

National Week In Review

Week Ending May 26, 2006

First Quarter GDP Has Fastest Growth In 2½ Years . . . Real gross domestic product (GDP), the most comprehensive measure of economic activity, grew by a revised 5.3% in the 1st quarter of 2006. This represents the strongest growth rate since the 3rd quarter of 2003. The updated reading on GDP, based on more complete information, mostly reflected stronger U.S. exports and better inventory building by businesses. Real GDP measures the value of all goods and services produced within the U.S. and is considered the best barometer of the country's economic wellness.

Mass Layoffs Claims Down . . . In April, employers took 1,148 mass layoff events, seasonally adjusted, resulting in 118,504 workers filing initial claims for unemployment insurance. The number of layoff events increased by 66; however, the number of associated initial claims decreased by 51 over the month. The manufacturing sector accounted for 26% of all mass layoff actions and 33% of all initial claims filed. Among the states, California had the highest number of initial claims filed due to mass layoff events at 24,551, followed by New York (13,386), Ohio (12,182), Pennsylvania (8,702), and Michigan (7,191). These five states accounted for 54% of all mass layoff actions and all initial claims. In South Carolina, there were 11 mass layoff events resulting in 1,314 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.

Durable Goods Orders Tumble . . . Factory orders for big-ticket manufactured goods fell 4.8% in April. Computers and electronic products orders plunged 10.4%, the biggest decline since July 2000. Communications equipment orders tumbled 27.4%, the largest decline since November 2004. Transportation equipment orders slid 12.7%. Civilian aircraft and parts orders fell by 32.2%.

New Home Sales On The Rise . . . Sales of new homes rose 4.9% to a seasonally adjusted annual rate of 1.198 million units. Home sales were up in all parts of the country, led by an 8.2% increase in the Northeast. Sales in the South and West rose by 7.8% and 2.0%, respectively. Sales slipped 1.1% in the Midwest. The backlog of unsold homes rose 2.4% to a record 565,000 homes on the market at the end of April. At the current sales pace, it would take 5.8 months to deplete this backlog.

Sales Of Existing Homes Down . . . Sales of previously owned single-family homes and condominiums slid 2.0% to a seasonally-adjusted annual sales pace of 6.76 million units. Sales were down in all parts of the country, led by a 3.7% decline in the Midwest. According to the National Association of Realtors, the hot markets were in Texas, North Carolina, South Carolina, Ohio, Georgia, Utah and New Mexico. The chief economist for the Realtors reports, "This is a tale of two markets. Half of the country is heating up and half the country is cooling off." For April, the total number of unsold homes soared to 3.38 million units, which represents a six-month supply at the April sales pace. The inventory of unsold homes is a critical indicator. Analysts worry that if the inventory of homes becomes too high, it will increase the likelihood of lower prices.

Sources:

- Bureau of Labor Statistics
- *USA Today*
- US Department of Labor

By Mike Daniels