



Hudson Institute Economic Report (updated weekly) January 4, 2008

A gain of 18,000 jobs during December 2007 shows evidence of weakening growth; the loss of 436,000 employed persons from the household survey further suggests a declining market. The unemployment rate, pushed by increased unemployment rolls over the past month, increased from 4.7 to 5.0.

93,000 service jobs were created in December, while 31,000 manufacturing jobs vanished. Major industries that saw growth last month are: education and health services (+44,000), professional and business services (+43,000), government (+31,000), leisure and hospitality (+22,000), real estate (+5,400), natural resources and mining (+5,000), and telecommunications (+3,900).

Housing data released at the end of the year showed a mixed pattern. November new home sales declined by 9.0 percent, to a seasonally adjusted annual rate of 647,000 compared to 711,000 in October. The November rate was the lowest monthly sales rate since April 1995. At the same time, the median new home price rose 4.2 percent, to \$239,100. Monthly median prices have fluctuated between \$220,000 and \$260,000 for over three years.

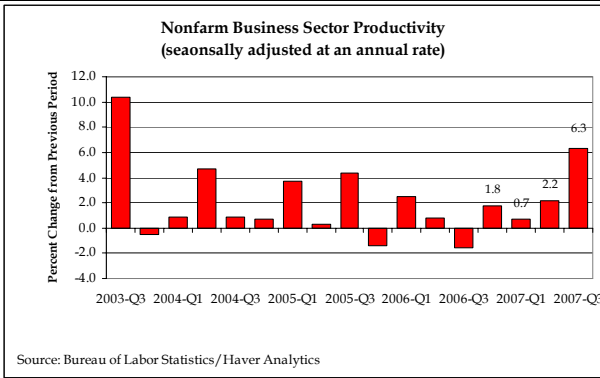
The less volatile existing home sales were essentially flat. November sales were up 0.7 percent, to a seasonally adjusted annual rate of 4.40 million. Sales have been stable for the last three months, but at their lowest level since early 1998. The median existing home sales price rose 1.9 percent, to \$208,700. Prices have been stable for the last three months also, but at the lowest level since early 2005.

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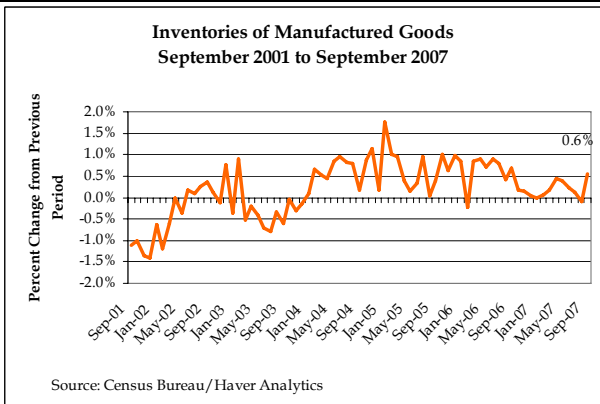
I. Output Data

<p style="text-align: center;">Real Gross Domestic Product (seasonally adjusted at an annual rate)</p> <p style="text-align: center;">Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Third quarter final real GDP growth was an annual rate of 4.9 percent. • From 3rd quarter 2006 to 3rd quarter 2007, real GDP grew at 2.8 percent. • Real GDP growth in 2006 was 2.87 percent for the year. <p style="text-align: right;">1.</p>
<p style="text-align: center;">Real After Tax Personal Incomes November 2001 to November 2007 (seasonally adjusted at an annual rate)</p> <p style="text-align: center;">Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Personal incomes rose 0.36 percent in November, and were 6.0 percent higher than a year ago. • Real after-tax personal incomes, at an annual rate of \$8,692.1 billion, were down 0.25 percent from October, and were 2.14 percent higher than a year ago. <p style="text-align: right;">2.</p>



- Third quarter nonfarm business productivity growth was revised up to 6.3 percent (from an original 4.9 percent). The year-on-year growth rate was at 2.7 percent
- Productivity growth was 1.6 percent in 2006 – the smallest increase since 1997.
- Unit labor costs fell at an annual rate of 2.0 percent in Q3, following a 1.1 percent fall in Q2. The year-on-year growth rate was at 3.0 percent.
- Unit labor costs were up 3.3 percent in 2006 – the biggest increase since 2000.

