



# The Week Ahead

April 14<sup>th</sup>, 2008

## Headline CPI Inflation & Core (March, Wednesday 8:30 am)

F: 0.3, 0.1%    C: 0.3, 0.2%    P: 0.0, 0.0%

Inflated by higher energy prices, the Consumer Prices Index probably rose 0.3% in March from no change in February. The average gasoline price jumped 5.0% in March to \$3.30 per gallon. On a year-over-year basis, we expect CPI inflation to soften slightly to 4% from 4.1% in February, still a relatively high rate. Persistently high energy and food prices continue to be risky for the inflation outlook; however, these prices are likely to stabilize in the near-term as economic growth decelerates. We look for a 0.1% increase in consumer prices excluding food and energy, with the year-to-year change at 2.3%, similar to the average of the past twelve months. Falling home prices continued to have a positive effect on the shelter component. Going forward, core inflation should slow down as the rate of resources utilization diminishes.

## Total Retail Sales & Excluding Autos (March, Monday 8:30)

F: 0.2, 0.1%    C: 0.1, 0.2%    P: -0.6, -0.2%

In March, the rise in gasoline prices boosted nominal retail sales, which we expect to increase by 0.2% following a 0.6% drop in the prior month. Nonetheless, when adjusted with our CPI forecast, total retail sales probably declined 0.1%. This is consistent with several big retailers reporting weaker sales in the month. Consumers are reducing their spending on goods in light of deteriorating labor markets and rising energy and food prices. For the quarter as a whole, we expect personal consumer expenditures to decrease by a seasonally adjusted annual rate of 0.1%.

## Beige Book (March to mid-April, Wednesday 8:30)

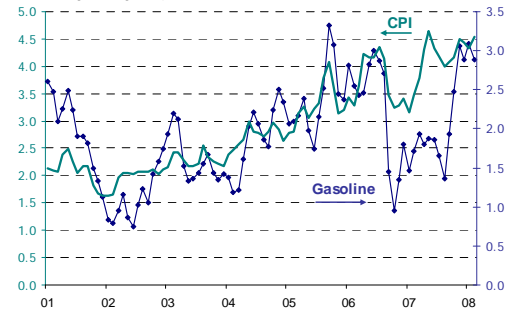
The Beige Book will reflect a dimmer economic outlook than in previous issues. The report is likely to reflect a noticeable slowdown of consumer spending. Besides, it will probably elaborate on the Fed's three stated suspects: Falling employment, rising energy prices and tightening credit conditions. Non residential investment will probably be seen as weakened by the tightening supply of credit, increased pessimism about economic prospects and heightened caution on the part of business managers. Exports will probably be the only aggregate sector showing some resilience.

## Industrial Output & Capacity Utilization (March, Monday 8:30)

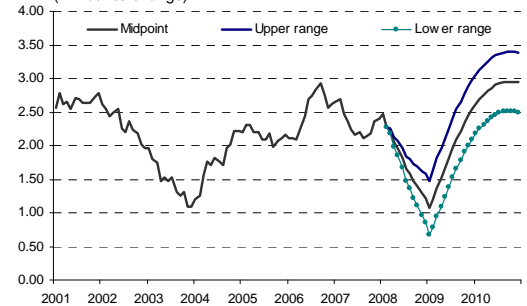
F: -0.1, 81.2%    C: -0.1, 81.4%    P: -0.5, 81.4%

Since the beginning of this year, regional industrial surveys and inventories data have been consistent with a deceleration of industrial output on a national scale. Manufacturers seem to be scaling back production in face of a weaker demand. We expect industrial output to decline 0.1% in March, following a 0.5% drop in February. Sluggish industrial activity should release some pressures over the pace of resources utilization. Thus, we expect the rate of industrial capacity utilization (CU) to moderate from 81.4% to 81.2%. At this rate, the CU will remain above its ten-year average, suggesting that factory usage could decline further in the coming months. More slack in the economy could help to contain inflationary pressures.

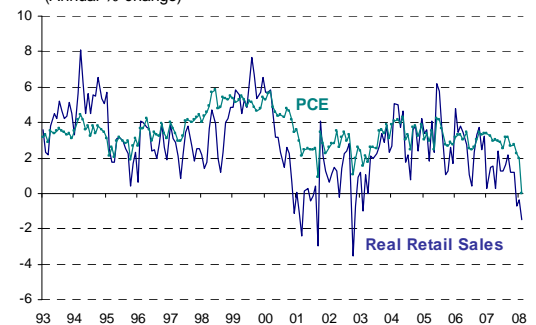
Headline CPI Inflation & Gasoline Prices (Annual % change & \$/gallon)



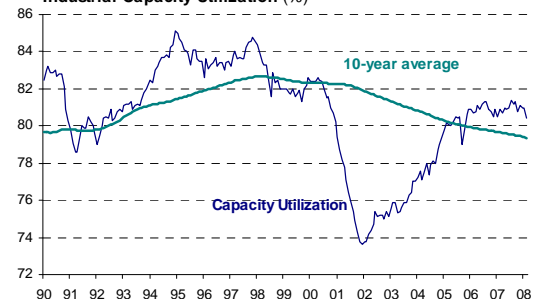
Core CPI Forecasts (Annual % change)



