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DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com



Pierre Ellis

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# 8:30 Numbers

Rise in initial claims, combined with upward revision to prior-week figure removes any suggestion that layoffs diminished in payroll April--clearly not a good sign, but something that should not be totally unexpected, given that new claims are running in a historically normal zone for a trend-growth economy. Clear indications that new claims are rising sharply--not yet established, but easier to establish after the new increase--would be genuine bad news.

Trade deficit shrinks, mainly on a drop (-3%) in non-petroleum imports. Big contributors were autos (-4.2%) and non-auto consumer goods (-6.3%). Autos are volatile, and had jumped 9.2% last month. The consumer good drop is the news--and is not a new indication of demand weakness, because the relatively healthy state of February spending was established by the retail sales data. In that circumstance, dropping imports probably correspond to a GDP positive, since domestic sources apparently accommodated the spending (or inventorying of imported goods diminished, which would be neutral mathematically, but a stability positive). GDP growth forecasts will probably tick up by 0.5 point, or so.

PPI surprise was in seasonal adjustment of energy prices--latest rises were less than normal, though prices clearly remain very high. Core result is the bad news--rises were fairly general, and may, or may not, be successful, but bespeak confidence among manufacturers that price increases will be accepted by the market. Fed hawks obviously concerned, and doves will not be comfortable either. Raises the bar, in terms of economic underperformance, for any new stimulus.

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