

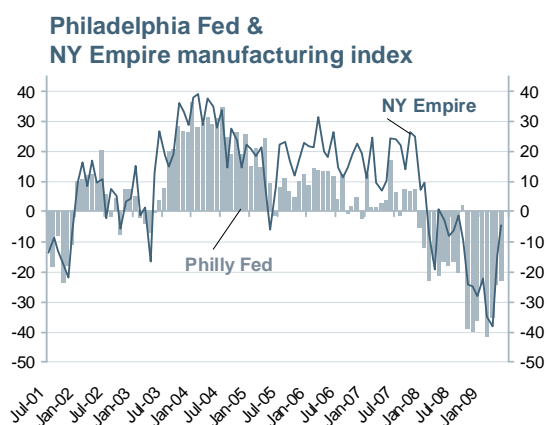
# Preview

15 June 2009

## US economic indicators (week of 15 to 21 June 2009)

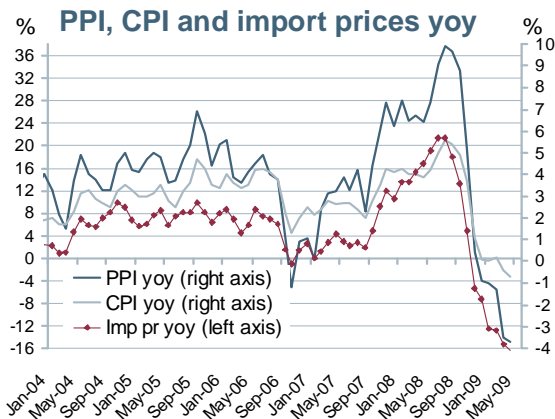
- **First regional PMIs (June):** still showing contraction in the manufacturing sector
- **PPI & CPI (May):** upward pressure on energy prices only
- **Housing starts (May):** NAHB index signals slight improvement
- **Industrial production (May):** automobile plant shutdowns lead to sharp drop
- **Leading indicators (May):** second marked increase in a row

Indicator	Date	BHF forecast	Consensus forecast	Previous
<b>NY Empire manuf. index / Jun</b>	Mon 15 Jun, 14:30	<b>-8.0</b>	-4.6	-4.6
Net foreign LT sec. purch. / May	Mon 15 Jun, 15:00	\$50bn	\$57.5bn	\$55.8bn
NAHB housing market index / Jun	Mon 15 Jun, 19:00	17	17	16
<b>Producer prices (PPI) / May</b>	Tues 16 Jun, 14:30	<b>0.7% mom</b> <b>-4.3% yoy</b>	0.6% mom -4.4% yoy	0.3% mom -3.7% yoy
<b>PPI ex food &amp; energy / May</b>	Tues 16 Jun, 14:30	<b>0.1% mom</b> <b>3.2% yoy</b>	0.1% mom 3.2% yoy	0.1% mom 3.4% yoy
<b>Housing starts / May</b> <b>Building permits / May</b>	Tues 16 Jun, 14:30	<b>510k</b> <b>500k</b>	480k 500k	458k 498k
<b>Industrial production / May</b> <b>Capacity utilisation / May</b>	Tues 16 Jun, 15:15	<b>-1.0% mom</b> <b>68.5%</b>	-0.6% mom 68.6%	-0.5% mom 69.1%
<b>Consumer prices (CPI) / May</b>	Wed 17 Jun, 14:30	<b>0.4% mom</b> <b>-0.8% yoy</b>	0.3% mom -0.9% yoy	0.0% mom -0.7% yoy
<b>CPI ex food &amp; energy / May</b>	Wed 17 Jun, 14:30	<b>0.1% mom</b> <b>1.9% yoy</b>	0.1% mom 1.8% yoy	0.3% mom 1.9% yoy
Current account balance / Q1	Wed 17 Jun, 14:30	-\$84.0bn	-\$84.8bn	-\$132.8bn
Initial jobless claims / 13 Jun	Thur 18 Jun, 14:30	610k	605k	601k
<b>Leading indicators / May</b>	Thur 18 Jun, 16:00	<b>1.0% mom</b>	0.9% mom	1.0% mom
<b>Philadelphia Fed index / Jun</b>	Thur 18 Jun, 16:00	<b>-19</b>	-17.9	-22.6



At -4.6, the New York Empire manufacturing index was only slightly negative in May. However, the manufacturing sector is still contracting, and, after having recovered significantly by 34 points in the last two months, **we expect the New York Empire to fall back to about -8 in June.**

