



## **Hudson Institute Economic Report** **(updated bi-weekly and the first Friday of every month)** **March 7, 2008**

Markets were volatile as the Labor Department reported that payroll jobs in February declined for the second month in a row, with downward revisions to December and January's initial estimates equaling 46,000. Slowing services growth combined with continued decline in the manufacturing sector led to a loss of 63,000 jobs. The only private sector jobs created in February were in the leisure and hospitality sector, a low-paying sector of the economy. Other key industries that gained jobs in February were government-based, including government (+38,000), education and health services (+30,000), and transportation (+2,000).

On the more positive side, a decline in the labor force participation rate resulted in a decline in the unemployment rate to 4.8 percent, and average hourly earnings increased. In a conference call, CEA chairman Edward Lazear expressed his belief that economic growth and employment would pick up in the second quarter, spurred by the checks that the Internal Revenue Service will mail out in May.

Still, the question remains as to whether today's data are the first sign of a recession, namely two consecutive quarters of negative economic growth. Only time will tell.

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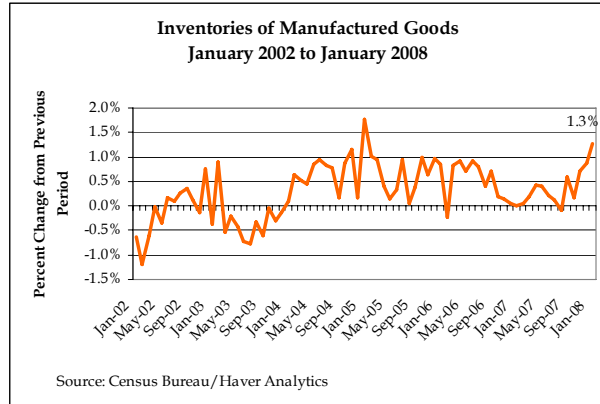
*Hudson's Center for Employment Policy is grateful to the Ewing Marion Kauffman Foundation for the support of this program.*

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## I. Output Data

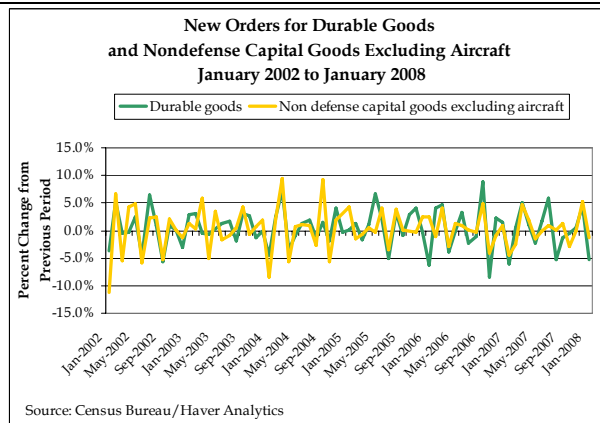
<p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• Fourth quarter final real GDP growth was an annual rate of 0.6 percent.</li> <li>• From 4<sup>th</sup> quarter 2006 to 4<sup>th</sup> quarter 2007, real GDP grew at 2.5 percent.</li> <li>• Real GDP growth in 2007 was 2.18 percent for the year.</li> </ul> <p style="text-align: right;">1.</p>
<p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• Personal incomes rose 0.27 percent in January, and were 4.9 percent higher than a year ago.</li> <li>• Real after-tax personal incomes, at an annual rate of \$8,689.7 billion, were up 0.08 percent from December, and were 1.23 percent higher than a year ago.</li> </ul> <p style="text-align: right;">2.</p>
<p><b>* New this week</b></p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• Fourth quarter nonfarm business productivity growth was revised up 0.1 percentage points to 1.9 percent. The year-on-year growth rate was at 2.9 percent</li> <li>• Productivity growth was 1.8 percent in 2007.</li> <li>• Unit labor costs rose at an annual rate of 2.6 percent in Q4, following a 2.7 percent fall in Q3. The year-on-year growth rate was at 0.9 percent.</li> <li>• Unit labor costs were up 3.07 percent in 2007 – the biggest increase since 2000.</li> </ul> <p style="text-align: right;">3.</p>

