



DAILY ECONOMIC COMMENTARY

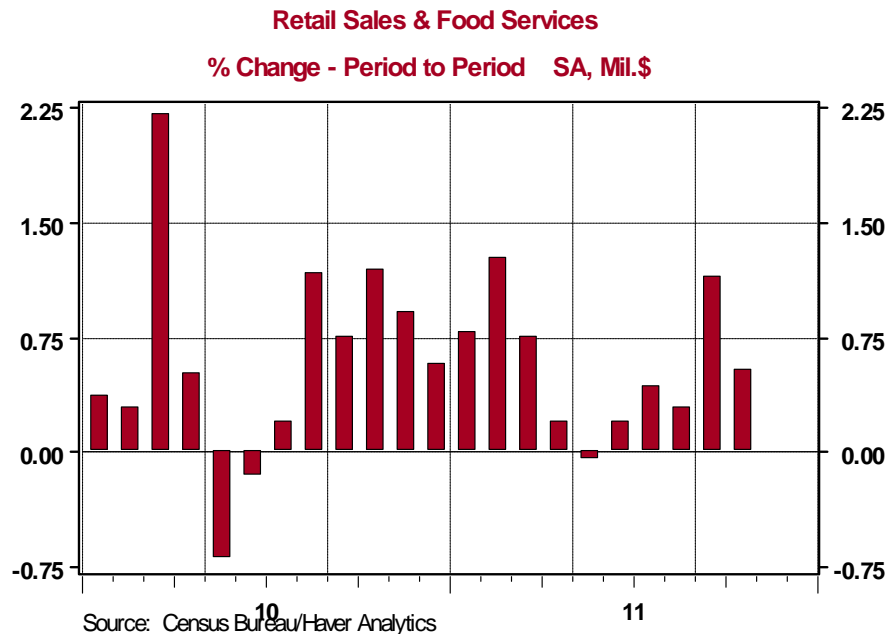
October Retail Sales Bode Well for the Final Quarter of 2011

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Retail sales rose 0.5% in October after a 1.1% increase in September. Unit auto sales matter in the computation of GDP, not the retail sales tally. Unit auto sales rose to 13.26 million units in October from 13.1 million units in September. These numbers imply that auto sales will make a positive contribution to spending in October. Gasoline sales are largely influenced by the price of gasoline; the 0.4% drop in gasoline sales in October reflects lower prices. Gasoline prices show a downward trend in the early days of November, implying a possible drop of the price index in November. Excluding gasoline and autos, retail sales moved up 0.7% in October vs. a 0.5% gain in the prior month, which is a big plus for consumer spending in October and the fourth quarter. Although sales of apparel (-0.7%) and furniture (-0.7%) fell in October, other categories posted gains to lift the total. The bottom line is that the headline and sub-categories of retail spending indicate a good start for consumer spending in the fourth quarter.

Chart 1



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Retail Sales – October 2011

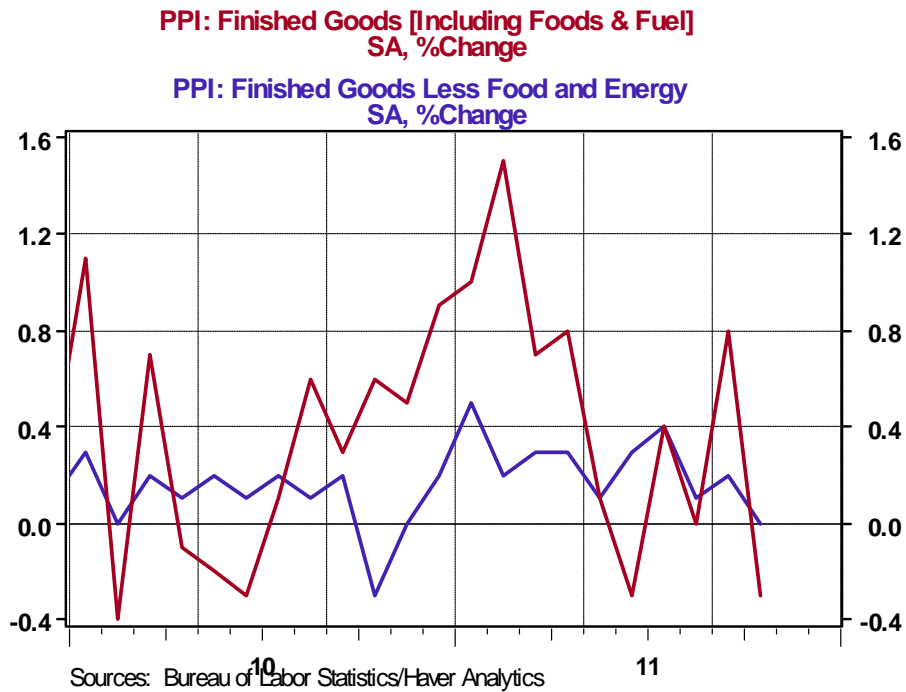
	August	September	October	11:Q3	11:Q4
	quarterly change SAAR				
Total Retail Sales & Food Service, % m-o-m	0.3	1.1	0.5	4.6	5.7
% change y-o-y	8.8	8.6	6.7		
Ex-auto, % m-o-m	0.5	0.5	0.6	4.4	4.4
% change y-o-y	8.9	8.4	6.7		
Ex-gas, % m-o-m	0.3	1.2	0.7	4.9	6.4
% change y-o-y	7.3	7.1	5.7		
Ex- autos and gas % m-o-m	0.5	0.5	0.7	4.8	5.0
% change y-o-y	6.9	6.6	5.4		
Exc. Bldg. mat., auto, gas, % m-o-m	0.4	0.5	0.7	4.6	4.7
% change y-o-y	6.6	6.6	5.3		

