



Hudson Institute Economic Report **(updated weekly)** **February 15, 2008**

Perhaps economic activity is not dead after all. This week it was announced that shrinking imports, together with increasing exports, caused December's trade deficit to contract by 6.9 percent to \$58.7 billion. Exports, at \$144.3, were 13 percent higher than in December 2006. And in January, retail sales rose by a surprise 0.33 percent, or 0.27 percent excluding auto sales. As economists predicted a fall of 0.3 percent, this showed that the economy has more in it than analysts expect.

Initial unemployment claims declined from 357,000 to 348,000, with the 4-week moving average, a more reliable indicator, at 347,250. Still, the increase over the past year in initial UI claims is a cause for concern as we look ahead to the new set of employment numbers on March 7.

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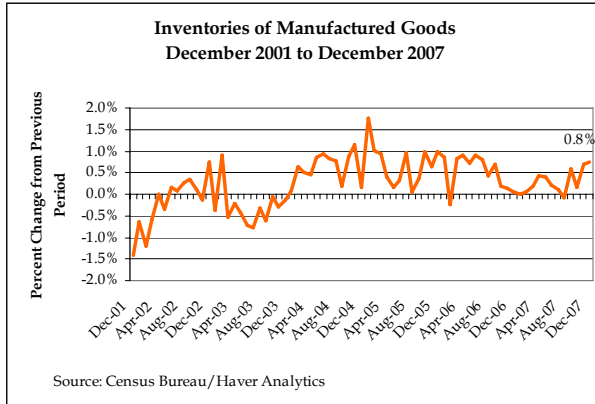
Hudson's Center for Employment Policy is grateful to the Ewing Marion Kauffman Foundation for the support of this program.

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I. Output Data

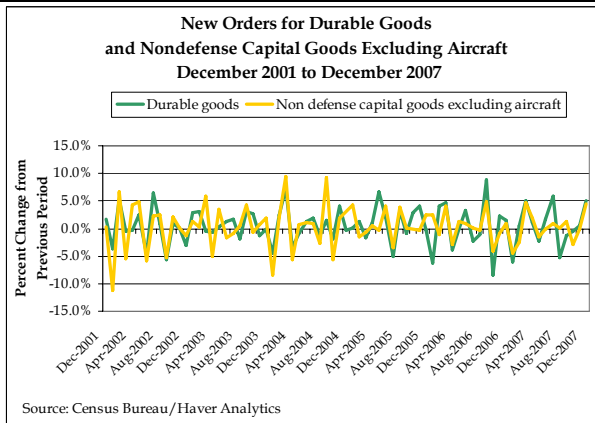
<p>Real Gross Domestic Product (seasonally adjusted at an annual rate)</p> <p>Percent Change from Previous Period</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Fourth quarter final real GDP growth was an annual rate of 0.6 percent. • From 4th quarter 2006 to 4th quarter 2007, real GDP grew at 2.4 percent. • Real GDP growth in 2006 was 2.87 percent for the year. <p style="text-align: right;">1.</p>
<p>Real After Tax Personal Incomes December 2001 to December 2007 (seasonally adjusted at an annual rate)</p> <p>Percent Change from Previous Period</p> <p>— Monthly change — Year-over-year change</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Personal incomes rose 0.46 percent in December, and were 5.8 percent higher than a year ago. • Real after-tax personal incomes, at an annual rate of \$8,715.9 billion, were up 0.21 percent from November, and were 2.08 percent higher than a year ago. <p style="text-align: right;">2.</p>
<p>* New this week</p> <p>Nonfarm Business Sector Productivity (seasonally adjusted at an annual rate)</p> <p>Percent Change from Previous Period</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • Fourth quarter nonfarm business productivity growth was 1.8 percent. The year-on-year growth rate was at 2.6 percent • Productivity growth was 1.6 percent in 2007. • Unit labor costs rose at an annual rate of 2.1 percent in Q4, following a 1.9 percent fall in Q3. The year-on-year growth rate was at 1.0 percent, the lowest change since 2004 Q4. • Unit labor costs were up 3.1 percent in 2007 – the biggest increase since 2000. <p style="text-align: right;">3.</p>

*** New this week**



- Inventories of manufactured goods rose 0.8 percent to \$528.1 billion in December. Shipments fell 0.3 percent.
- New orders for manufactured goods in December rose by 2.3 percent.

