

Real GDP increased a revised 2.2% in the third quarter – well below the initial estimate of 3.5%. The year-over-year rate of change still improved from 3.8% in the second quarter – the largest 4-quarter decrease in the post World War II period – to 2.6% in the third quarter. Economic stimulus measures were responsible for much of the increase in GDP during the third quarter.

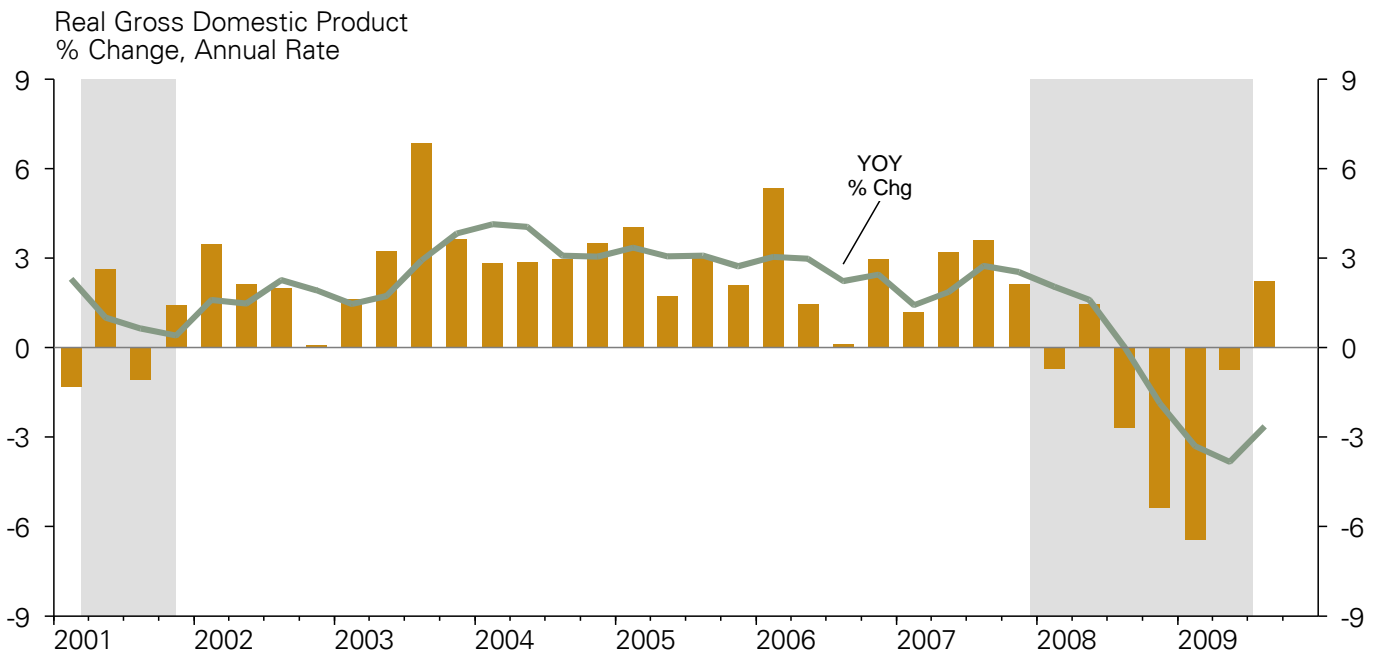
**The economy expanded by a revised 2.2% in the third quarter – down from the initial estimate of 3.5%. Forecasters have raised projections for the fourth quarter.**

Personal consumption expenditures contributed 2.0 points of the 2.2% growth. Spending on motor vehicles and parts alone contributed 0.8 points, reflecting the federal auto sales incentives that boosted sales in July and August. Exports added 1.8 points to growth, followed by the change in business inventories, which added 0.7 points. Investment in residential structures, which benefited from the first-time homebuyer tax credit, added 0.4%. Government outlays added 0.6%, as a small decline in state and local government expenditures partially offset an increase in federal spending, which was concentrated in national defense.