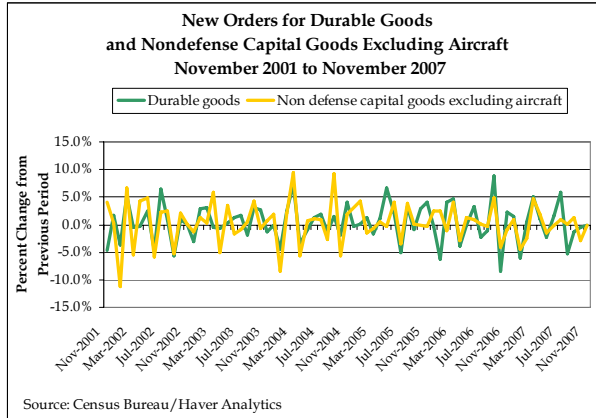
3.



- Inventories of manufactured goods rose 0.6 percent to \$519.4 billion in September. Shipments fell 0.4 percent.
- New orders for manufactured goods in September rose by 0.2 percent.

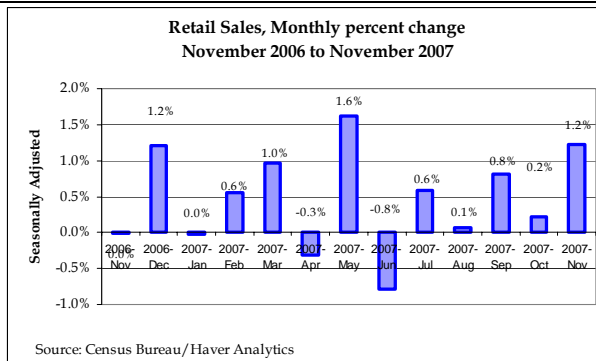
4.

*** New this week**



- New orders for manufactured durable goods decreased 0.1 percent in November, following a 0.5 percent decrease in October (revised from 0.4). Shipments were down 0.06 percent, following a 0.5 percent rise in October.
- New orders of core capital goods rose 4.1 percent in November, following a 2.5 percent fall in October (revised from 2.3). Shipments rose by 0.2 percent, following a 1.2 percent decrease in October.

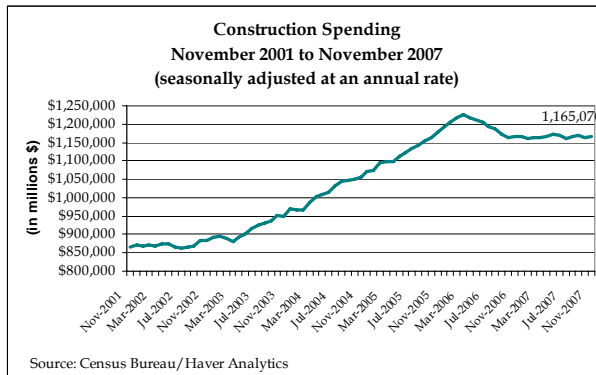
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- Retail sales in November rose by 1.2 percent, and were 6.28 percent higher than a year ago.
- Excluding the volatile auto sector, retail sales rose by 1.81 percent in November, and were 7.4 percent higher than a year ago.

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*** New this week**

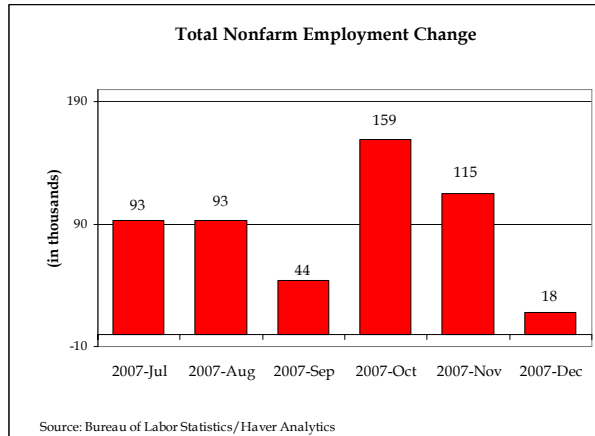


- Following a 0.4 percent fall (revised from 0.4) in October, construction spending rose by 0.1 percent to an annual rate of \$1,165 billion in November.
- The November figure was 0.1 percent lower than a year ago.