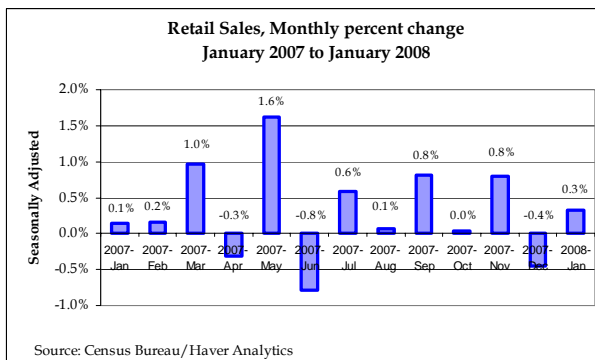
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- New orders for manufactured durable goods increased 5.1 percent in December, following a 0.5 percent increase in November (revised from -0.1). Shipments were down 0.06 percent, following a 0.25 percent fall in November.
- New orders of core capital 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.

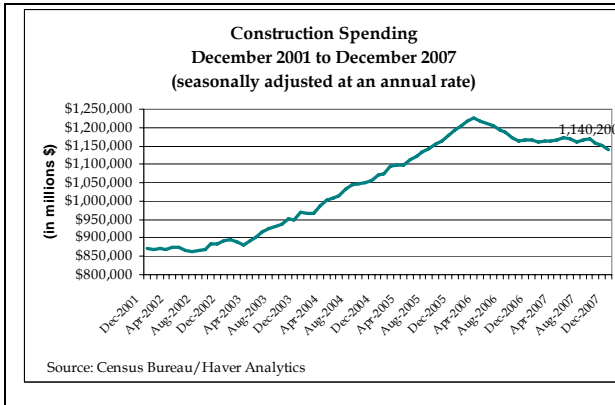
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*** New this week**



- Retail sales in January rose by 0.33 percent, and were 3.85 percent higher than a year ago.
- Excluding the volatile auto sector, retail sales fell by 0.27 percent in January, and were 4.9 percent higher than a year ago.

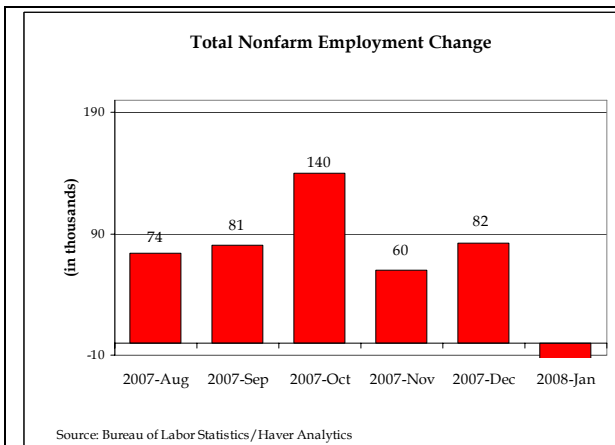
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- Following a 0.4 percent fall (revised from 0.4) in November, construction spending fell by 1.1 percent to an annual rate of \$1,140 billion in December.
- The December figure was 2.3 percent lower than a year ago.

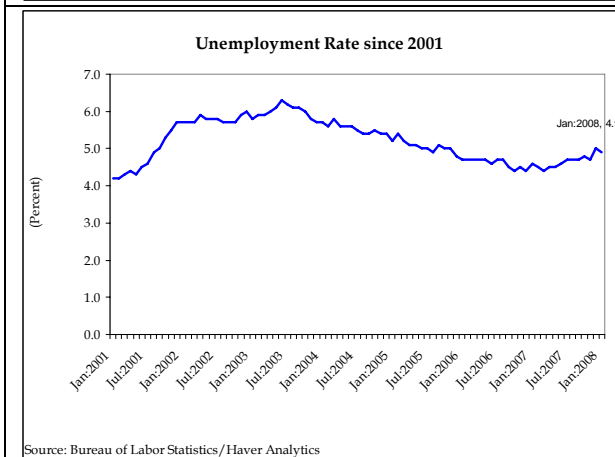
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II. Labor Market Data



