



# ECONOMIC INDICATOR

## Executive Summary - Most Indicators Rebound In March As The Economy Slowly Improves

We all have questions about the economy; Are we now in a period of economic recovery? Or are we seeing a mirage as the economy continues to decline? Miles•McClellan is no different in the search for answers, and we have decided to share a few important economic indicators with all of you every month so we can all better understand the challenges we face in the near future.

INDICATOR	SEPT	OCT	NOV	DEC	JAN	FEB	MAR
Architectural Billing index (ABI)	+	+	-	+	-	+	+
Initial Claims - Unemployment	+	+	+	+	+	-	+
Continuing Claims - Unemployment	+	+	+	+	+	+	-
Non-residential Construction Index (NRCI)		+			+		
Capacity Utilization (effects Non-residential spending)	+	+	+	+	+	+	+
Auto Sales	-	+	+	+	-	-	+
Housing Starts	+	-	+	-	+	+	+
ABC Construction Backlog Indicator - NEW!	+	-	+	+	-	Delay	Delay
Baltic Dry Index (BDI)	-	+	+	-	-	-	+

### Headlines

The **Architectural Billing Index** rose to a level of 46.1 this month, making it the highest the ABI score has been since August 2008. This is positive news, even though the score still indicates a continued decline in demand for design services.

**Auto Sales** jumped the annual projection to a 1.5M higher total in March. This jump was mainly caused by heavy incentives across the industry and experts feel that we will see a more accurate sign of things to come in April and May.

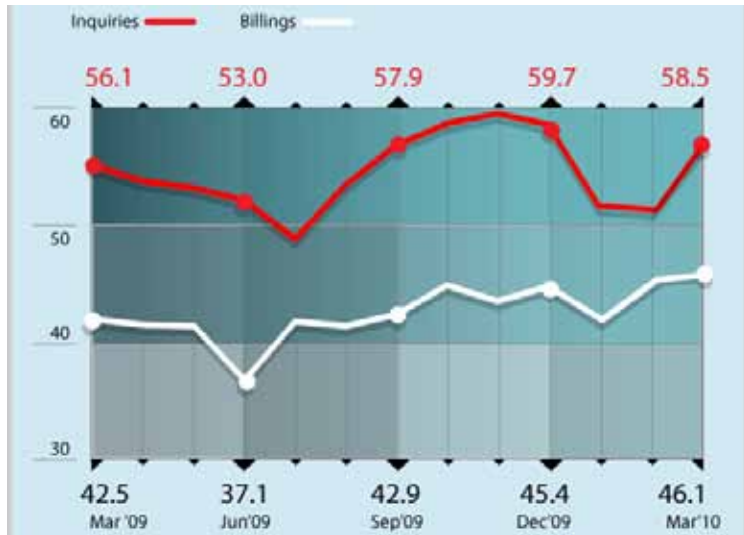
**Initial Unemployment Claims** fell more than expected and some experts feel that we may be on the cusp of a hiring recovery.

KEY	
Positive Change	+++
Negative Change	---
Good Performance	
Average Performance	
Poor Performance	

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## ABI Reaches Highest Score Since August 2008



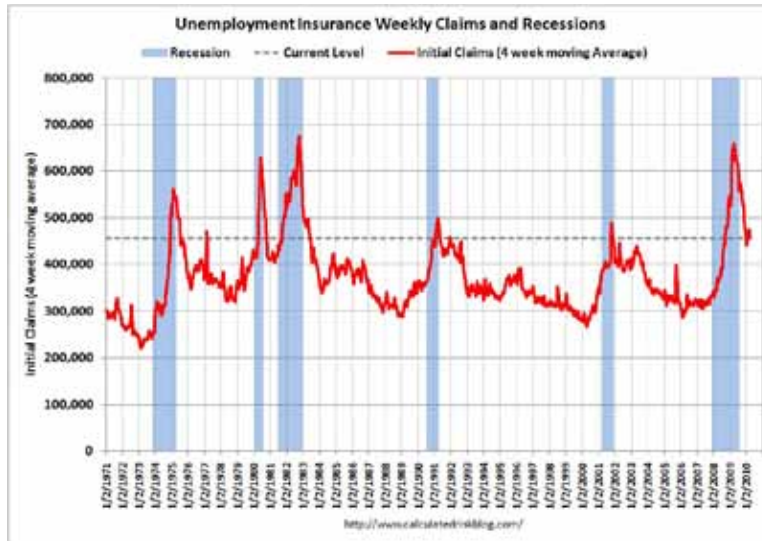
### Architectural Billing Index

February Billings: 44.8      March Billings: 46.1  
 February Inquires: 52.0      March Inquires: 58.5

“A key indicator(ABI) of future building activity was up for the second consecutive month in March, but it’s still trading in negative territory. Although the numbers show a “continued decline in demand for design services,” there’s reason for optimism because the index reached its “highest score since August 2008,” AIA noted in a press release. “This is an encouraging sign that we could be moving closer to a recovery phase, even though we continue to hear about mixed conditions across the country,” AIA chief economist Kermit Baker said in a news release. “Firms are still reporting an unusual amount of variation in the level of demand for design services, from improving to poor to virtually nonexistent. This increasing volatility is often a sign that overall business conditions may begin to change in the coming months.””

