



WEEKLY ECONOMIC DIGEST

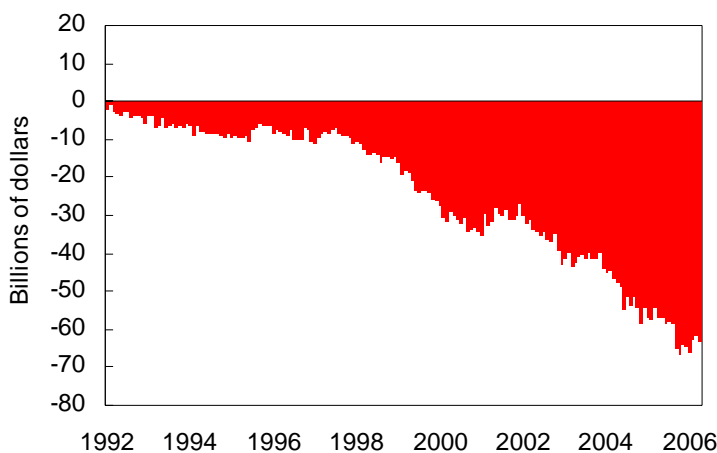


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

June 13, 2006

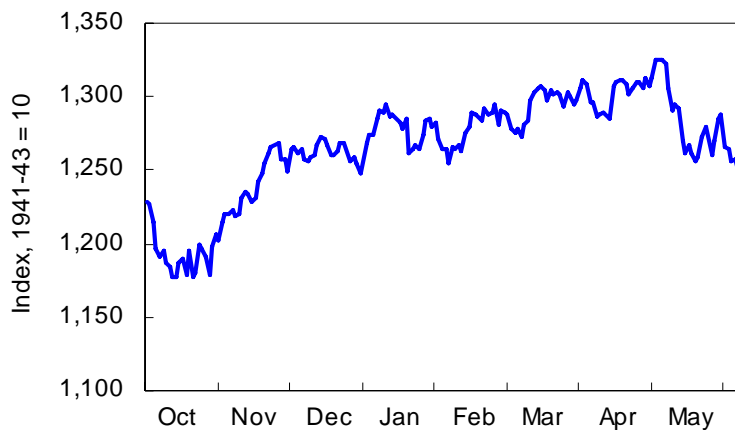
Trade Deficit Remains Wide and Oil Prices Remain High

U.S. Trade Balance for Goods and Services



Source: Census Bureau, U.S. Department of Commerce.

Standard & Poor's 500 Stock Price Index
Daily Closing Price, 9/30/05 to 6/9/06



Source: The Financial Times.

- **The trade deficit widened in April.** The deficit for international trade in goods and services (imports minus exports) rose to \$63.4 billion in April, an increase of \$1.6 billion from March's revised figure. Exports fell by \$0.3 billion and imports rose by \$1.3 billion. Sharply higher crude oil prices in April contributed to a \$1.4 billion increase in petroleum imports, while nonpetroleum imports fell slightly. Although the trade deficit has leveled out in recent months (see top chart), the U.S. is on track for another record annual deficit in 2006.

- **Price increases moderated in May, but crude oil and gasoline prices remain high.** After surging by \$6.79 (10.8 percent) in April, the average monthly price of West Texas Intermediate crude oil rose another \$1.25 per barrel (1.8 percent) in May. At \$70.94 per barrel, the price of crude oil in May was \$21.11 (42.4 percent) higher than a year earlier. The average retail price of regular grade gasoline was \$2.91 per gallon last month, up 6.0 percent from April and 34.5 percent from a year earlier. The price on June 12 was \$2.91 per gallon.

- **Stock market gains boosted household wealth in the first quarter.** The net worth of households and nonprofit institutions (the value of tangible and financial assets less liabilities) grew at an annual rate of 11.1 percent in the first quarter, up from a 9.8 percent rise in the fourth quarter. A rising stock market (see bottom chart) increased the rate of growth in the market value of financial assets, while the rate of growth of housing assets slowed in line with the cooling housing market.

- **Concerns about future Fed actions have contributed to recent stock market volatility.** The Standard & Poor's 500 Stock Price Index closed last week 5.6 percent below its most recent peak in early May. Some of the recent volatility in the stock market reflects uncertainty about whether the Federal Open Market Committee will announce another rate increase on June 29th.

The Economy at a Glance	May	Apr	Mar	Feb	2006 Qtr 1	2005 Qtr 4	2005 Qtr 3	2005 Qtr 2	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	5.3	1.7	4.1	3.3	3.5	4.2
Industrial Production (% growth)*	n.a.	10.0	7.4	4.9	5.4	5.3	1.4	1.6	3.3	4.1
Capacity Utilization (level, %)*	n.a.	81.9	81.4	81.1	81.2	80.5	79.8	79.9	80.0	78.6
Civilian Unemployment Rate (level, %)	4.6	4.7	4.7	4.8	4.7	5.0	5.0	5.1	5.1	5.5
Housing Starts (thousands)	n.a.	1849	1996	2132	2131	2060	2101	2064	2073	1950
Real Disposable Personal Income (% growth)	n.a.	-1.2	0.0	2	2.1	5.1	-1.4	0.2	1.3	3.4
Retail Sales (% growth)*	n.a.	6.0	7.8	-9.7	13.3	1.9	8.6	9.5	7.2	6.2
Personal Saving Rate (level, %)	n.a.	-1.6	-1.4	-1.3	-1.3	-0.5	-1.6	-0.2	-0.5	1.8
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	7.4	4.9	1.2	2.2	3.2	5.5	3.7	3.4	2.7
Core CPI-U Inflation (% growth)*	n.a.	3.7	3.7	1.2	2.4	2.4	1.6	2.0	2.2	1.8
Employment Cost Index (% growth)	—	—	—	—	2.4	3.2	3.2	2.8	3.3	3.7
Output per Hour (% growth)	—	—	—	—	3.7	-0.3	4.2	2.4	2.7	3.4
Financial Markets										
T-bill Rate, 3-month (level, %)	4.72	4.60	4.51	4.43	4.39	3.83	3.36	2.86	3.15	1.37
T-note Rate, 10-years (level, %)	5.11	4.99	4.72	4.57	4.57	4.49	4.21	4.16	4.29	4.27
Federal Funds Rate (level, %)	4.94	4.79	4.59	4.49	4.46	3.98	3.46	2.94	3.22	1.35
Dow Jones Industrial Avg (index level)	11334	11235	11144	10971	10996	10616	10544	10382	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Upcoming Economic Releases:

- **Consumer Price Index: May 2006** [Release: Wednesday, June 14]
- **Industrial Production and Capacity Utilization: May 2006** [Release: Thursday, June 15]
- **U.S. International Transactions: First Quarter 2006** [Release: Friday, June 16]