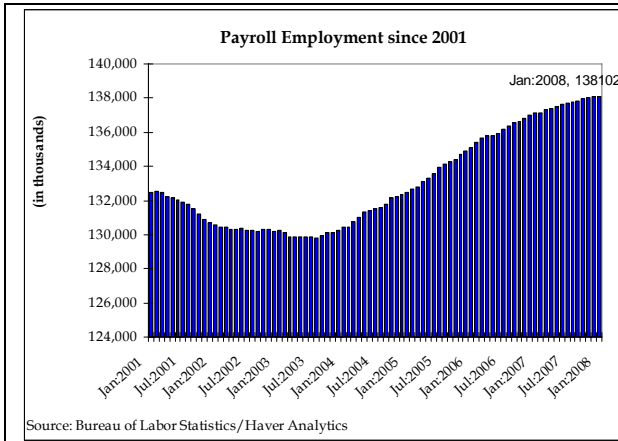
- In January, the payroll survey recorded a decrease of 17,000 jobs.
- Over the past year, total payroll employment has increased by 0.99 million jobs. Employment in the private sector has increased by 0.8 million jobs.

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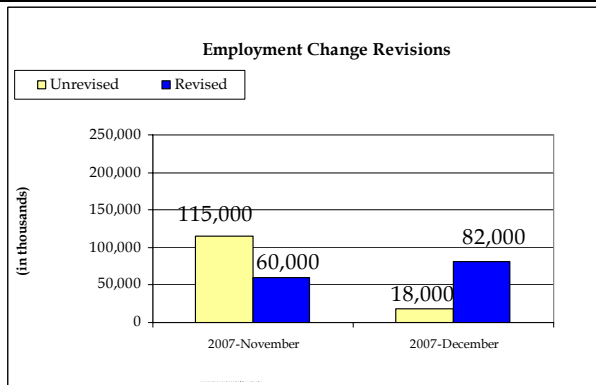
- The unemployment rate in January 2008 fell to 4.9 percent, up from 4.6 percent a year ago.

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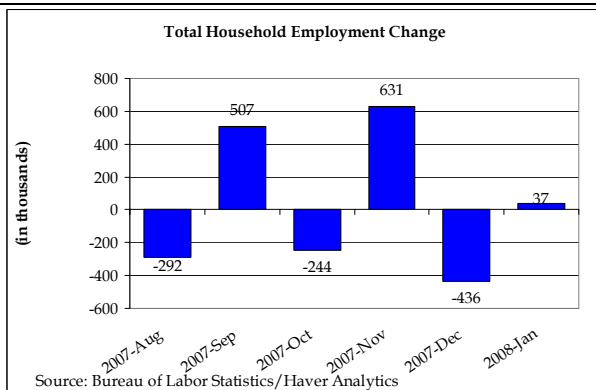
- From August 2003 to January 2008, nonfarm payroll employment has increased by over 8.2 million jobs.
- In January 2008, the payroll survey jobs total was 5.63 million above the level of January 2001.

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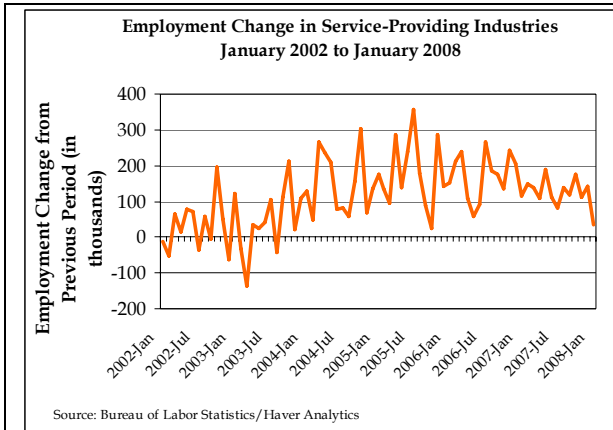
- In January, the change in November's nonfarm payroll employment was revised down from 115,000 to 60,000. It was first estimated at 94,000. December's number was revised up from 18,000 to 82,000. The total upward revision was 19,000.

