

March 2019 Producer Prices, April UI Claims*Energy Prices Surged in March, but Overall Inflation Benign, UI Claims Low Low Low*

- The Producer Price Index for Final Demand increased by 0.6 percent in March.
- Initial Claims for Unemployment Insurance fell by 8,000 for the week ending April 6, to hit 196,000.

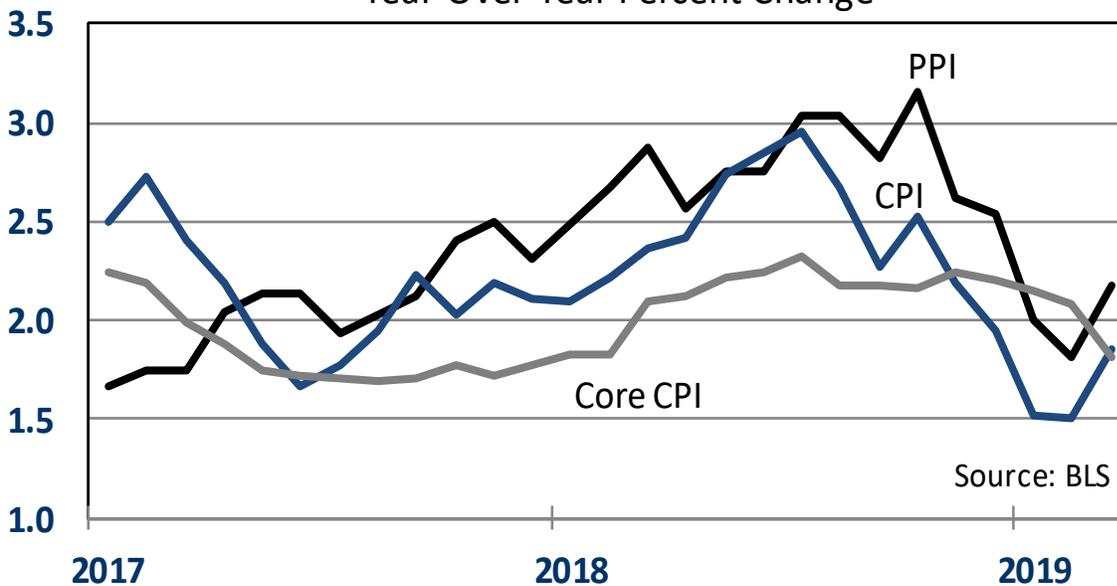
Month-to-month readings on inflation came in hotter than expected in March, pushed by climbing crude oil prices. The Producer Price Index for final demand increased by 0.6 percent in March, the strongest monthly gain since last October. Over the 12 months ending in March, headline PPI was up by 2.2 percent, well below the recent peak yearly gain of 3.4 percent from last July. The energy price sub-index gained 5.6 percent in March, the strongest monthly gain in that series since it began in December 2009. Food prices were up by a moderate 0.3 percent for the month after declining in January and February. The Trade Index, which measures changes in margins by wholesalers and retailers, was up by a strong 1.1 percent. Core PPI, defined as final demand less food, energy and trade, was unchanged in March after a weak 0.1 percent gain in February. Over the previous 12 months core PPI has increased by 2.0 percent. So it is fair to say that even though energy prices were hot in March, we see little transmission to other parts of the economy so far.

Initial claims for unemployment insurance fell by 8,000 for the week ending April 6, to hit 196,000. This is the lowest level for initial claims since October 1969. After trending up in December and again in February, claims are again at multi-decade lows. There may be some seasonality in the data due to the variable timing of the Easter holiday this time of year. However, the very low initial claims data supports the view that February was an anomalous month for labor data and labor market conditions remain very tight heading into spring. Continuing claims for the week ending March 30 fell by 13,000 to hit 1,713,000.

Market Reaction: Equity markets were mixed after the open. The yield on 10-Year Treasury bonds is up to 2.50 percent. NYMEX crude oil is down to \$63.84/barrel. Natural gas futures are down to \$2.69/mmbtu.

Price Pressure Still Modest Despite Energy

Year-Over-Year Percent Change



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