



# WEEKLY ECONOMIC DIGEST

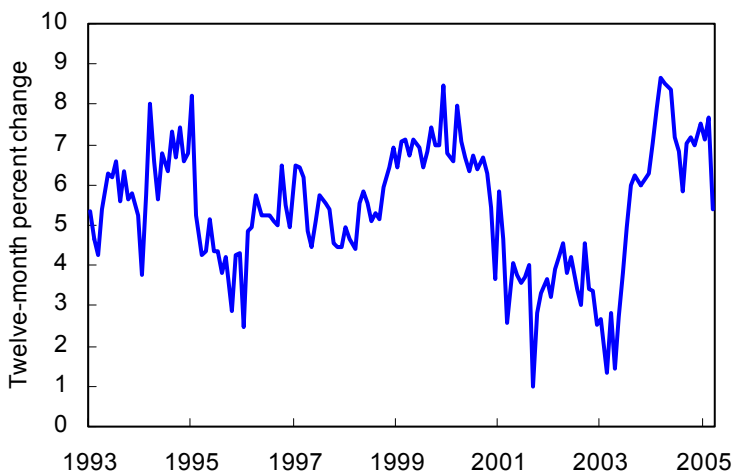


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

April 19, 2005

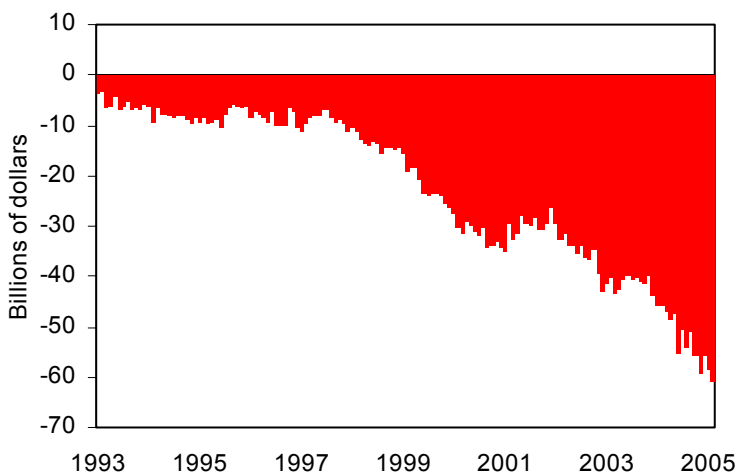
## Cars and Gasoline Prices Prop Up Retail Sales, but Factory Output Stalls

Retail and Food Services Sales  
(excluding automotive and gasoline sales)



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

U.S. Trade Balance for Goods and Services



Source: Census Bureau and Bureau of Economic Analysis,  
U.S. Department of Commerce.

- **Retail sales were sluggish last month.** Retail and food services sales rose 0.3 percent in March, to 5.8 percent above their level a year earlier. Much of that rise reflected a 0.8 percent rise in automotive sales along with a 2.1 percent rise in retail gasoline sales. Excluding automotive and gasoline sales, retail and food services sales fell by 0.1 percent to only 5.4 percent above last year's level (see top chart).
- **Factory production fell.** A rebound in production at utilities helped push up overall industrial production by 0.3 percent in March. However, a 3.6 percent drop in the production of motor vehicles and parts contributed to a 0.1 percent decline in manufacturing output. Factory operating rates fell by 0.2 percentage point to 78.0 percent of capacity.
- **The trade deficit rose to a new record for a month.** The trade deficit for goods and services swelled by \$2.5 billion in February to \$61 billion, the largest monthly deficit on record (see bottom chart). Imports of goods and services increased by \$2.6 billion while exports rose a scant \$0.1 billion. A \$1.7 billion pickup in petroleum imports accounted for most of the rise in goods imports, with both higher oil prices and larger real volumes of imported oil contributing to that pickup. Clothing imports from Asia have also been high.
- **Recent economic news shook the stock market and consumer confidence.** The Dow Jones Industrial Average fell 3.6 percent last week. High oil prices, the widening trade deficit, and the Federal Reserve's renewed concern over inflation have contributed to the 7.8 percent decline in the Dow since it reached a 3-<sup>3</sup>/<sub>4</sub> year peak in March. Rising gasoline prices have also chipped away at consumer confidence in recent months.

The Economy at a Glance	Mar	Feb	Jan	Dec	2005 Qtr 1	2004 Qtr 4	2004 Qtr 3	2004 Qtr 2	2004	2003
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	n.a.	3.8	4.0	3.3	4.4	3.0
Industrial Production (% growth)	3.7	2.4	0	10.0	3.6	4.5	2.7	4.3	4.2	0
Capacity Utilization (level, %)	79.4	79.3	79.2	79.2	79.3	78.8	78.2	77.9	78.1	75.5
Civilian Unemployment Rate (level, %)	5.2	5.4	5.2	5.4	5.3	5.4	5.5	5.6	5.5	6.0
Housing Starts (thousands)*	n.a.	2195	2183	2056	n.a.	1975	1969	1920	1952	1853
Real Disposable Personal Income (% growth)	n.a.	0.8	3.9 <sup>#</sup>	9.7 <sup>#</sup>	n.a.	3.5 <sup>#</sup>	2.9	2.8	3.2 <sup>#</sup>	2.3
Retail Sales (% growth)	3.2	6.0	0.7	16.2	5.4	10.2	6.2	7.0	7.3	4.3
Personal Saving Rate (level, %)	n.a.	0.6	0.8	0.4 <sup>#</sup>	n.a.	0.5 <sup>#</sup>	0.7	1.3	0.9 <sup>#</sup>	1.4
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)*	n.a.	4.9	1.2	0	n.a.	3.6	1.6	4.4	2.7	2.3
Core CPI-U Inflation (% growth)*	n.a.	3.7	2.4	2.4	n.a.	2.3	1.7	2.6	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	n.a.	2.8	3.6	4.1	3.8	4.0
Output per Hour (% growth)	—	—	—	—	n.a.	2.1	1.3	3.9	4.0	4.4
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	2.74	2.54	2.33	2.19	2.54	2.01	1.49	1.08	1.37	1.01
T-note Rate, 10-years (level, %)	4.50	4.17	4.22	4.23	4.30	4.17	4.30	4.60	4.27	4.01
Federal Funds Rate (level, %)	2.63	2.50	2.28	2.16	2.47	1.95	1.43	1.01	1.35	1.13
Dow Jones Industrial Avg (index level)	10682	10724	10540	10673	10648	10362	10130	10289	10317	8994

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 workers in private industry. 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.

# Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

### Upcoming Economic Releases:

- **New Residential Construction: March 2005** [Release: Tuesday, April 19]
- **Producer Price Indexes: March 2005** [Release: Tuesday, April 19]
- **Consumer Price Index: March 2005** [Release: Wednesday, April 20]
- **Existing Home Sales: March 2005** [Release: Monday, April 25]