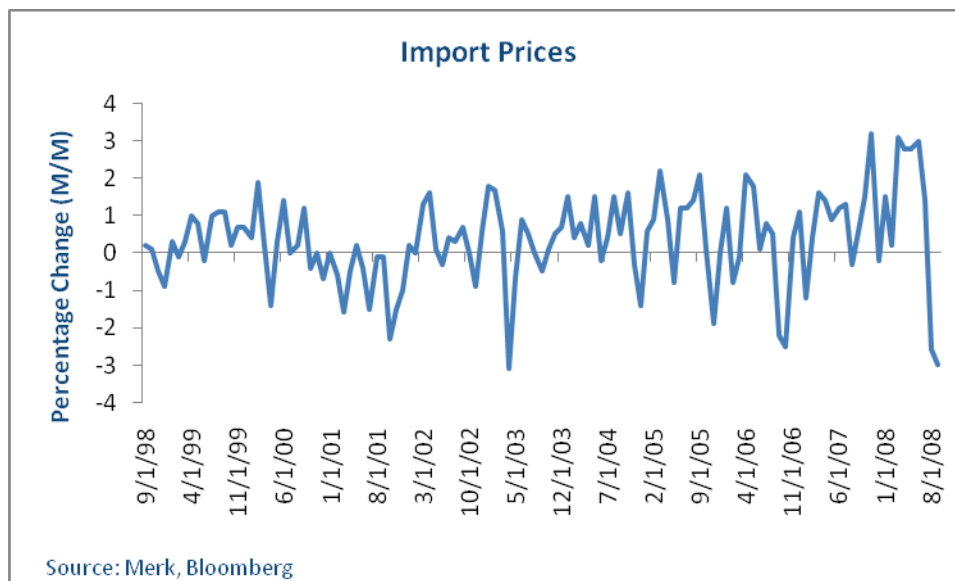




Import Prices: September 2008

Import prices in September declined -3.0% m/m and 14.5%, far better than the consensus market estimate of -2.8% for the month. The better than expected posting was driven by the -9.0% decline in demand for petroleum products and -6.5% drop in purchased of industrial supplies from abroad. The ex-petroleum estimate saw a decline of -0.9% and the ex-fuels indicator eased by -0.5%. The cost of food and beverages fell -1.7%, capital goods, autos and consumer goods all moderated at a 0.1% rate for the month.



The decline in demand for oil down to just north of 9.0 million barrels for the month of September, which is indicative of the sharp moderation in personal consumption during the final month of the third quarter of 2008. We expect that the equally sharp decline in commodity and energy prices will be passed through to the consumer as firms, which should enable not just the Fed, but global central banks to act swiftly in response to the disinflation that is on the way. The inflation data for the month in September will be most likely the only positive data observed for the month and will provide the Fed the necessary space to take whatever necessary over the next few months. We expect to observe a decline in import prices for the next several months.