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II. Labor Market Data

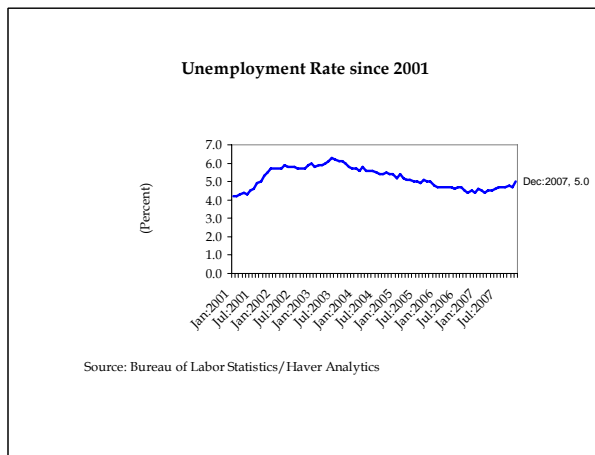
*** New this week**



- In December, the payroll survey recorded an increase of 18,000 jobs.
- Over the past year, total payroll employment has increased by 1.32 million jobs. Employment in the private sector has increased by 1.0 million jobs.

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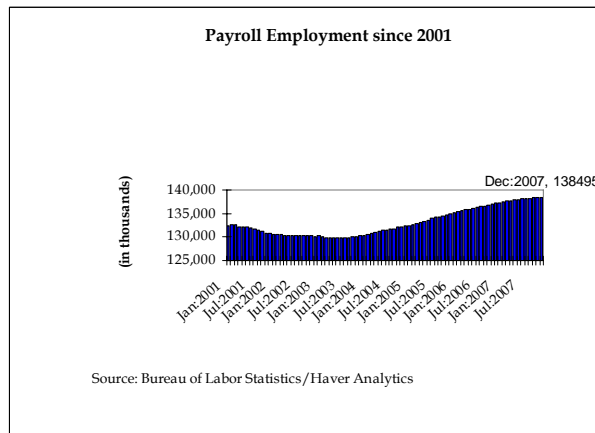
*** New this week**



- The unemployment rate in December 2007 rose to 5.0 percent, up from 4.4 percent a year ago.

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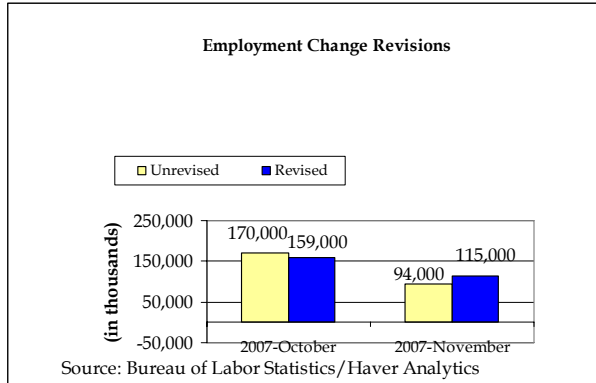
*** New this week**



- From August 2003 to December 2007, nonfarm payroll employment has increased by over 8.6 million jobs, a record 52 months straight of job growth.
- In December 2007, the payroll survey jobs total was 6.02 million above the level of January 2001.

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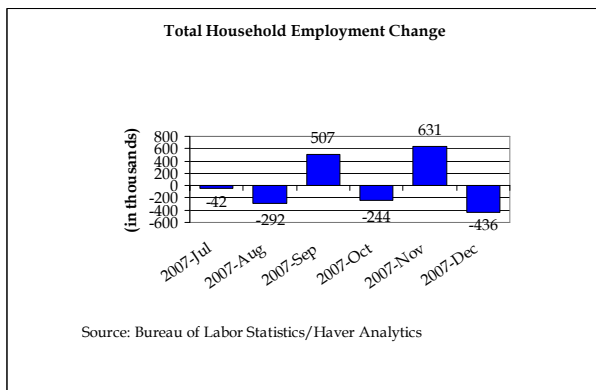
*** New this week**



- In December, the change in October's nonfarm payroll employment was revised down from 170,000 to 159,000. It was first estimated at 166,000. November's number was revised up from 94,000 to 115,000. The total upward revision was 10,000.

