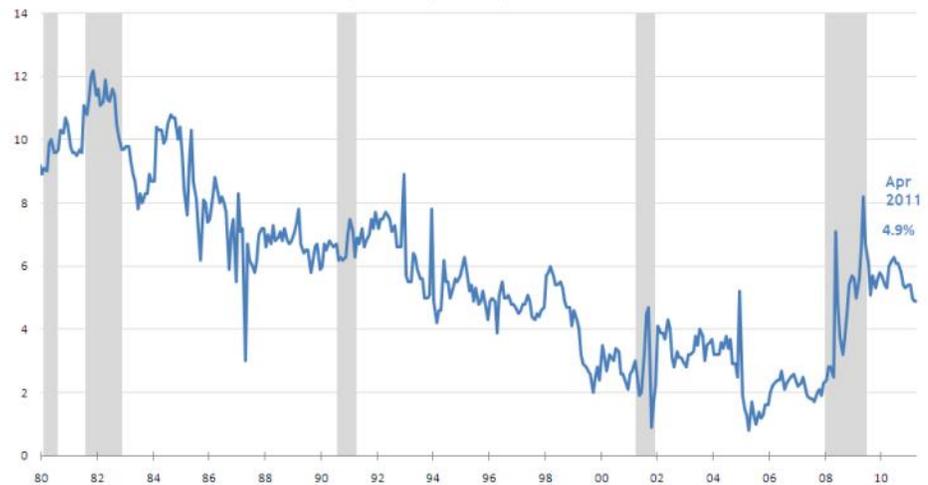
- In March, real PCE rose 0.1%, led by a 0.1% increase in services consumption. Meanwhile, spending on goods was flat in April (for both durables and nondurables), above the 0.4% decline in March but below the 0.3% average monthly growth in the first quarter.
- On a year-over-year basis, real PCE continued to decelerate for the third consecutive month, now at 2.5% in April and still below the prerecession average pace of about 3%.

Consumer Spending

Summary

The savings rate was little changed in April at 4.9%.

Personal Savings Rate
As a percentage of disposable income

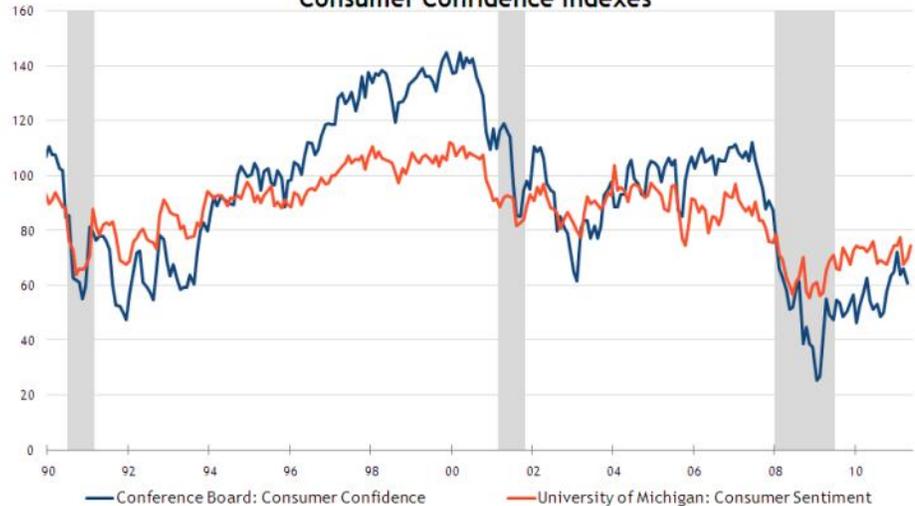


Source: Bureau of Economic Analysis

- The savings rate remained at 4.9% in April for the second consecutive month.
- The savings rate remained around 5%-6% in the past two years, following rates below 3% during the five years before the recession.

Measures of consumer confidence moved in opposite directions in May but still remain low compared with past expansions.