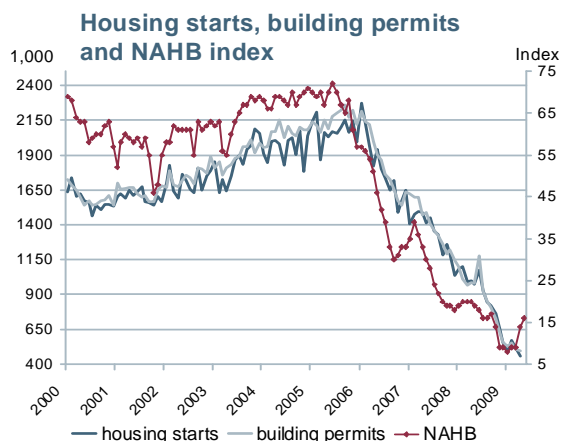
The **Philadelphia Fed index** rose much less markedly in April and May. For that reason, it could have improved again in June. But due to the auto plant closures, **we only expect a slight increase from -22.6 to -19 in June.**



Despite the global recession, oil prices have been rising markedly since February. They were about 18% mom higher in mid-May, and **we thus predict that producer prices will have increased by 0.7% mom in May**. However, as oil prices went up even more sharply in the previous year, the yearly rate will probably drop from -3.7% to -4.3%. **Core producer prices barely rose in the previous two months, and they could have increased again in May by a mere 0.1% mom**. The ISM prices component rose from 32.0 to 43.5, but is still indicating falling prices. Core PPI's yearly rate is likely to have remained elevated at +3.2%, but the 3-month annualised change would only amount to about 1.0%.

Gasoline prices went up by more than 10% mom **in May**, which could **push up the monthly change in CPI to 0.4% mom**. But apart from energy prices, there will be no visible inflationary pressure, partly due to sales discounts. **We thus expect core CPI to have gone up by 0.1% mom only again**, leaving the yearly rate at 1.9%.

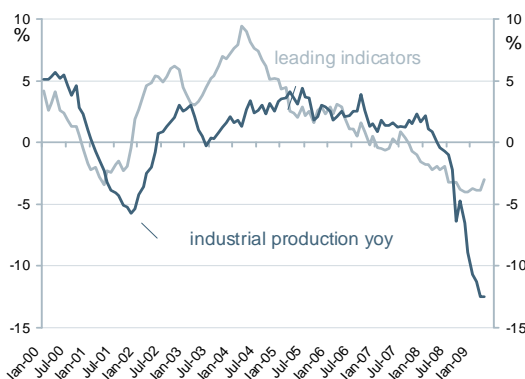
**The current account deficit will have narrowed significantly from more than \$130bn in Q4 to \$84bn in Q1**, due to the much smaller trade deficit. The current account deficit has not been so low for 10 years. Relative to GDP, it will have fallen from 3.7% to 2.4%, the lowest ratio since Q1/1998.



Housing starts fell by 12.8% to a new record low of 458k in April. Multi-family starts were again responsible for the plunge, whereas single-family starts have begun to stabilize in the last three months. The weakness in starts in April may have been partly due to bad weather. Given the recovery in the NAHB index to 16, **we forecast that housing starts will have gone up to 510k in May. Building permits could have stabilised at around 500k**.

After its low at the beginning of the year, the **NAHB index of homebuilder sentiment** has been rising continuously since February. **We predict that it will have improved slightly again in June, from 16 to 17**.

Leading indicators and industrial production yoy



Although the ISM manufacturing index shows a slower pace of contraction, we expect the downward trend in industrial production to have accelerated temporarily during the spring months because of the production cut-backs in the automobile sector. The 2.1% mom decline in aggregate hours worked in manufacturing also indicates that **industrial production could have fallen by about 1.0% mom in May. The capacity utilisation rate is likely to have gone down to a new all-time low of about 68.5%**, compared to the long-time average of a good 80%. Together with the sharp rise in the unemployment rate, the underutilisation of production capacities suggests ongoing downward pressure on prices.

**Leading indicators could have increased by about 1% mom again in May**, pushing the annualised 6-month rate into positive territory for the first time in almost two years. The slower pace of supplier deliveries will have been the biggest positive contributor, followed by the steeper yield curve, the stock market, consumer expectations and real M2. The only noticeably negative contributions will be made by aggregate manufacturing working hours and new orders.

Initial jobless claims went down unexpectedly to 601k in the week ending 6 June, the lowest level since the end of January. However, the situation on the labour market is far from stabilising, **and we thus predict that volatile jobless claims will have risen to 610k in the week ending 13 June.**

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