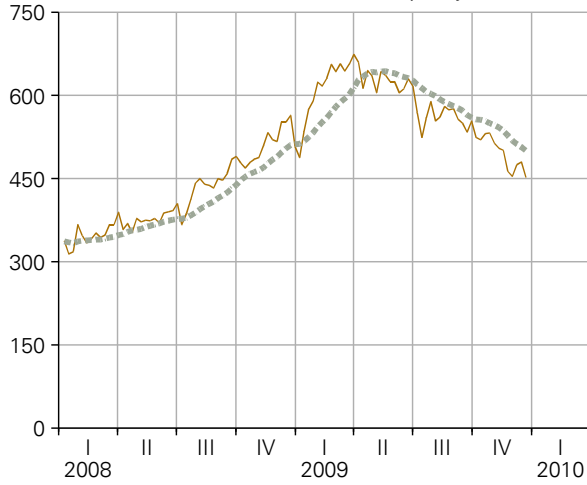
The Federal Reserve projects continued economic recovery at a modest pace. The Federal Open Market Committee expects real GDP to expand by between 2.0% to 4.0% in 2010, 2.5% to 4.6% in 2011 and 2.8% to 5.0% in 2012, all on a fourth-quarter to fourth-quarter basis.

The message from leading indicators that the recession has ended has continued to strengthen. The advance of the Weekly Leading Index published by the Economic Cycle Research Institute has picked up in recent weeks after leveling off in October and November. The index remains highly consistent with sustained economic growth. The Leading Economic Index from the Conference Board increased for the eighth consecutive month in November, lifting the 6-month smoothed rate of change to 8.4% – in line with rates of growth early in previous economic recoveries. The ratio of the Coincident Economic Index to the Lagging Economic Index – itself a leading indicator – also increased for the eighth straight month. The ratio has reached its trough at about the same time as the overall economy in most past cycles.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



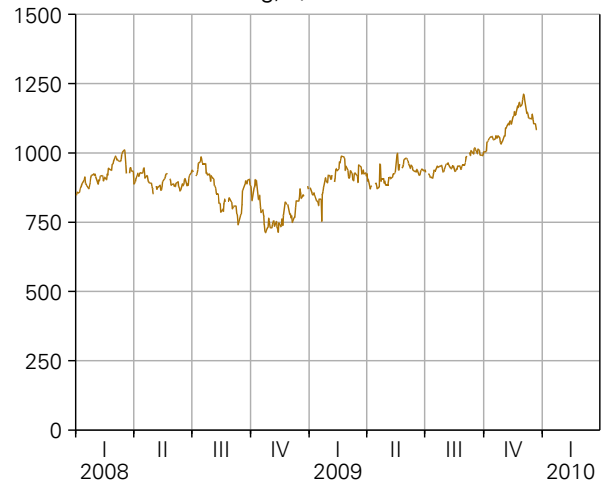
U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



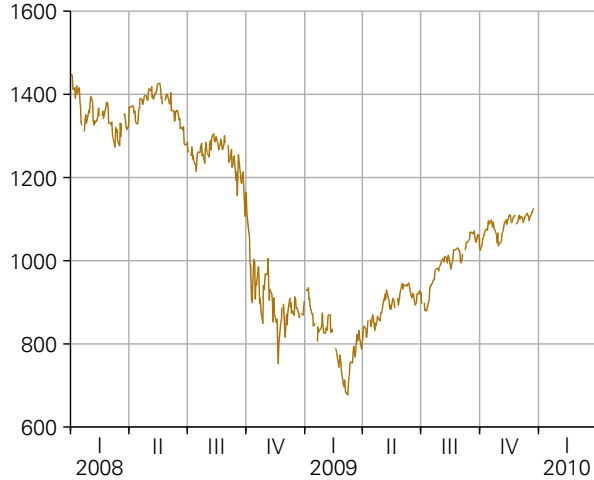
Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

