



WEEKLY ECONOMIC DIGEST

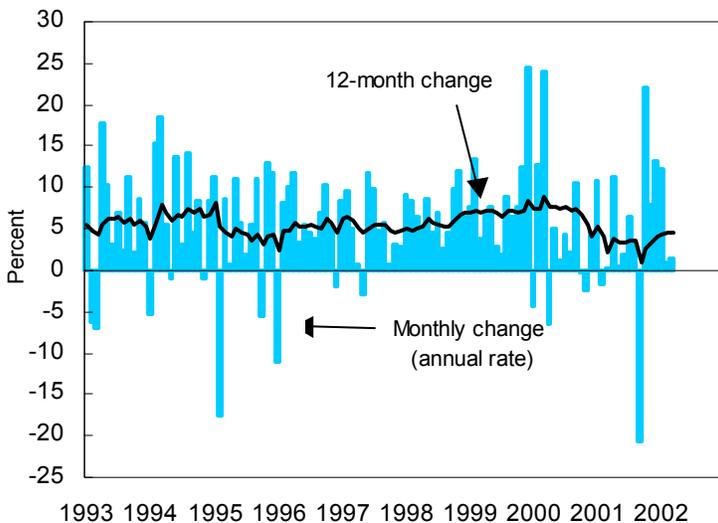


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April 16, 2002

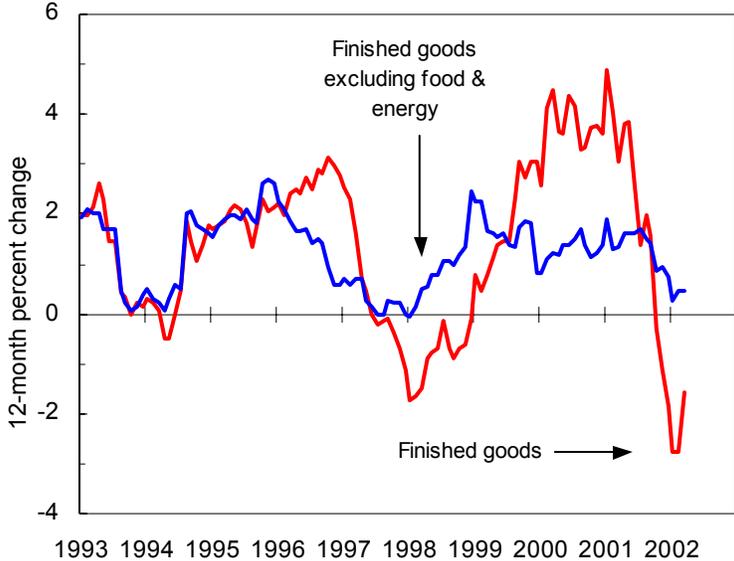
First-Quarter Retail Sales: in with a Bang, out with a Whimper

Retail and Food Services Sales
(excluding motor vehicles, parts, & gasoline)



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

Producer Price Index



Source: Bureau of Labor Statistics.

- **Retail sales were essentially unchanged in March.** Retail and food service sales rose 0.2 percent last month, according to preliminary estimates. That growth was somewhat slower than most analysts had expected. Sales of motor vehicles and parts fell by 0.4 percent, while sales of non-automotive goods rose by 0.4 percent to a level that was 3.5 percent above the March 2001 level. However, nearly all of that growth reflected sharply increased sales volumes at gas stations. Retail gasoline sales rose by 3.8 percent last month, reflecting surging gasoline prices. Excluding both automotive and gasoline transactions, retail sales rose only 0.1 percent in March and February, after having grown 1.0 percent in January. That still adds up to a robust 8.1 percent first-quarter advance (annual rate) in that measure of sales. Because of the tapering off in monthly consumption, however, many analysts expect that consumer purchases will slow markedly in the second quarter.
- **Rising oil prices spurred sharp increases in import prices.** After falling 0.1 percent in February, import prices rose 1.1 percent in March. All of that increase reflected sharply higher prices of petroleum imports, which rose 15.7 percent last month. So far, it appears that price increases for imported crude oil have continued apace this month. Prices for nonpetroleum imports were unchanged in March and remained 4.2 percent below their level a year earlier. Prices for U.S. exports rose 0.3 percent last month.
- **Underlying inflation in producer prices remained moderate.** Producer prices rose by 1.0 percent in March, somewhat faster than what most analysts had been expecting. However, the core rate of producer price inflation (which excludes the effects of changes in food and energy prices) was only 0.1 percent, leaving that measure of producer prices 0.5 percent below the level that prevailed a year earlier. Sharper-than-anticipated rises in the prices of finished energy goods (5.5 percent) and food (0.6 percent) accounted for the unexpectedly sharp increase in the overall index.

Economy At A Glance	Mar	Feb	Jan	Dec	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001	2000
Economic Activity										
Real GDP (% growth)						1.7	-1.3	0.3	1.2	4.1
Industrial Production (% growth)*		4.9	2.4	-3.5		-6.6	-4.7	-5.9	-3.8	4.5
Capacity Utilization (Level, %)*		74.8	74.5	74.4		74.7	76.2	77.4	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.7	5.5	5.6	5.8	5.6	5.6	4.8	4.5	4.8	4.0
Housing Starts (Thousands)*		1769	1721	1602		1579	1601	1623	1608	1575
Real Disposable Personal Income (% growth)		6.7	22.4	4.6		-8.1	12.3	2.4	3.6	3.5
Retail Sales (% growth)	2.6	2.5	-1.8	2.9	-3.1	12.3	-1.3	5.5	3.5	7.6
Personal Saving Rate (Level, %)		2.0	1.9	0.6		0.4	3.8	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)*		2.4	2.4	-1.2		-0.3	0.7	3.1	2.8	3.4
Core CPI-U Inflation (% growth)*		3.7	2.4	1.2		2.7	2.7	2.4	2.7	2.4
Compensation per Hour (% growth)						4.1	3.6	4.1	4.1	4.4
Output per Hour (% growth)						5.2	1.1	2.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.8	1.7	1.7	1.7	1.7	1.9	3.2	3.7	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.3	4.9	5.0	5.1	5.1	4.8	5.0	5.3	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.7	1.8	1.7	2.1	3.5	4.3	3.9	6.2
Dow Jones Industrial Avg (Index Level)	10501	9891	9924	9980	10105	9641	9934	10669	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; 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. Compensation is the Employment Cost Index 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.

* Subject to revision this week.

Major Economic News Due Next Week:

- **Consumer Price Index, March** [Release: Tuesday, April 16, 2002]
- **Industrial Production, March** [Release: Tuesday, April 16, 2002]
- **International Trade, February** [Release: Wednesday, April 17, 2002]