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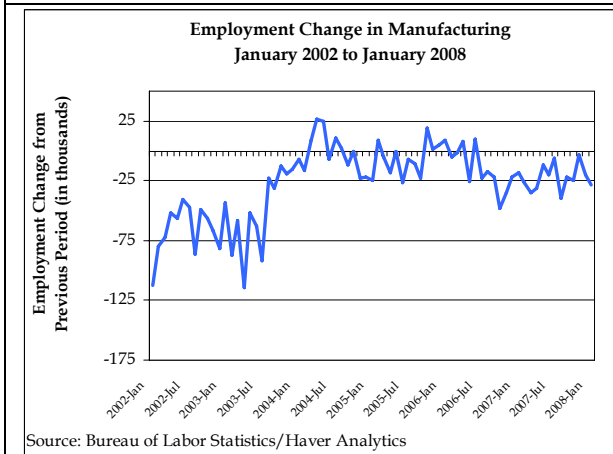
- The household survey showed a gain of 37,000 employed workers in January 2008, and a gain of about 333,000 workers over the past year.
- The household survey has shown an increase of over 8.6 million employed workers since August 2003 and nearly 8.5 million workers since January 2001.

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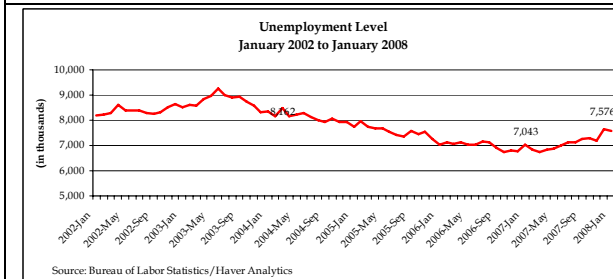
- Employment in services increased by 34,000 in January 2008.
- Employment in services has added over 8.0 million jobs out of 8.2 million created since August 2003, 53 months of consecutive gains.

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- Manufacturing employment decreased by 28,000 in January 2008.
- In January 2008, manufacturing jobs were 269,000 below the level of January 2007.
- Manufacturing has lost over 3.3 million jobs since January 2001.

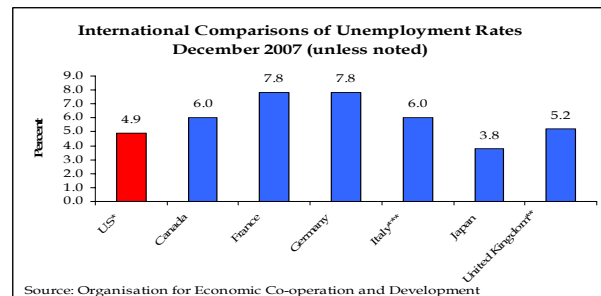
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- The number of unemployed was 7.576 million in January 2008, compared with 7.043 million in January 2007.

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*** New this week**

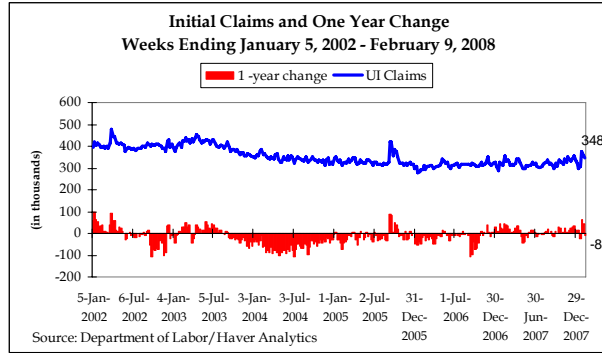


* January rate for the United States
** October rate *** September rate

- 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.

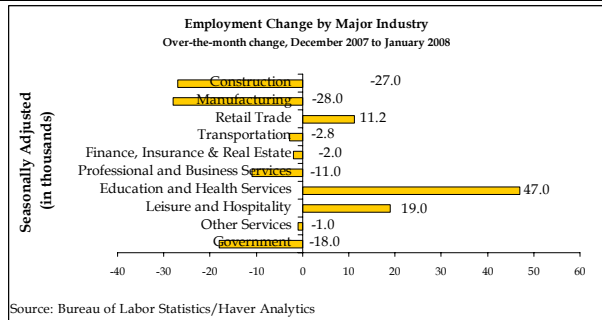
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*** New this week**