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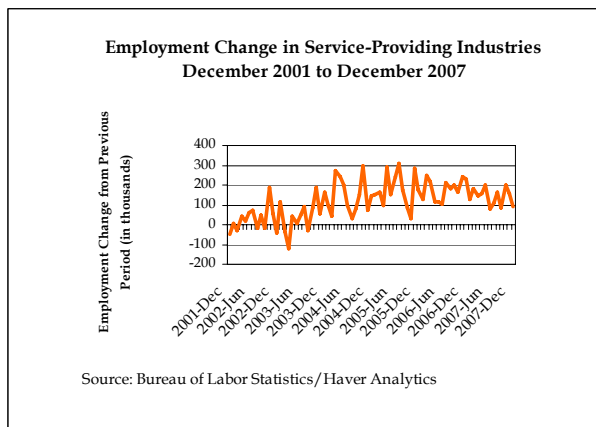
*** New this week**



- The household survey showed a loss of 436,000 employed workers in December 2007, and a gain of about 262,000 workers over the past year.
- The household survey has shown an increase of over 8.6 million employed workers since August 2003 and 8.4 million workers since January 2001.

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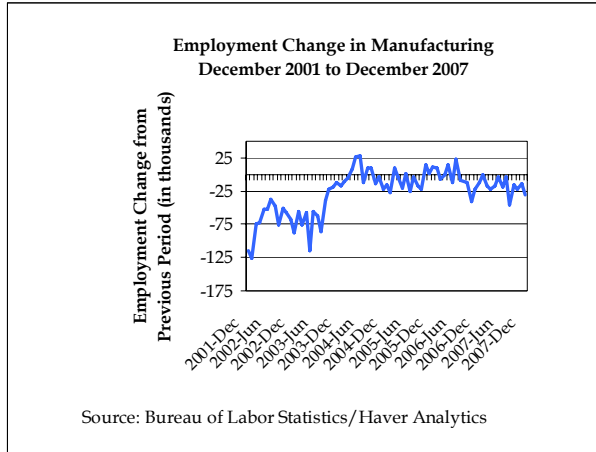
*** New this week**



- Employment in services increased by 93,000 in December 2007.
- Employment in services has added over 8.2 million jobs out of 8.6 million created since August 2003, 52 months of consecutive gains.

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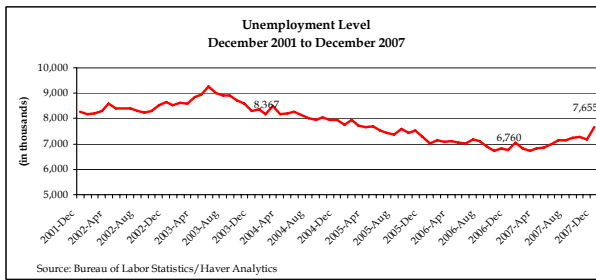
*** New this week**



- Manufacturing employment decreased by 31,000 in December 2007.
- In December 2007, manufacturing jobs were 212,000 below the level of December 2006.
- Manufacturing has lost over 3.1 million jobs since January 2001.

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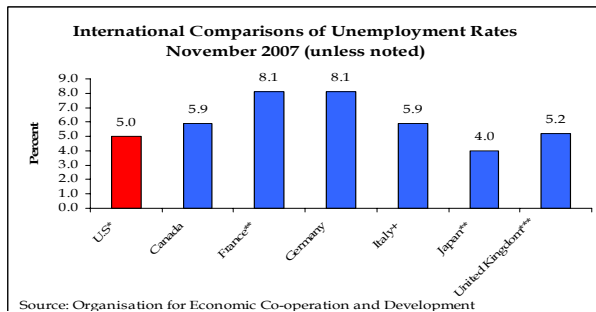
*** New this week**



- The number of unemployed was 7.655 million in December 2007, compared with 6.760 million in December 2006.