* -annualized change based on October data

Wholesale Prices Show Moderating Trend

The Producer Price Index (PPI) of Finished Goods fell 0.3% in October after a 0.8% jump in the prior month. A 1.4% drop of the energy price index was responsible for about two-thirds of the decline in the wholesale price index. The core PPI, which excludes food and energy, held steady in October after ten monthly gains. Lower prices for cars and trucks offset price hikes of other core items.

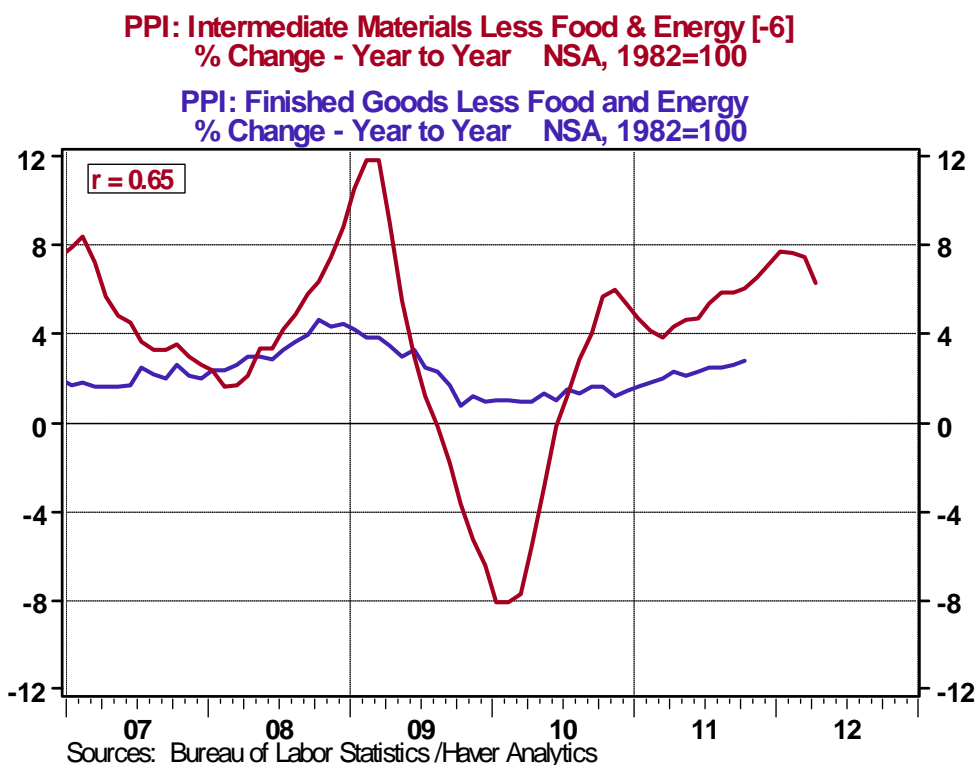
Chart 2



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At the earlier stages of production, the core intermediate good price rose 6.3% from a year ago. This represents a decelerating trend following an increase of 7.8% in July (see Chart 3). It is important to note that the core intermediate goods price leads the finished goods core price index by six months. In other words, the current moderation of core intermediate prices points to a likely moderation in the finished goods price index in the months ahead.

Chart 3



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Producer Price Index – October 2011

	% change	annualized % change		% change	
	prior month	3 mo. ago	6 mo. ago	Oct-11 yoy	Dec-10 yoy
PPI - FINISHED GOODS					
ALL ITEMS	-0.3	1.9	1.4	5.9	3.7
CORE - ALL ITEMS LESS FOOD & ENERGY	0.0	1.1	2.4	2.8	1.4
FOOD	0.1	7.0	3.5	7.5	3.4
ENERGY	-1.4	-0.4	-3.1	13.5	10.8
CAPITAL EQUIPMENT	-0.1	0.0	1.6	2.0	0.4
PPI - INTERMEDIATE GOODS					
ALL ITEMS	-1.1	-4.1	-0.2	8.3	6.3
CORE	-0.6	-2.0	0.8	6.3	4.7
PPI - CRUDE GOODS					
ALL ITEMS	-2.5	1.6	-10.8	12.6	16.1
CORE	-4.3	-6.9	-3.0	11.7	27.6

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