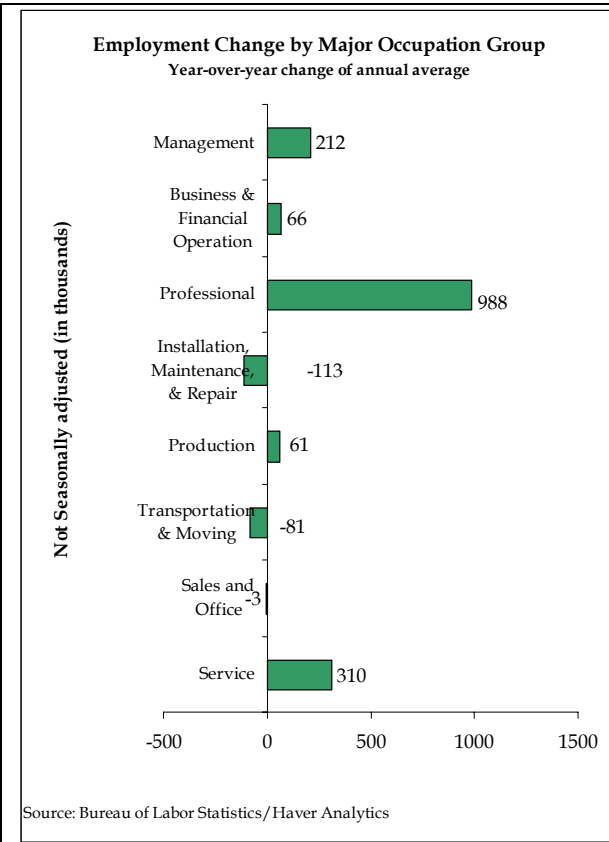
- During the week ending February 9, 2008, initial jobless claims fell 9,000 to 348,000 from 357,000 the week before, and were 2.25 percent lower than a year ago.
- The four-week moving average of initial jobless claims was 347,250, up from 335,250 the week before, and was 5.6 percent higher than a year ago.

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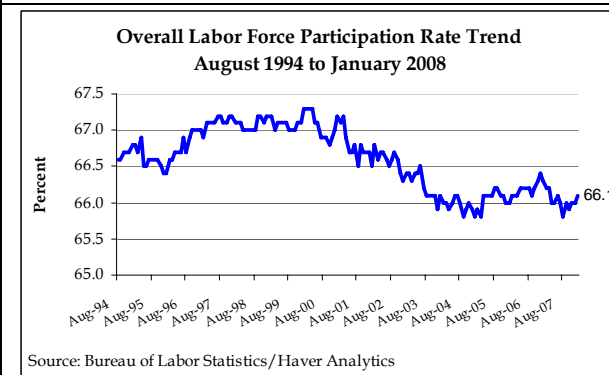
- Key industries that gained jobs in January include education and health services (+47,000), leisure and hospitality (+19,000), and retail trade (+11,200).

18.



- 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.

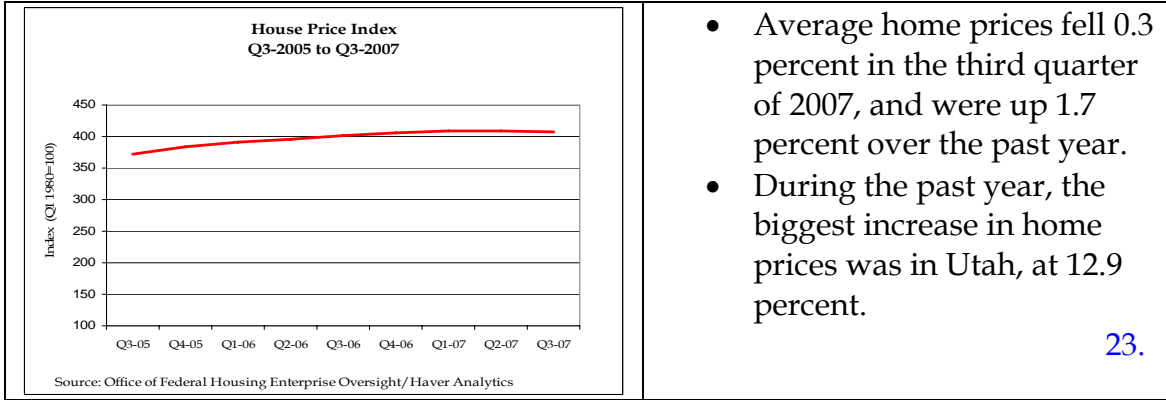


- In January 2008, the labor force participation rate increased from 66.0 at 66.1 percent.
- The average labor force participation rate since 1994 was 66.6 percent.
- The highest rate since 1994 was 67.3 percent in January - April 2000.