\* New this week



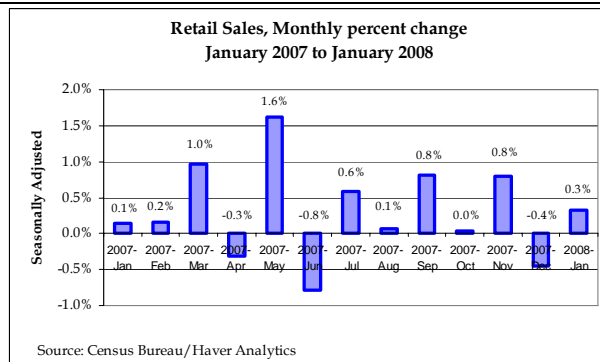
- Inventories of manufactured goods rose 1.3 percent to \$535.3 billion in January. Shipments rose by 1.1 percent.
- New orders for manufactured goods in January fell by 2.5 percent.

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- New orders for manufactured durable goods decreased 5.3 percent in January, following a 4.4 percent increase in December. Shipments were up 1.79 percent, following a 0.37 percent fall in December.
- New orders of core capital goods fell 1.39 percent in January, following a 5.2 percent rise in December. Shipments rose by 0.09 percent, following a 1.6 percent increase in December.

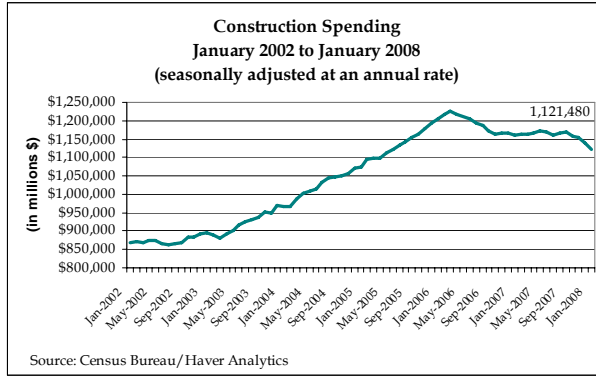
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- Retail sales in January rose by 0.33 percent, and were 3.85 percent higher than a year ago.
- Excluding the volatile auto sector, retail sales fell by 0.27 percent in January, and were 4.9 percent higher than a year ago.

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**\* New this week**

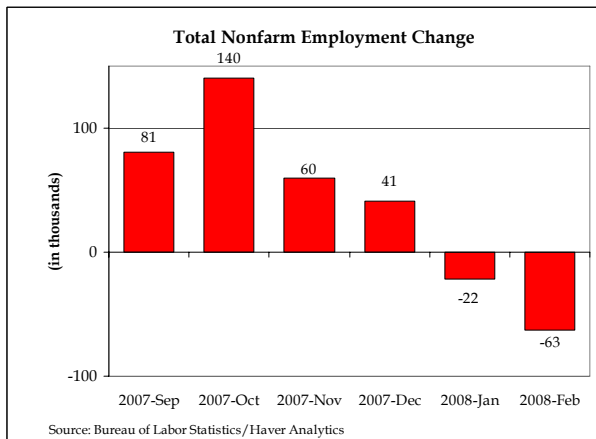


- Following a 1.3 percent fall in December, construction spending fell by 1.6 percent to an annual rate of \$1,121 billion in January.
- The January figure was 3.3 percent lower than a year ago.

