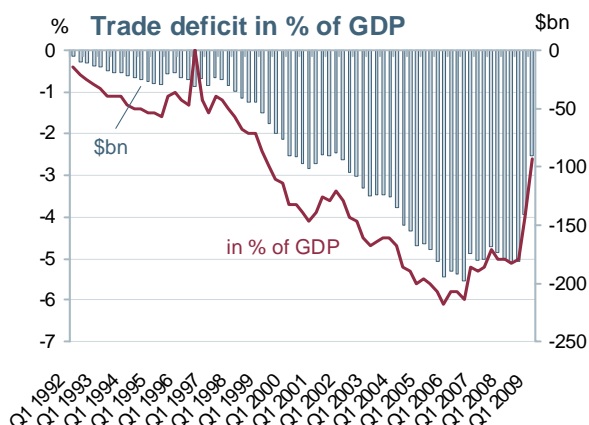


US economic indicators (week of 8 to 14 June 2009)

- **Trade deficit (Apr):** widening due to higher petroleum prices
- **Retail sales (May):** increasing mainly because of higher vehicle sales
- **UMI consumer sentiment (Jun):** first decline since February

Indicator	Date	BHF forecast	Consensus forecast	Previous
Wholesale inventories / Apr	Tues 9 Jun, 16:00	-1.0% mom	-1.1% mom	-1.6% mom
<b>Trade balance / Apr</b>	Wed 10 Jun, 14:30	<b>-\$29.0bn</b>	-\$29.0bn	-\$27.6bn
Budget statement / May	Wed 10 Jun, 20:00	-\$181bn	-\$181bn	-\$166bn
Fed's Beige Book	Wed 10 Jun, 20:00	Regional economic reports		
<b>Retail sales / May</b> - less autos	Thur 11 Jun, 14:30	<b>0.6% mom</b> <b>0.2% mom</b>	0.5% mom 0.2% mom	-0.4% mom -0.5% mom
Initial jobless claims / 6 Jun	Thur 11 Jun, 14:30	630k	615k	621k
Business inventories / Apr	Thur 11 Jun, 16:00	-1.0% mom	-1.0% mom	-1.0% mom
Import prices / May	Fri 12 Jun, 14:30	1.2% mom -17.6% yoy	1.4% mom -17.4% yoy	1.6% mom -16.3% yoy
<b>UMI consumer sent. / Jun (prel.)</b>	Fri 12 Jun, 16:00	<b>68.0</b>	69.5	68.7

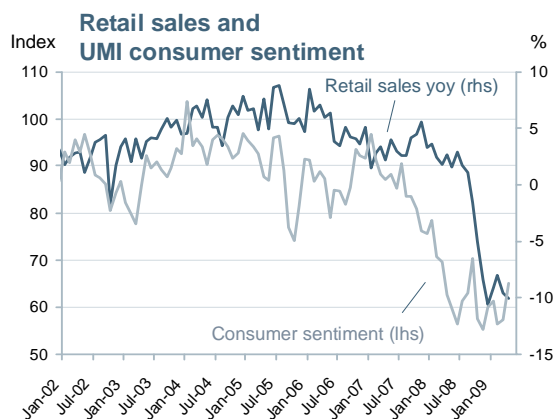
The depletion of inventories had the biggest negative impact on real GDP in Q1, contributing -2.3 percentage points to the growth rate of -5.7%. As inventory stocks move into better alignment with sales, firms should become more willing to increase production, as Mr. Bernanke commented recently. But at present, stock liquidation does not yet appear to have slowed: the ISM manufacturing's inventory component was a mere 33.6 in April, and we already know that factory inventories fell by another 1.0% mom. **We expect similar declines in wholesale and retail inventories, and thus total business inventories could have fallen by about 1.0% mom in April, the same rate as in March.**



The **nominal trade deficit** rose slightly by \$1.5bn to \$27.6bn in March, and **it could have increased further in April, to about \$29bn**, particularly due to higher energy-related import prices. Thus exports are likely to have fallen much more sharply again than imports. However, the real trade deficit could have remained more or less stable.

The Congressional Budget Office (CBO) estimates that **May's budget deficit will amount to \$181bn**, \$15bn more than in May 2008. Outlays were higher, and receipts were slightly lower than one year ago, although last year more than \$30bn in rebates were paid to taxpayers in accordance with the Economic Stimulus Act of 2008. The deficit for the first eight months of the current fiscal year will thus be reported at \$984bn, three times the amount for the same period last year.

The **Fed's Beige Book** is likely to state that the pace of economic contraction has slowed, even though manufacturing activities have remained weak. Given the improvement in pending and existing home sales, the Beige Book could say that conditions on the housing market are continuing to stabilize, albeit still at depressed levels. Due to sharply rising unemployment and idle production capacity, downward pressure on prices will probably have remained, despite the rebound in oil and gasoline prices.



**Nominal retail sales** fell in March and April by a total of 1.7%, but they **will probably have increased by about 0.6% mom in May**, due to higher vehicle sales, a rise in gasoline prices and support from the fiscal package. Price discounting could have dampened nominal sales figures, but the significant recovery in consumer sentiment since March also points to a rise.

However, given that the ABC consumer comfort poll has deteriorated by seven points in the last three weeks, **we predict that the University of Michigan's preliminary June consumer sentiment will have dropped from 68.7 to about 68.0.**

Initial jobless claims fell by 4k to 621k in the week ending 30 May, but the 4-week moving average rose to slightly above **630k**. **We expect initial jobless claims to have risen to about that level in the week ending 6 June**, because the previous week's decrease could have been connected with the shorter work week (Memorial Day).

Import prices increased by 1.6% in April, mainly due to the rebound in petroleum prices. They continued to rise in the statistically relevant first third of the month, albeit less sharply than in the previous month. **We therefore expect import prices to have gone up by 1.2% mom in May**. However, the base effects from the energy side will still dampen the annual rate, which could have declined further from -16.3% to -17.6%.

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