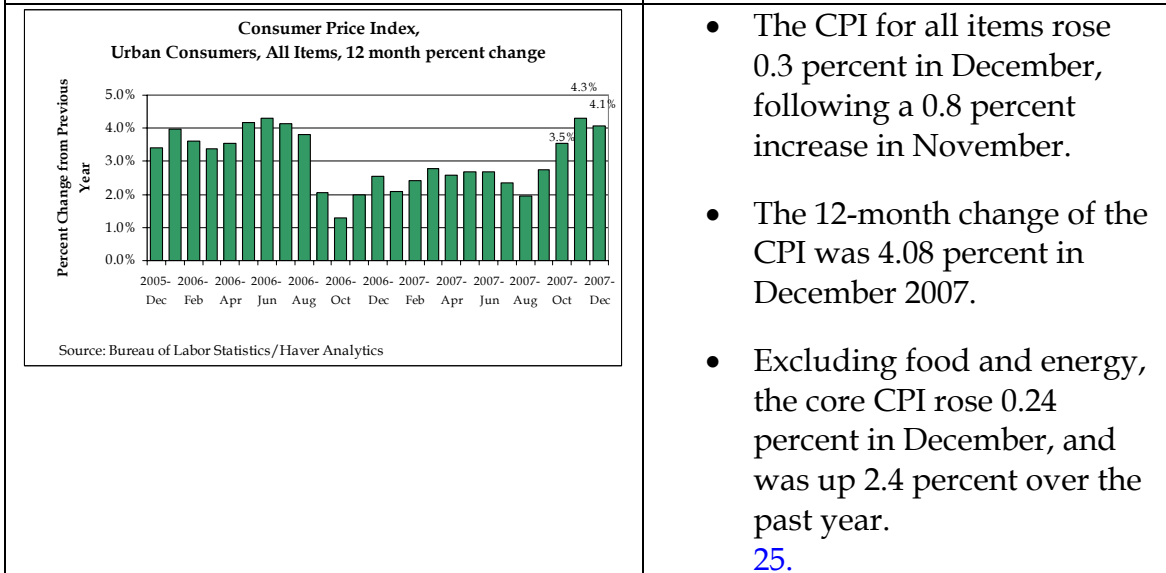
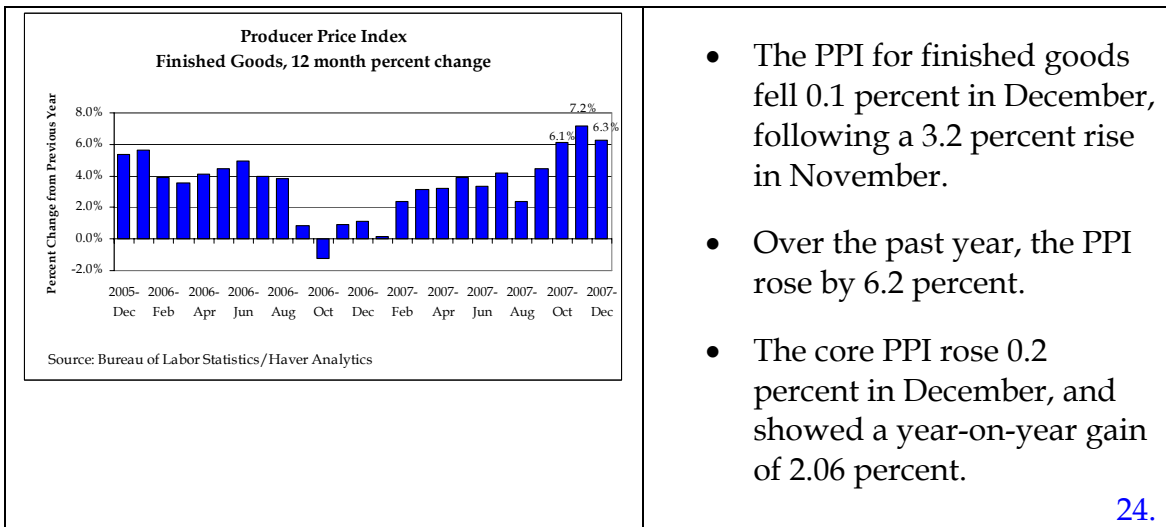
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III. Housing Data