*Finance & Commerce, Brian Johnson*  
 Graph: AIA

## Initial Claims Fall More Than Expected; Hiring Recovery Imminent



### Initial and Continuous Unemployment Claims

Feb. Initial Claims: 473,750      Mar. Initial Claims: 453,750  
 Feb. Cont. Claims: 4.60 M      Mar. Cont. Claims: 4.69 M

“New claims for unemployment benefits fell more than expected last week as layoffs ease and hiring slowly recovers. The decline brought the four-week average of claims, which smooths volatility, to its lowest level since September 2008, when the financial crisis intensified. The report is an encouraging sign that the economy is getting closer to generating job gains, economists said. “We’re on the cusp of a hiring recovery,” said Zach Pandl, an economist at Nomura Securities. Initial claims have fallen in three of the past four weeks, wiping out most of the increase that took place in the first two months of this year. Many economists say claims need to fall below roughly 425,000 to signal that the economy will consistently create jobs, though some say it could happen with claims at higher levels.”

*TheSpokesman, AP*  
 Graph: Calculated Risk

## Non-Residential Construction Outlook March 2010

### Non-Residential Construction Outlook

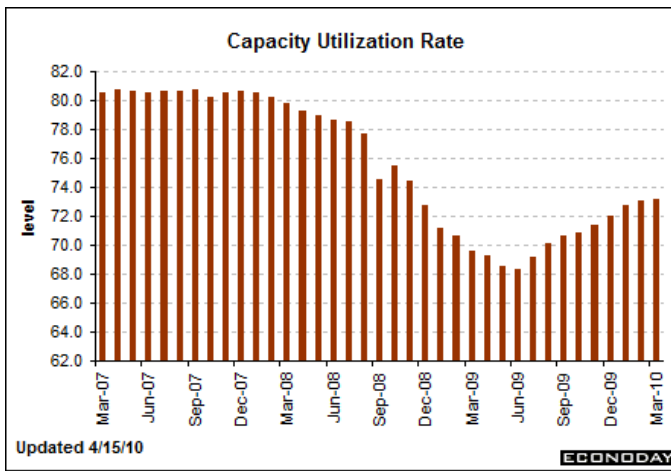
“Though the U.S. economy is out of recession, nonresidential building construction is not. Even casual observers are aware that commercial real estate is presently overbuilt and underperforming in general. The result is that there is little demand for new construction”, said Basu. “Moreover, the financial crisis that deepened in September 2008 continues to have a lingering effect in the form of a still tight credit market. A rebound in commercial and other forms of nonresidential construction is not anticipated anytime soon,” Basu said. “Matters could remain problematic for quite some time as state and local governments combat their fiscal issues, leading to diminished investment in school construction and other key categories in which public financing plays a major role.”

*ABC, Anirban Basu*

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## Capacity Utilization Rate Continues To Climb; Albeit Slowly



### Capacity Utilization Rate

Feb. 2010 Rate: 72.7%      Mar 2010 Rate: 73.2%

“Industrial production edged up 0.1% in March and increased at an annual rate of 7.8% in the first quarter. Manufacturing output rose 0.9% in March, led by widespread gains among durable goods industries. Factory production was likely held down in February by the winter storms but nonetheless rose at an annual rate of 6.6% for the first quarter as a whole. The output of mines increased 2.3% in March. Utilities output dropped 6.4%; after a relatively cold February, demand for heating fell in March as temperatures climbed to above-normal levels. At 101.6% of its 2002 average, industrial output in March was 4.0% above its year-earlier level. Capacity utilization for total industry advanced 0.2% point to 73.2%, a rate 7.4% points below its average from 1972 to 2009, but 3.7% points above the rate from a year earlier.”