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*** New this week**

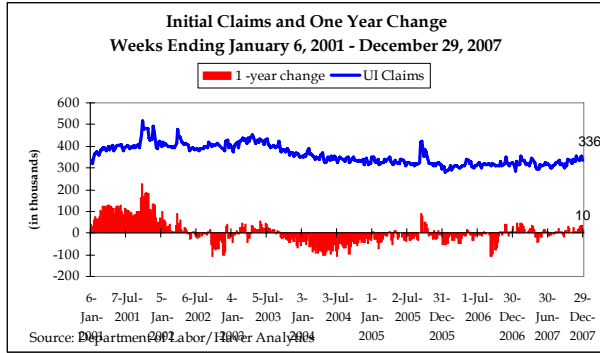


- The U.S. unemployment rate is lower than Canada, France, Germany, Italy, and the U.K.
- Japan has a lower rate than the United States.

16.

* December rate for the United States
** October rate *** August rate + June Rate

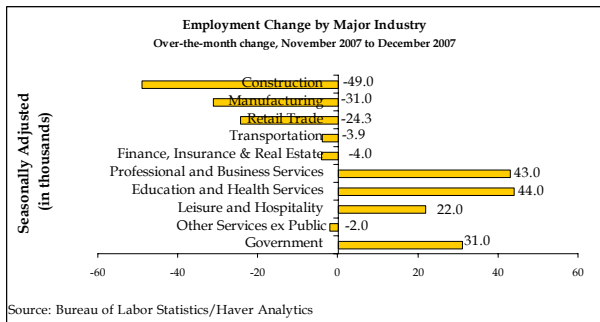
*** New this week**



- During the week ending December 29, 2007, initial jobless claims fell 21,000 to 336,000 from 357,000 (revised from 349,000) the week before, and were 3.0 percent higher than a year ago.
- The four-week moving average of initial jobless claims was 343,750, down from 344,500 the week before, and was 7.5 percent higher than a year ago.

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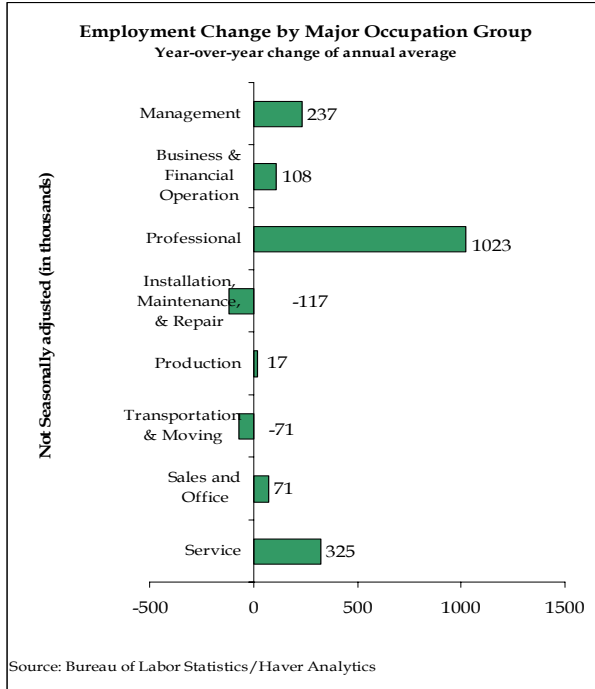
*** New this week**



- Key industries that gained jobs in December include education and health services (+44,000), professional and business services (+43,000), government (+31,000), and leisure and hospitality (+22,000).

18.