University of Michigan and The Conference Board Consumer Confidence Indexes



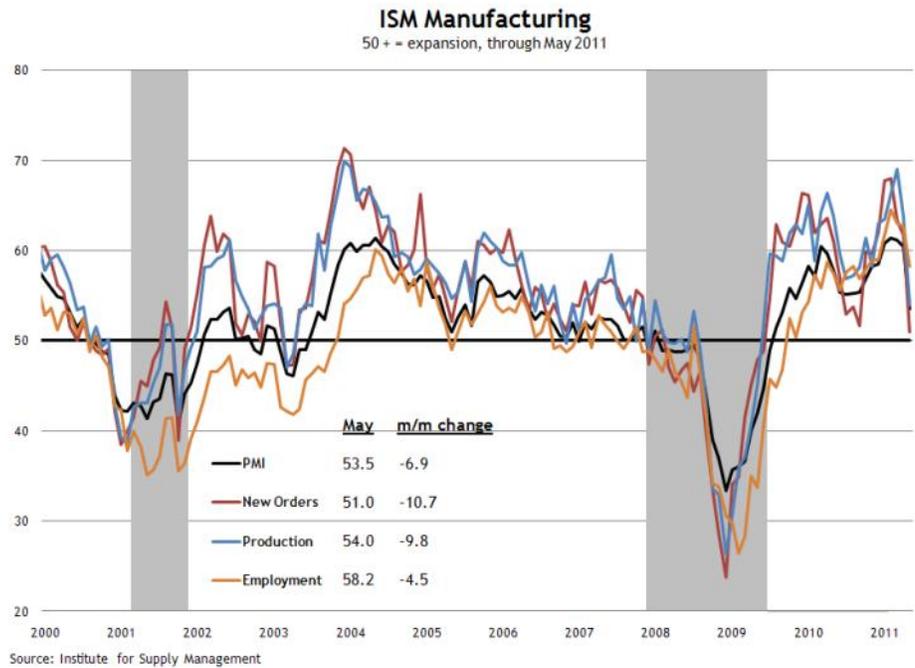
Source: The Conference Board, Reuters/University of Michigan

- The University of Michigan's consumer sentiment index increased 4.5 points in May to 74.3, stemming from an increase in the expectations component.
- The Conference Board's consumer confidence index fell 5.2 points in May to 65.4. Both the expectations component and present situation components fell over the month.

Manufacturing

Summary

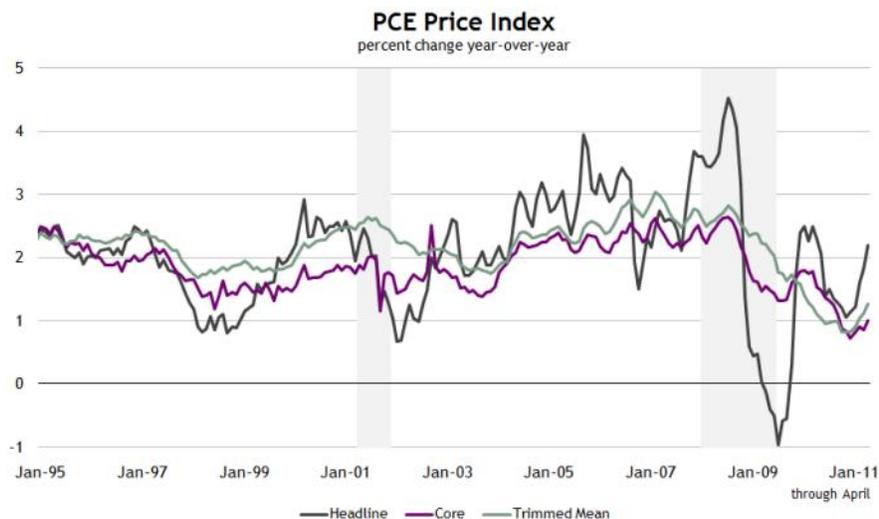
The Institute for Supply Management's Purchasing Managers Index (PMI) declined a notable 6.9 index points from April to May to reach 53.5. This was the largest one-month decline in the index since January 1984.



- The Institute for Supply Management's PMI for May dropped 6.9 index points to reach 53.5, the index's largest one-month decline since January 1984.
- The PMI is still in growth territory, however. May was the 22nd consecutive month of growth in the manufacturing sector.
- The largest drop amongst components was in the new orders index, which fell 10.7 index points in May to reach 51.
- The production index, which measures current manufacturing activity, fell 9.8 points to reach 54.
- The employment index also fell in May, shedding 4.5 index points to reach 58.2.