*Economic Populist, Robert Oak*  
Graph: Econoday

## Vehicle Sales Strong In March; Aided By Heavy Incentives In Industry



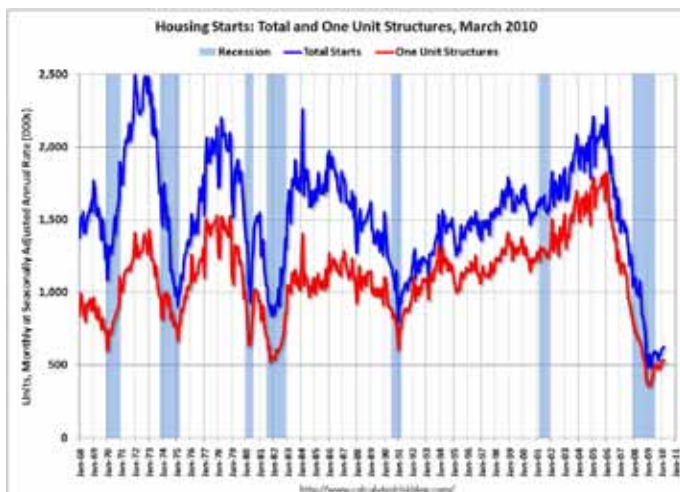
### Auto Sales

February 2010: 10.38 M      March 2010: 11.78 M

“U.S. sales topped the 1 million vehicle mark in March, which was the strongest monthly result since September 2008, excluding August 2009 when “cash for clunkers” incentives drove sales up sharply. General Motors GM.UL sales rose nearly 21% overall from a year earlier and it led the industry in total vehicle sales. Toyota was second in total sales, while Ford Motor Co (F.N) ranked third after a nearly 40% sales increase. Industry executives attributed the U.S. sales rebound in part to incentives, pent-up demand from February when snowstorms hit many areas, to a subsiding of headlines on Toyota and some signs of U.S. economic stability. “Retail sales were really artificially inflated by huge incentives going on in the marketplace and did not reflect true demand,” Edmunds.com Director of Industry Analysis Jessica Caldwell said, adding that April would be a better indicator.”

*Reuters*  
Graph: Calculated Risk

## Housing Starts Rise For 3 Months; At Highest Level Since Nov. 2008



### Housing Starts

February 2010: 616,000      March 2010: 626,000

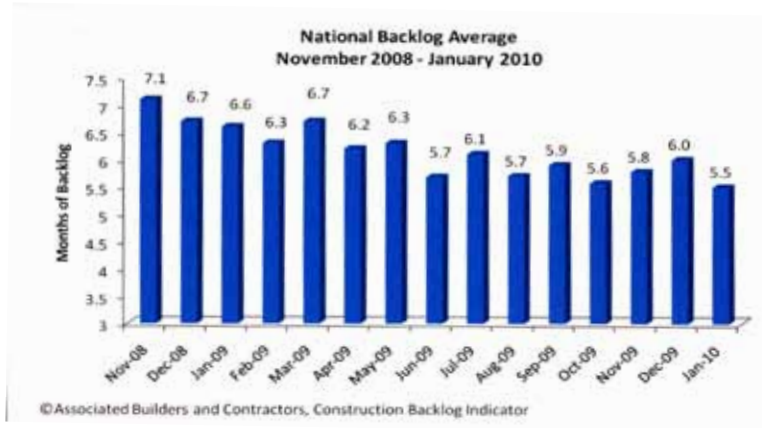
“Starts rose 1.6% in March to a seasonally adjusted 626,000 annualized units, the Commerce Department recently reported. Even more surprising, February starts were revised higher to a 616,000 pace from the 570,000 previously reported. This was up 1.1% from the prior month. The initial estimate had been a 5.9% drop. As a result of the revisions, starts have risen for three straight months and are now at their highest level since November 2008. “The bottom line is that there is an upward trend and construction will be moving higher provided that new-home sales improve as well,” said Michelle Meyer, economist at Barclays Capital. Meyer cautioned that one should not get carried away with the improvement as it comes from “an incredibly low level of activity.” A tax subsidy for buyers expires at the end of April, and “we will need to see data for May and June before we can put too much weight on this conjecture,” the RDQ note said.”

*Rismedia, Greg Robb*  
Graph: Calculated Risk

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## Construction Backlog Indicator At Its Lowest Point Since Its Inception



## New - ABC Construction Backlog Indicator

Dec. 2009: 6.0 Months Jan. 2010: 5.5 Months

“ABC today reports that its Construction Backlog Indicator (CBI) sharply declined by 9% between November 2009 and January 2010. CBI has slipped 16.3% during the last year and currently stands at 5.5 months, the lowest point reported in the 15 months ABC has gathered data. “The fact that the CBI is now at its lowest point since ABC began measuring the statistic in November 2008 indicates that the nation’s nonresidential construction industry remains mired in its own recession,” said ABC Chief Economist Anirban Basu. “Nonresidential construction tends to lag the overall economy by 12 to 24 months. With the broader economy having been in a slow recovery for roughly three quarters, and with the stimulus package still having an impact, the hope had been that some signs of backlog stability would be apparent by now. However, all indications continue to point toward an ongoing decline in the commercial and industrial construction industry.”

Associated Builders and Contractors, Inc.  
Graph: ABC

## Baltic Dry Index Stays Very Volatile; May Continue Through 2010



## Baltic Dry Index - BDI

February 2010: 2,738 March 2010: 3,098

“The Baltic Dry Index (BDI), a measure of shipping costs for commodities, has plunged by almost 15% over the past month or so, signalling a drop in the trade of coal, iron ore and other commodities on a global scale. While shipping industry experts say this drop could be temporary, given that global trade is on a growth trajectory, they also point out that several shipping companies have been adding capacity, which could well turn out to be in excess of the demand. The BDI had risen to 3,574 levels on March 15, 2010, its highest since January 2010 but dropped to 3,098 points on Friday. “The BDI has been hovering at around the 3000 mark for about 3-4 months now. It is volatile and this is likely to continue for the whole year. We might see a slight improvement in the index, but unless the economies stabilize in the US and UK, this trend will continue.”

FinancialExpress, Nikita Upadhyay  
Graph: TaintedAlpha.com