Real Retail Sales & PCE (Annual % change)



Industrial Capacity Utilization (%)



# Economic Calendar

## April/May

(Forecasts in bold. All times are EST)

Monday	Tuesday	Wednesday	Thursday	Friday
7	8	9	10	11
	<b>8:30 Pending Home Sales (Feb)</b> Jan 0.3% Feb -1.9%  <b>2:00 FOMC Minutes</b> (March 18th meeting)	<b>7:00 MBA Purchase Applications</b> Mar 28 -28.7 Apr 4 5.4  <b>8:30 Wholesale Inventories (Feb)</b> Jan 1.3% Feb 1.1%	<b>8:30 Initial Jobless Claims (Apr 4)</b> Mar 28 410K Apr 5 383K  <b>8:30 International Trade (Feb)</b> Jan -\$59.0B Feb -\$62.3B	<b>8:30 Import Price Index (Mar)</b> Feb 0.2% Mar 2.8%  <b>10:00 U. of Michigan Confidence (Apr)</b> Mar 69.5 Apr 63.2
14	15	16	17	18
<b>8:30 Retail sales &amp; Excl. Autos (Mar)</b> Feb -0.6, -0.2% <b>Mar 0.2, 0.1%</b>  <b>10:00 Business inventories (Feb)</b> Jan 0.8% Feb 0.6%	<b>8:30 Headline PPI &amp; Core (Mar)</b> Feb 0.3, 0.5% <b>Mar 0.4, 0.3%</b>  <b>9:30 Empire State Index (Apr)</b> Mar -22.2 <b>Apr -25.0</b>  <b>13:00 NAHB Housing Index (Apr)</b> Mar 20 <b>Apr 20</b>	<b>7:00 MBA Purchase Applications</b>  <b>8:30 Headline CPI &amp; Core (Mar)</b> Feb 0.0, 0.0% <b>Mar 0.3, 0.1%</b>  <b>8:30 Housing Starts &amp; Building Permits (Mar)</b> Feb 1065, 978K <b>Mar 1050, 1000K</b>  <b>9:15 Industrial Production (Mar)</b> Feb -0.5% <b>Mar -0.1%</b>  <b>9:15 Capacity Utilization (Mar)</b> Feb 80.4% <b>Mar 80.2%</b>  <b>2:00 Beige Book</b>	<b>8:30 Initial Jobless Claims (Apr 12)</b>  <b>10:00 Leading Indicators (Mar)</b> Feb -0.3% <b>Mar -0.3%</b>  <b>10:00 Philadelphia Fed (Apr)</b> Mar -17.4 <b>Apr -19.0</b>	
21	22	23	24	25
		<b>7:00 MBA Purchase Applications</b>  <b>10:00 Existing Home Sales (Mar)</b> Feb 5.03M <b>Mar 4.80M</b>	<b>8:30 Initial Jobless Claims (Apr 19)</b>  <b>8:30 Durable Goods Orders (Mar)</b> Feb -1.7% <b>Mar 2.0%</b>  <b>8:30 Durable Goods Orders (Mar) Excl. Transportation</b> Feb -2.6% <b>Mar 2.7%</b>  <b>10:00 New Home Sales (Mar)</b> Feb 590K <b>Mar 580K</b>	<b>10:00 U. of Michigan Confidence (Apr)</b>
28	29	30	1	2
	<b>FOMC Meeting Begins</b>  <b>10:00 Consumer Confidence Index (Apr)</b> Mar 64.5 <b>Apr 63.0</b>	<b>7:00 MBA Purchase Applications (Mar 28)</b>  <b>8:15 ADP Employment Report (Apr)</b> Mar 8K <b>Apr -20K</b>  <b>8:30 Employment Cost Index (1Q08)</b> 4Q07 0.9% <b>1Q08 0.8%</b>  <b>9:45 NAPM-Chicago Index (Apr)</b> Mar 48.2 <b>Apr 48.0</b>  <b>9:45 GDP growth (1Q08)</b> 4Q07 0.6% <b>1Q08 -0.3%</b>  <b>14:15 FOMC Policy Announcement</b>	<b>6:00 Monster Employment Index</b>  <b>7:30 Challenger Job Cut Report</b>  <b>8:30 Initial Jobless Claims (Apr 26)</b>  <b>8:30 Personal income &amp; Spending (Mar)</b> Feb 0.5, 0.1% <b>Mar 0.4, 0.2%</b>  <b>10:00 ISM Manufacturing Index (Apr)</b> Mar 48.6 <b>Apr 48.0</b>  <b>10:00 Construction Spending (Mar)</b> Feb -0.3% <b>Mar -0.5%</b>	<b>8:30 Nonfarm Payroll &amp; U rate (Apr)</b> Mar -80K 5.1% <b>Apr -100K 5.2%</b>  <b>8:30 Average Hourly Earnings (Apr)</b> Mar 0.3% <b>Apr 0.3%</b>  <b>8:30 Average Weekly Hours (Apr)</b> Mar 33.7 <b>Apr 33.7</b>

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