



INFLATION REMAINS LOW AS RETAIL SALES AND HOUSING STARTS RISE

KEY ECONOMIC STATISTICS

CPI
URBAN CONSUMERS

↑**0.1%**

“CORE” CPI
URBAN CONSUMERS

unchanged
March 2010

ADVANCE RETAIL SALES

↑**1.6%**
March 2010

INDUSTRIAL
PRODUCTION

↑**0.1 point**

CAPACITY UTILIZATION

↑**0.2 points**
March 2010

INITIAL JOBLESS CLAIMS

4-WEEK AVG

457,750 ↑**7,500**
Week Ending April 10, 2010

THIS WEEK

Wednesday, April 21
Loan Performance House
Price Index
February 2010

Thursday, April 22
NAR Existing Home Sales
March 2010

Producer Price Index
March 2010

Friday, April 23
Advance Durable Goods
March 2010

New Residential Sales
March 2010

Inflation Remains Subdued. The Bureau of Labor Statistics reported that the Consumer Price Index for All Urban Consumers (CPI-U), a key measure of inflation, rose by 0.1 percent in March. Core CPI-U, which excludes the food and energy categories and is a less volatile measure of inflation, remained unchanged in March relative to February. This follows the general pattern of low inflation that has persisted since the start of the recession, and projections by the Administration, the Federal Reserve, and the Congressional Budget Office all suggest that inflation will remain low at least through 2012. The low inflation reading should allay concerns that the economy is in danger of experiencing high levels of inflation that may cause the Fed to raise the federal funds rate sooner than otherwise expected. However, many economists remained concerned about the potential impact of oil price rises on inflation and the nascent recovery.

Retail Sales Picking Up.

Retail and food service sales rose by 1.6 percent in March, according to advance estimates released by the Census Bureau. The total sales of \$363.2 billion in March was 7.6 percent higher than sales were in March 2009. The Census Bureau also revised its February sales growth estimate from 0.3 percent to 0.5 percent. Among the categories of products whose sales grew in March relative to February were motor vehicles and parts (up 7.6 percent), building materials and supplies (up 3.1 percent), and furniture and home furnishings

(up 1.6 percent). The sales growth in those last two sectors is consistent with the end of the decline in demand for housing, which seems to have stabilized in the past few months. Even excluding sales of motor vehicles and parts, retail and food service sales grew by 0.6 percent.

Housing Starts Increase Overall, But Decrease For Single-Family Homes.

The number of new housing units started in March increased for the third consecutive month by 1.6 percent. The annualized number of new housing units started, seasonally adjusted, is now 626,000 units, the highest since November 2008 but well below the peak of 2.3 million housing units started at the height of the housing boom. However, March's increase in housing starts was driven by new multi-family dwelling units, which are much more volatile than single-family housing units. The number of multi-family dwelling units started in March increased by 18.8 percent while the number of single-family houses declined by almost 1 percent. On the housing demand side, home builders are hoping for strong sales in April as the first-time home buyer tax credit is set to expire at the end of the month.