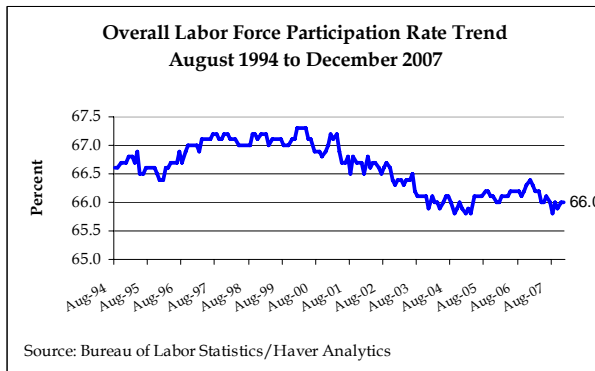
*** New this week**



- Professional & related occupations increased 1 million jobs over the past year.
- Other major gains were in service occupations, management occupations, business and financial operation occupations, sales and office occupations, and production occupations.
- Employment in installation, maintenance and repair; and transportation and moving occupations declined.

19.

*** New this week**

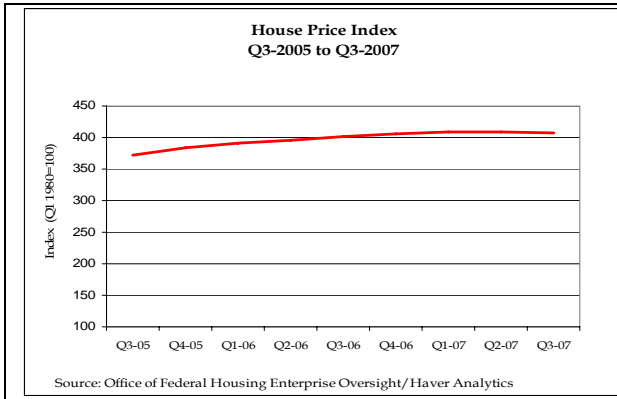


- In December 2007, the labor force participation rate remained at 66.0 percent.
- The average labor force participation rate since 1994 was 66.6 percent.
- The highest rate since 1994 was 67.3 percent in January - April 2000.

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III. Housing Data

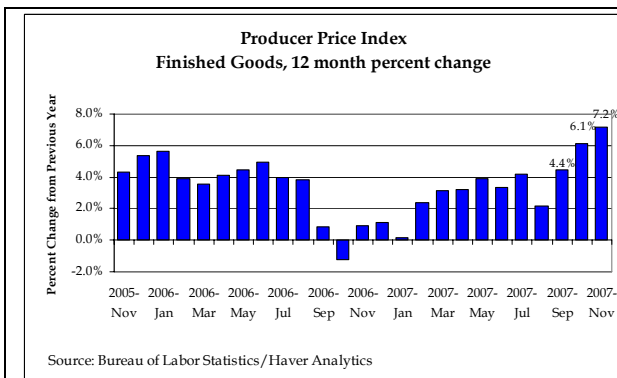
<p style="text-align: center;">Housing Starts and Permits October 2005 to October 2007 (seasonally adjusted at an annual rate)</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • Following a 4.2 percent increase in October, housing starts fell 3.65 percent to an annual rate of 1.187 million units in November from October's 1.232 million, and were 24.1 percent lower than a year ago. • Following a 7.2 percent fall in October, building permits fell 1.5 percent to 1.152 million units in November from October's 1.17 million, and were 24.5 percent lower than a year ago. <p style="text-align: right;">21.</p>
<p>* New this week</p> <p style="text-align: center;">Home Sales November 2005 to November 2007 (seasonally adjusted at an annual rate)</p> <p>Source: Census Bureau/National Association of Realtors/Haver Analytics</p>	<ul style="list-style-type: none"> • In November, existing home sales increased by 0.4 percent to an annual rate of 5 million units. This figure was 20 percent lower than a year ago. • Following a 1.7 percent rise in October, sales of new single-family homes fell by 9 percent to an annual rate of 0.647 million units. This figure was 34.4 percent lower than a year ago. <p style="text-align: right;">22.</p>



- Average home prices fell 0.3 percent in the third quarter of 2007, and were up 1.7 percent over the past year.
- During the past year, the biggest increase in home prices was in Utah, at 12.9 percent.