Summary

Core PCE inflation accelerated to 2.2% in April.

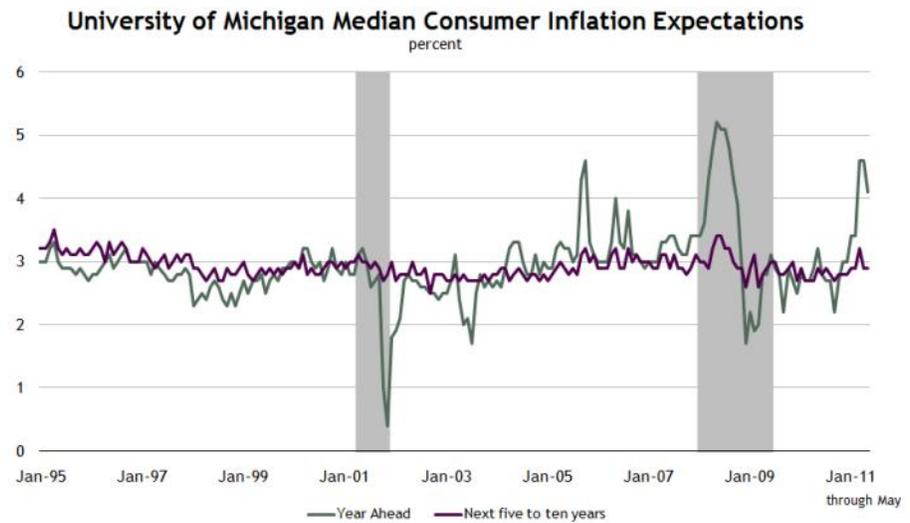


Source: Bureau of Economic Analysis, FRB Dallas

- April headline inflation, as measured by the consumer spending deflator, was up 4.1% on an annualized monthly basis, following a 4.7% gain in March, as food and energy inflation measures edged down. Headline PCE prices were up 2.2% year over year, the largest 12-month gain since April 2010.
- Core (less food and energy) PCE prices increased by 2.2% (annual rate) in April, as durable goods prices continued to advance and the services index increased by 2.1% (annualized), the largest one-month gain since March 2010, though still well below the historical trend of the series of around 3 percent. Twelve-month core PCE inflation was 1%, an acceleration from the December 2010 low though still low by historical standards.
- The market-based PCE price index is up 2.5% year over year, an increase from 2.1% in March.
- The Dallas Fed trimmed mean PCE inflation rose 2.4% (annual rate) in April, a marked acceleration from the previous month's reading of 1.5%. The inflation statistic moved up two-tenths of a percentage point on a 12-month basis to 1.3%, and three-tenths on a six-month basis to 1.7%.

Summary

Both year-ahead and longer-term consumer inflation expectations were revised downward for the month of May, according to the University of Michigan.

