

# National Week In Review

## Week Ending July 21, 2006

**R**egional and State Unemployment . . . In June, the South continued to post the lowest regional unemployment rate at 4.5%, followed closely by the Northeast (4.6%), West (4.7%), and the Midwest (4.8%). The national jobless rate held steady at 4.6%. Florida and South Dakota posted the lowest state seasonally adjusted unemployment rate at 3.0%. Mississippi again recorded the highest unemployment rate at 7.1%, followed by South Carolina (6.7%), Alaska (6.6%) and Michigan (6.0%).

**Mass Layoffs Claims Up** . . . In June, employers took 1,097 mass layoff events, seasonally adjusted, resulting in 119,662 workers filing initial claims for unemployment insurance. The number of layoff events increased by 23 and the number of associated initial claims rose by 9,804 over the month. The manufacturing sector accounted for 21% of all mass-layoff actions and 25% of all initial claims filed. The number of manufacturing claimants was highest in transportation-equipment manufacturing (15,822, mostly automotive-related), followed by food manufacturing (5,008). Among the states, California had the highest number of initial claims filed due to mass-layoff events at 35,270, followed by Pennsylvania (13,932), New Jersey (13,182), Michigan (9,298), and Illinois (9,144). In South Carolina, there were 11 mass layoff events resulting in 1,190 initial claims. A mass-layoff event covers layoffs of 50 or more workers beginning in a given month, regardless of the duration of the layoffs.

**Initial Unemployment Insurance Claims Plummet** . . . The number of Americans filing new claims for unemployment benefits tumbled 30,000 to 304,000 in the week ending July 15<sup>th</sup>. This is the lowest level of initial claims since the week ending June 10<sup>th</sup>. The number of workers filing claims fell as auto workers finished submitting claims following annual shutdowns at some plants. The four-week average of new claims, which smoothes out the data to reduce the impact of one-time events such as holidays and weather, fell 1,250 to 316,750.

**Rates On 30-Year Mortgages Highest Since 2002** . . . Rates on 30-year, fixed-rate mortgages increased to 6.8% for the week ending July 21<sup>st</sup>, up from 6.74% the previous week. This represents the highest level since the week of May 24, 2002. Rates on 15-year, fixed-rate mortgages, a popular choice for refinancing, climbed to an average of 6.41%, up from 6.37% the previous week.

**Wholesale Inflation Up For The 4<sup>th</sup> Consecutive Month** . . . The Producer Price Index (PPI), which measures the cost of a basket of goods and services from the perspective of the seller, rose for the 4<sup>th</sup> consecutive month, up 0.5% in June to 161.6 (1982 = 100). Food prices surged 1.4%, the largest gain since October 2004. The main contributors to this month's increase were eggs (+27.7%), fresh fruits and melons (+15.0%), and chicken (+12.1%). Pharmaceutical prices rose for the 9<sup>th</sup> consecutive month, up 0.3%. Energy prices rose 0.7%. Gasoline prices climbed 6.3% to a level 44.3% higher than a year ago. Home heating oil prices climbed 6.5% to a level 32.2% higher than a year ago. Residential electric power prices fell a record 2.8%. Residential natural gas prices fell for the fifth consecutive month, down 3.7%. The movements of the PPI tend to forecast movements in the CPI.

**Consumer Inflation Up For The 6<sup>th</sup> Consecutive Month** . . . The Consumer Price Index (CPI), which measures the average change in prices of goods and services from the purchaser's perspective, advanced 0.2% in May to 202.3 (1982 - 1984 = 100). Food and beverage prices increased 0.3%, led by higher prices for fruits and vegetables (+1.3%).

Medical care costs rose 0.3% to a level 4.1% higher than a year ago. Fuel oil prices rose for the 3<sup>rd</sup> consecutive month, up 1.5%. Gasoline prices slid 1.0% but are 34.0% higher than a year earlier. Apparel prices were unchanged. The CPI is the government's broadest gauge of costs for goods and services. Almost 60% of the CPI covers prices consumers pay for services, ranging from medical visits to airline fares and movie tickets.

**Housing Construction Tumbles . . .** Housing starts tumbled 5.3% in June to a seasonally adjusted annual rate of 1.85 million, the Commerce Department reported. Construction of single-family homes fell 6.5%. In the West, starts plummeted 11.5%. In the South, the nation's largest housing market, starts slid 4.0%. Building permits, a leading indicator of housing construction, fell 4.3% to a level 15% lower than a year ago. Economists expect the housing sector to continue to ease this year, but still forecast 2006 as the third best year for the market on record.

**Industrial Production Strong . . .** Production at the nation's factories, mines and utilities rose 0.8% in June, as hot weather increased the use of electricity. Production increased in the second quarter at an annual rate of 6.6%, the fastest since the fourth quarter of 1999. For the month, electric and gas utility output surged 0.7%, as hot weather led to increased air-conditioning use. Factory production, which makes up more than four-fifths of overall industrial output, jumped 0.7%. The main contributor was the production of computer and electronic products, up 1.3%. Production of consumer durable goods -- which includes automobiles, furniture and electronics -- rose 2.2%. Industry operated at 82.4% of capacity, the highest level in six years.

**Sources:**

- ❑ Bloomberg.com
- ❑ Bureau of Labor Statistics
- ❑ U.S. Department of Labor
- ❑ *USA Today*

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