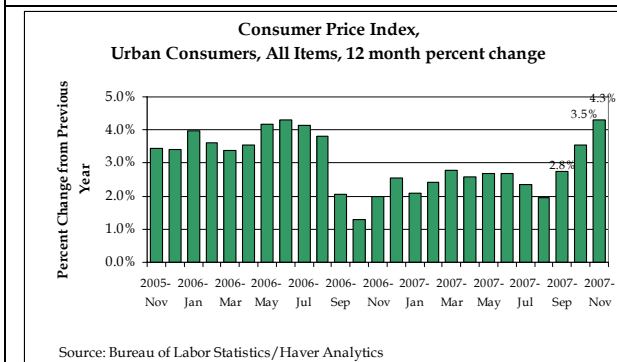
23.

IV. Price and Interest Rate Data



- The PPI for finished goods rose 3.2 percent in November, following a 0.1 percent rise in October. This is the largest increase in the PPI since August 1973.
- Over the past year, the PPI rose by 7.2 percent.
- The core PPI rose 0.4 percent in November, and showed a year-on-year gain of 1.94 percent.

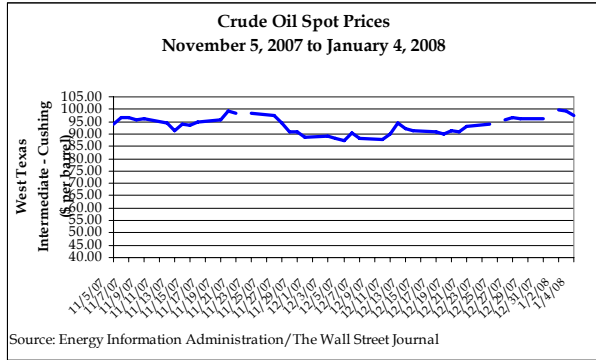
24.



- The CPI for all items rose 0.8 percent in November, following a 0.3 percent increase in October.
- The 12-month change of the CPI was 4.31 percent in November 2007.
- Excluding food and energy, the core CPI rose 0.27 percent in November, and was up 2.3 percent over the past year.

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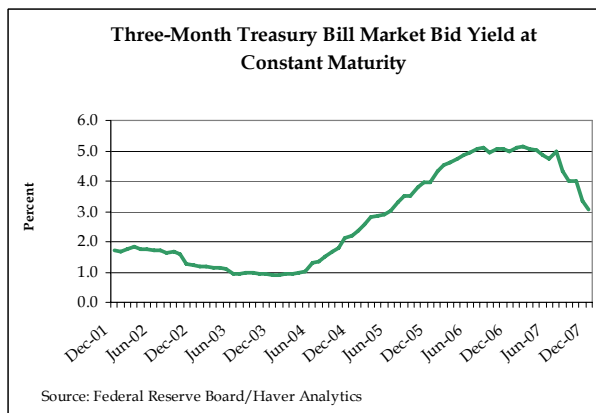
*** New This Week**



- Crude oil prices rose to an average of about \$98.11 a barrel this week.
- On January 21, oil traded around \$97.65 a barrel, down from Thursday's close of \$99.18 a barrel.

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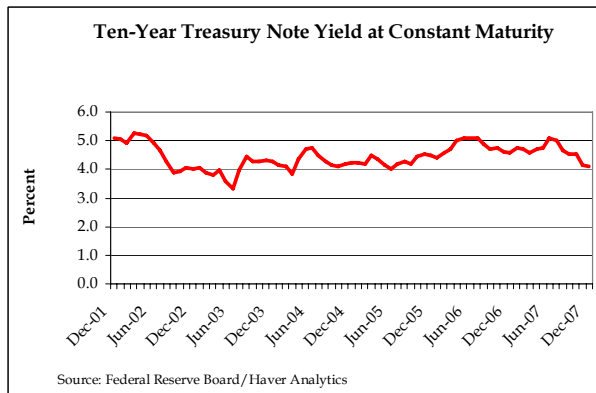
*** New This Week**



- For the week ending December 29, the latest three-month Treasury bill market bid yielded 3.25 percent, up from 2.99 percent the week before and down from 5 percent a year ago.

27.

*** New This Week**



- For the week ending December 28, the latest ten-year Treasury note yielded 4.21, up from 4.12 percent a week ago, and down from 4.67 percent a year ago.

