

## April PPI, Import Prices, May UI Claims

### Wholesale Inflation Warmer Than Expected in April

- The Producer Price Index for Final Demand increased by 0.5 percent in April.
- The Import Price Index also increased by 0.5 percent in April.
- Initial Claims for Unemployment Insurance eased by 2,000 for the week ending May 6, to hit 236,000.

Upstream inflation was a little warmer than expected in April as the Producer Price Index for final demand registered a 0.5 percent month-to-month gain. Much of the increase in the headline series came from final demand services which climbed by 0.4 percent in April. The services index was boosted by increases in the prices for brokerage, dealing, investment advice and related services. The price index for final demand goods gained 0.5 percent in April, pushed by cigarette prices and fruit and vegetable prices. The energy price index also increased, rising by 0.8 percent in April, after falling by 2.9 percent in March. Declines in jet fuel prices were countered by increasing gasoline prices. Over the 12 months ending in April, the Producer Price Index for final demand is up by 2.5 percent. Core PPI (final demand less food, energy and trade) was up 2.1 percent over the previous year.

Reported separately, the Import Price Index also increased by 0.5 percent in April. Higher imported fuel prices helped to drive the headline index higher. The dollar has been tending to ease relative to our trading partners' currencies this year, supporting import prices.

Crude oil futures are climbing today on speculation that reduced OPEC oil production this spring has helped to put a dent in U.S. crude oil stocks. The Energy Information Agency reported that U.S. crude oil inventories dropped by 5.2 million barrels for the week ending May 5, much more than expected.

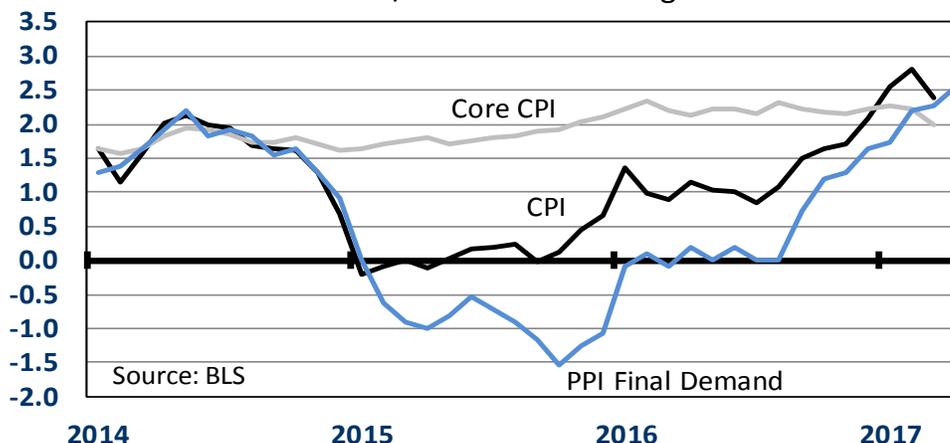
Initial claims for unemployment insurance dipped by 2,000 for the week ending May 6, to hit 236,000. Continuing claims were extremely low for the week ending April 29, falling by 61,000, to reach 1,918,000.

Firm prices and tight labor market conditions will keep the Federal Reserve on track to raise the fed funds rate range by 25 basis points on June 14, to 1.00-to-1.25 percent. According to the fed funds futures market, the odds of a June 14 rate hike are up to 83 percent.

**Market Reaction:** U.S. equity markets opened with losses. The yield on 10-Year Treasury bonds is down to 2.40 percent. NYMEX crude oil is up to \$48.04/barrel. Natural gas futures are up to \$3.36/mmbtu.

## Producer Prices Warmed in April

Year/Year Percent Change



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