

National Week In Review

Week Ending May 19, 2006

Regional and State Unemployment . . . In April, the South continued to post the lowest regional unemployment rate at 4.5%, followed by the West (4.6%), the Northeast (4.7%), and the Midwest (5.1%). The national jobless rate was 4.7%. Hawaii posted the lowest state seasonally adjusted unemployment rate at 2.8%, followed by Florida and South Dakota, 3.0% each. Mississippi again recorded the highest unemployment rate at 7.7%, followed by Michigan (7.2%), Alaska (7.0%), and South Carolina (6.6%).

Unemployment Insurance Weekly Claims On The Rise . . . The number of Americans filing new claims for unemployment benefits jumped 42,000 to 367,000 in the week ending May 13th. This represents the highest level since October 2005 when claims rose because of the damage caused by Hurricanes Katrina and Rita. However, excluding claims related to the partial government shutdown in Puerto Rico, initial claims would have been closer to 312,000. The number of people collecting unemployment checks increased by 8,000 to 2.39 million in the week ending May 6th.

Wholesale Inflation Has Largest Gain In Seven Months . . . The Producer Price Index (PPI), which measures the cost of a basket of goods and services from the perspective of the seller, climbed 0.9% in April to 160.5 (1982 = 100). This represents the largest gain since September 2005. Energy prices soared 4.0%, the biggest rise in six months. Home heating oil costs jumped 13.7%, the most in six months. Gasoline prices surged 12.3%, the largest gain since October 2004. Costs for civilian airplanes soared 1.7%, the largest gain since July 1993. Mobile home prices rose 1.5%, the most since September 2004. Food prices edged up 0.1%, as higher costs for fresh and dry vegetables (+18.1%), and fresh fruits and melons (+8.1%) overwhelmed lower costs for chicken (-4.1%), pork (-3.9%), beef and veal (-2.7%), and dairy products (-2.5%). The movements of the PPI tend to forecast movements in the CPI.

Consumer Inflation Up . . . The Consumer Price Index (CPI), which measures the average change in prices of goods and services from the purchaser's perspective, advanced 0.6% in April to 201.0 (1982 - 1984 = 100). Energy prices surged 3.9%. Gasoline prices climbed 8.8% to a level 21.5% higher than a year ago. Apparel prices rose 0.6%, led by a 0.9% rise in men's and boys' apparel. Airline fares soared 1.6%, the highest gain since July 2005. The CPI is the government's most closely watched inflation measure.

Housing Construction Tumbles . . . Housing starts tumbled 7.4% in April. Construction of single-family homes fell 5.6%, while multifamily construction plunged 15.1%. In the South, the nation's largest housing market, starts slid 16.0%. In the West, housing starts fell by 9.7%. Housing starts rose in the Midwest and Northeast 16.3% and 9.1%, respectively. After five years of setting sales and construction records, groundbreaking and purchases have eased. Still, economists forecast 2006 as the third best year for the market on record.

Industrial Production Strong . . . Production at the nation's factories, mines and utilities climbed 0.8% in April. Factory production, which makes up more than four-fifths of overall industrial output, advanced 0.7%. The production of business equipment rose 1.8%, due to sharp gains in the output of information processing equipment (+2.5%) and industrial and other equipment (+2.1%). The output of consumer goods inched up 0.1%, led by a 2.0% rise in the output of home electronics. The proportion of overall industrial capacity in use rose in April to 81.9, the highest since July 2000. Economists look at this capacity utilization figure for

clues about future inflation. Higher-than-average operating rates increase the risk of bottlenecks in the production process that will encourage manufacturers to raise prices.

Sources:

- ❑ Board of Governors of the Federal Reserve System
- ❑ Bureau of Labor Statistics
- ❑ MarketWatch
- ❑ *USA Today*
- ❑ *Washington Post*

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