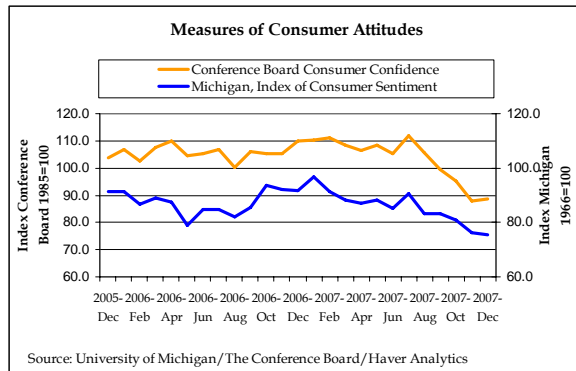
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V. Trade Data

<p style="text-align: center;">Exports and Imports October 2005 to October 2007</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • The trade deficit widened by 1.2 percent in October to \$57.8 billion from September's \$57.1 billion (revised from \$56.4 billion). • Compared to September, exports rose by 0.9 percent and imports increased by 1 percent. • September's exports of \$141.6 billion were at a record high, and were 13.7 percent higher than one year earlier. <p style="text-align: right;">29.</p>
<p>* New this week</p> <p style="text-align: center;">U.S. Dollar Value vs. Euro and Yen December 2004 to December 2007</p> <p>Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> • Compared to last week, the dollar fell against the euro and against the yen. • On January 4, the dollar traded at 0.67923 euros, up from Thursday's close of 0.67861. • On January 4, the dollar traded at 109.51 yen, down from Thursday's close of 109.58 yen. <p style="text-align: right;">30.</p>
<p>* New this week</p> <p style="text-align: center;">Real Trade-Weighted Exchange Value of U.S. Dollars vs. Major Currencies</p> <p>Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> • The index of real trade-weighted exchange value of the dollar relative to major currencies increased to 82.28 in December from 82.67 in November. <p style="text-align: right;">31.</p>

VI. Survey Data

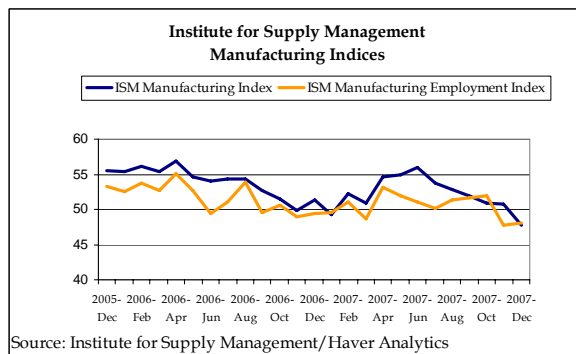
*** New this week**



- The University of Michigan’s consumer sentiment index fell in December to 75.5 (revised from 74.5) from 76.1 in November.
- The Conference Board’s index of consumer confidence rose 0.8 points to 88.6, in December from 87.8 in November.

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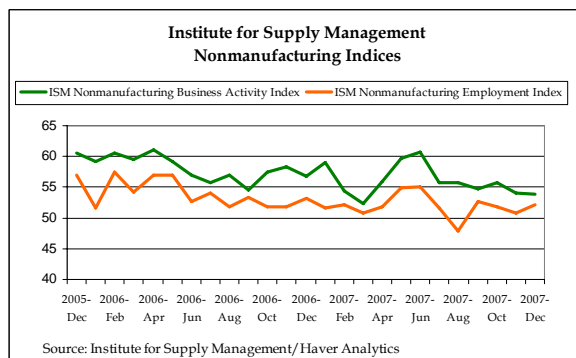
*** New this week**



- The Institute for Supply Management’s Index of Manufacturing Activity fell 3.1 points to 47.7 in December from 50.8 in November – indicating contraction in this industry.
- The ISM Manufacturing Employment Index rose 0.2 points to 48.0 in December from 47.8 in November – indicating contraction of employment.

33.

*** New this week**



- The Institute for Supply Management’s Index of Non-Manufacturing Business Activity fell 0.2 point to 53.9 in December from 54.1 in November - signaling slower expansion in the industry.
- The Employment Index rose 1.3 points to 52.1 in December from 50.8 in November – signaling faster expansion in employment.

34.