

National Week In Review

Week Ending June 16, 2006

Regional and State Unemployment . . . In May, the South continued to post the lowest regional unemployment rate at 4.6%, followed closely by the remaining three regions, at 4.7% each (West, Northeast and Midwest). The national jobless rate was 4.6%. South Dakota posted the lowest state seasonally adjusted unemployment rate at 2.9%, followed by Hawaii, Vermont and Virginia, 3.0% each. Mississippi again recorded the highest unemployment rate at 7.3%, followed by Alaska (7.1%), South Carolina (6.5%), and Michigan (6.0%).

Initial Unemployment Insurance Claims Dip Again . . . The number of Americans filing new claims for unemployment benefits fell for the 2nd consecutive week, down 8,000 to 295,000 in the week ending June 10th. This represents the lowest level of initial claims since the week of February 18th. 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 by 12,250 to 315,750.

Wholesale Inflation Up For The 3rd 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 3rd consecutive month, up 0.2% in May to 160.8 (1982 = 100). Pharmaceutical prices rose for the 8th consecutive month, up 1.9%. Energy prices rose 0.4%. Gasoline prices climbed 2.2% to a level 42.4% higher than a year ago. Home heating oil prices climbed 2.6% to a level 39.4% higher than a year ago. Residential natural gas prices fell for the fourth consecutive month, down 3.1%. Food prices declined 0.5%, led by lower costs for eggs (-16.7%), and fresh and dry vegetables (-14.0%). The movements of the PPI tend to forecast movements in the CPI.

Consumer Inflation Up For The 5th Consecutive Month . . . The Consumer Price Index (CPI), which measures the average change in prices of goods and services from the purchaser's perspective, advanced 0.4% in May to 201.9 (1982 - 1984 = 100). Energy prices surged 2.4%. Gasoline prices jumped 4.9% and have been soaring this year at an annual rate of 69.4% as consumers contend with pump prices above \$3.00 per gallon in many parts of the country. Food and beverage prices increased 0.2% as higher prices for fats and oils (+2.4%); nonalcoholic beverages (+0.5%); and cereals and bakery products (+0.4%) overwhelmed lower prices for fruits and vegetables (-0.9%); meats, poultry, fish and eggs (-0.5%); and dairy and related products (-0.5%). Airline fares soared 2.6%. New car prices slid 0.3%. The CPI is the government's most closely watched inflation measure.

Industrial Production Edges Down . . . Production at the nation's factories, mines and utilities fell for the first time in four months, down 0.1% in May. Factory production, which makes up more than four-fifths of overall industrial output, also fell by 0.1%. The production of business equipment fell by 0.2%, due to sharp declines in the output of motor vehicles and parts (-1.3%). Consumer nondurable goods increased 0.2%, led by a 2.8% jump in gasoline production.

Retail Sales Up . . . Retail sales edged up 0.1% in May to \$364.2 billion. Gasoline station sales climbed 1.9% to a level 21.9% higher than a year ago. Gains were also registered at sporting goods, hobby, book and music stores (+0.7%); food and beverage stores (+0.6%); electronics and appliance stores (+0.4%); and health and personal care stores (+0.4%). Sales at motor vehicle and parts dealers tumbled 1.6%. Sales at building materials and

garden equipment stores fell 0.4% but were up 11.2% compared to a year ago. Economists closely monitor retail sales to track trends in overall consumer spending, which makes up about two-thirds of U.S. economic activity.

Sources:

- ❑ Bureau of Labor Statistics
- ❑ *USA Today*
- ❑ U.S. Department of Commerce
- ❑ U.S. Department of Labor
- ❑ *Washington Post*

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