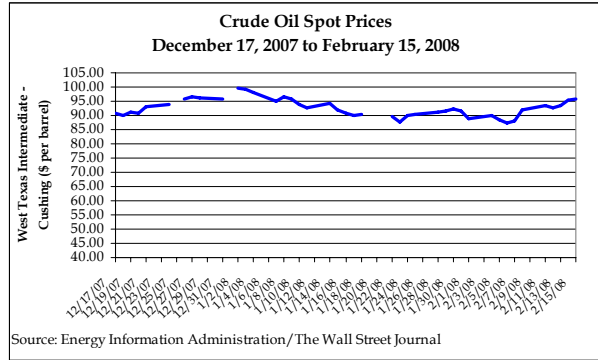
<p style="text-align: center;">Housing Starts and Permits December 2005 to December 2007 (seasonally adjusted at an annual rate)</p> <p style="text-align: center;">Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • Following a 7.9 percent decrease in November, housing starts fell 14.2 percent to an annual rate of 1.006 million units in December from November's 1.173 million, and were 38.2 percent lower than a year ago. • Following a 0.7 percent fall in November, building permits fell 8.1 percent to 1.068 million units in December from November's 1.16 million, and were 34.4 percent lower than a year ago. <p style="text-align: right;">21.</p>
<p style="text-align: center;">Home Sales December 2005 to December 2007 (seasonally adjusted at an annual rate)</p> <p style="text-align: center;">Source: Census Bureau/National Association of Realtors/Haver Analytics</p>	<ul style="list-style-type: none"> • In December, existing home sales decreased by 2.2 percent to an annual rate of 4.89 million units. This figure was 22 percent lower than a year ago. • Following a 12.5 percent fall in November, sales of new single-family homes fell by 4.7 percent to an annual rate of 0.604 million units. This figure was 40.7 percent lower than a year ago. <p style="text-align: right;">22.</p>



IV. Price and Interest Rate Data



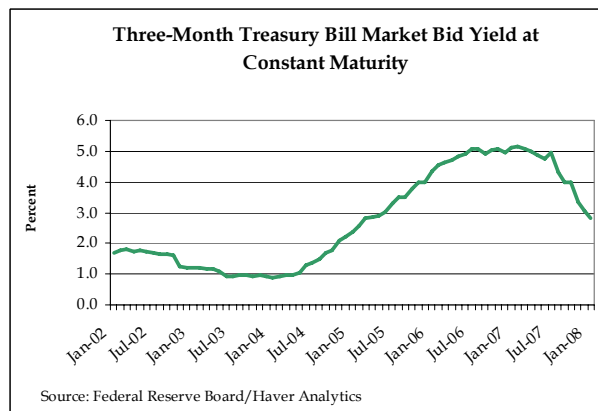
*** New This Week**



- Crude oil prices rose to an average of about \$94.14 a barrel this week.
- On February 15, oil traded around \$95.60 a barrel, up from Thursday's close of \$95.46 a barrel.

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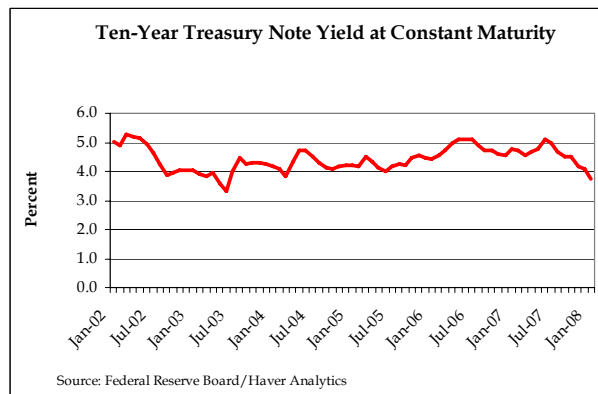
*** New This Week**



- For the week ending February 8, the latest three-month Treasury bill market bid yielded 2.19 percent, up from 2.18 percent the week before and down from 5.15 percent a year ago.

