

## PRIMARY CREDIT RATE CHANGE

**June 30, 2006**

The Federal Reserve Board approved action by the Board of Directors of the Federal Reserve Bank of St. Louis, increasing the primary credit rate from 6.00 percent to 6.25 percent, effective June 30, 2006.

According to the Federal Reserve press release, the Federal Open Market Committee arrived at the following conclusion:

Recent indicators suggest that economic growth is moderating from its quite strong pace earlier this year, partly reflecting a gradual cooling of the housing market and the lagged effects of increases in interest rates and energy prices.

Readings on core inflation have been elevated in recent months. Ongoing productivity gains have held down the rise in unit labor costs, and inflation expectations remain contained. However, the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures.

Although the moderation in the growth of aggregate demand should help to limit inflation pressures over time, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information. In any event, the Committee will respond to changes in economic prospects as needed to support the attainment of its objectives.

If you have any questions, please call Hillary Debenport, Assistant Vice President, toll free at 1-866-666-8316, or locally at (314) 444-8488.