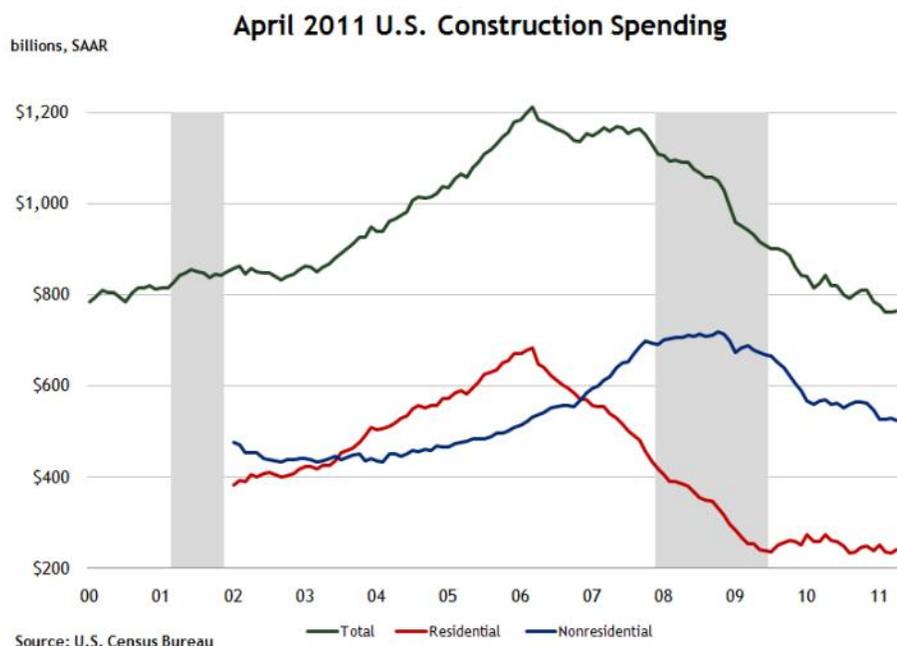


Source: University of Michigan

- According to a University of Michigan survey, the median inflation rate expected by consumers 12 months out rose to 4.1% in May, a downward revision from the mid-month estimate of 4.4% and below the March and April readings of 4.6%. However, the near-term inflation measure, which tends to be highly correlated with gasoline prices, remains elevated by historical standards.
- The expectation for inflation in five to 10 years, which is generally more stable, was unchanged at 2.9% in May, a downward revision from the midmonth estimate of 3%.

Summary

Reports from the U.S. Census Bureau indicated that private construction spending improved slightly in April while public construction spending edged down slightly.

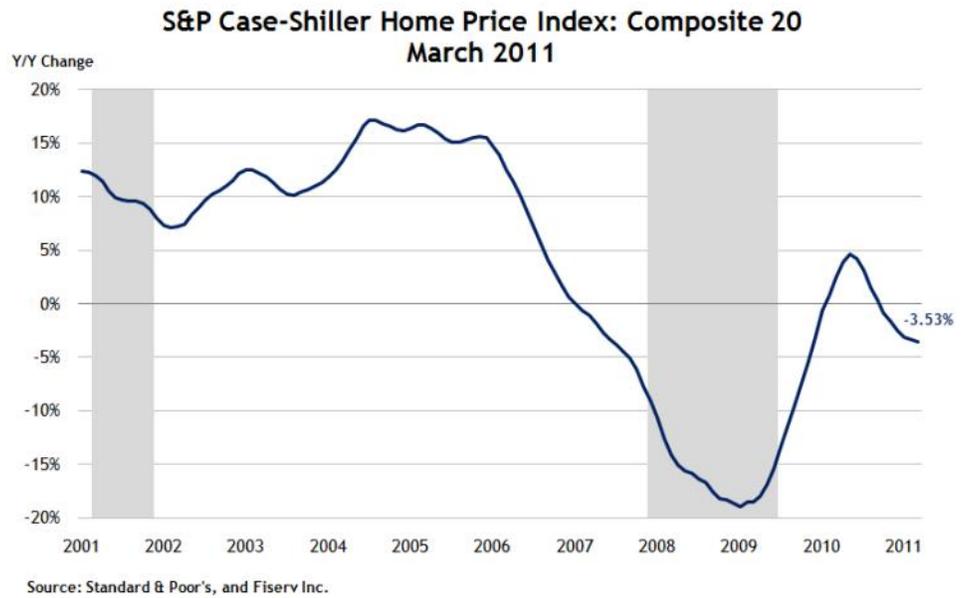


April 2011 Construction Spending Put in Place

	billions, SAAR	yr/yr change	mo/mo change
Total:	765.0	-9.3%	0.4%
Total Private:	483.0	-10.3%	1.7%
Total Public:	282.0	-7.5%	-1.9%
Total Nonresidential:	524.1	-8.0%	-0.8%
Private Nonresidential:	250.8	-8.5%	0.5%
Public Nonresidential:	273.3	-7.5%	-2.0%
Total Residential:	240.9	-12.0%	3.1%
Private Residential:	232.1	-12.1%	3.1%

Summary

Standard & Poor's and Fiserv Inc. reported that their 20-City Composite edged down again in March on a year-over-year basis, falling 3.5%.



Summary

The National Association of Realtors reported that their pending home sales Index declined 12% to 81.9 in April following gains the prior two months.