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*** New This Week**

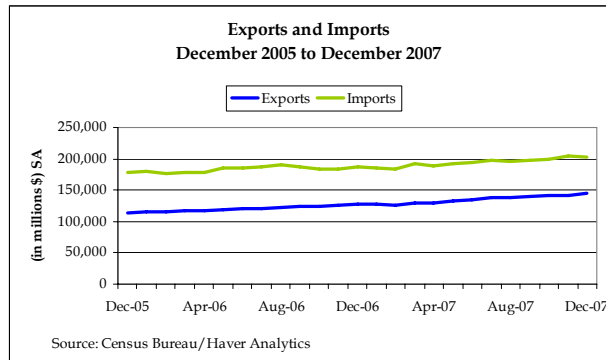


- For the week ending February 8, the latest ten-year Treasury note yielded 3.66, down from 3.67 percent a week ago, and down from 4.77 percent a year ago.

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V. Trade Data

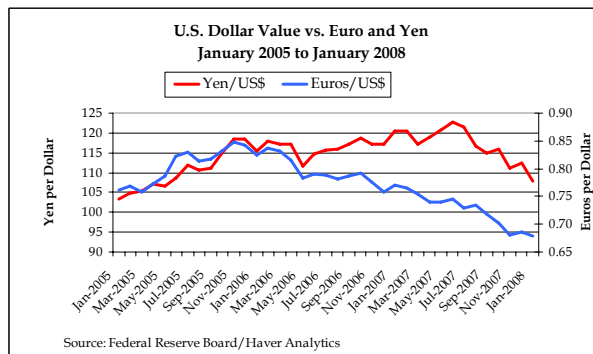
*** New this week**



- The trade deficit closed by 6.9 percent in December to \$58.7 billion from November's \$63.1 billion.
- Compared to November, exports rose by 1.5 percent and imports decreased by 1.0 percent.
- December's exports of \$144.3 billion were at a record high, and were 13.5 percent higher than one year earlier.

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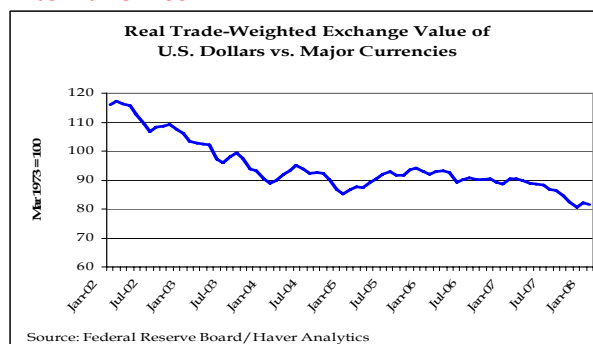
*** New this week**



- Compared to last week, the dollar rose against the euro and against the yen.
- On February 15, the dollar traded at 0.68388 euros, up from Thursday's close of 0.68329.
- On February 15, the dollar traded at 108.16 yen, up from Thursday's close of 107.97 yen.

30.

*** New this week**



- The index of real trade-weighted exchange value of the dollar relative to major currencies decreased to 81.46 in January from 82.07 in December.

31.

VI. Survey Data

<p>* New this week</p> <p>Source: University of Michigan/The Conference Board/Haver Analytics</p>	<ul style="list-style-type: none"> • The University of Michigan’s consumer sentiment index fell in February to 69.6 from 78.4 in January. • The Conference Board’s index of consumer confidence rose 2.7 points to 87.9, in January from 90.6 in December. <p style="text-align: right;">32.</p>
<p>Source: Institute for Supply Management/Haver Analytics</p>	<ul style="list-style-type: none"> • The Institute for Supply Management’s Index of Manufacturing Activity rose 2.3 points to 50.7 in January from 48.4 in December – indicating expansion in this industry. • The ISM Manufacturing Employment Index fell 1.6 points to 47.1 in January from 48.7 in December – indicating faster contraction of employment. <p style="text-align: right;">33.</p>
<p>* New this week</p> <p>Source: Institute for Supply Management/Haver Analytics</p>	<ul style="list-style-type: none"> • The Institute for Supply Management’s Index of Non-Manufacturing Business Activity fell 12.5 point to 41.9 in January from 54.4 in December - signaling contraction in the industry. • The Employment Index fell 7.9 points to 43.9 in January from 51.8 in December – signaling contraction in employment. <p style="text-align: right;">34.</p>