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## II. Labor Market Data

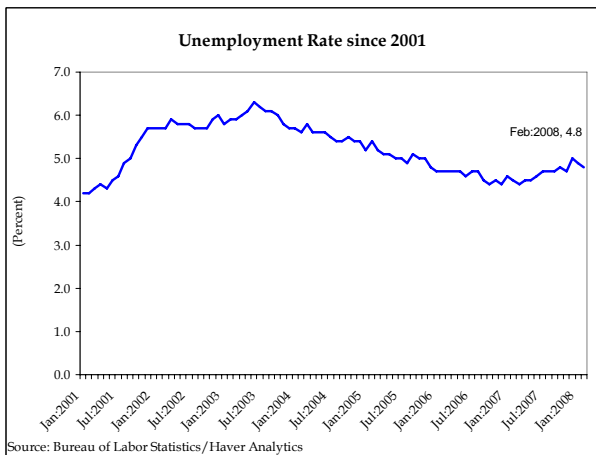
**\* New this week**



- In February, the payroll survey recorded a decrease of 63,000 jobs.
- Over the past year, total payroll employment has increased by 0.86 million jobs. Employment in the private sector has increased by 0.6 million jobs.

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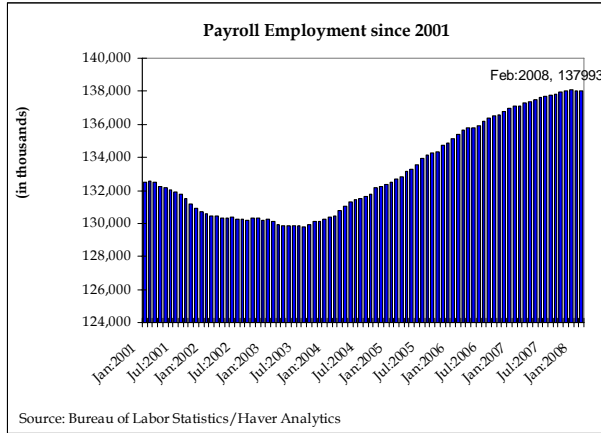
**\* New this week**



- The unemployment rate in February 2008 fell to 4.8 percent, up from 4.5 percent a year ago.

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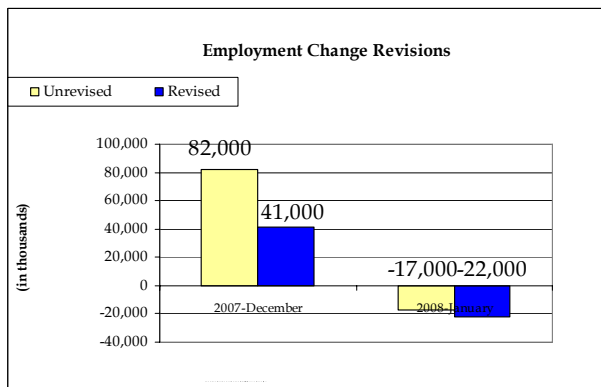
**\* New this week**



- From August 2003 to February 2008, nonfarm payroll employment has increased by 8.17 million jobs.
- In February 2008, the payroll survey jobs total was 5.54 million above the level of January 2001.

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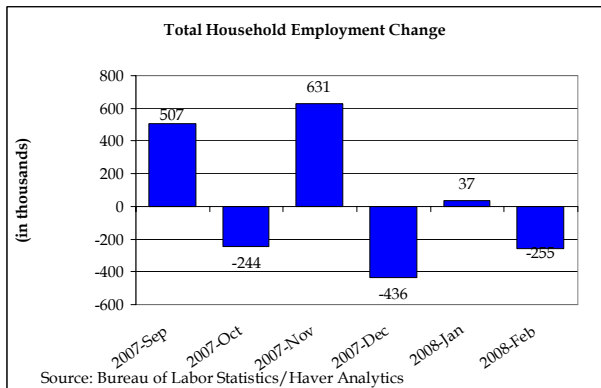
**\* New this week**



- In February, the change in December's nonfarm payroll employment was revised down from 82,000 to 41,000. It was first estimated at 18,000. January's number was revised down from -17,000 to -22,000. The total downward revision was 46,000.

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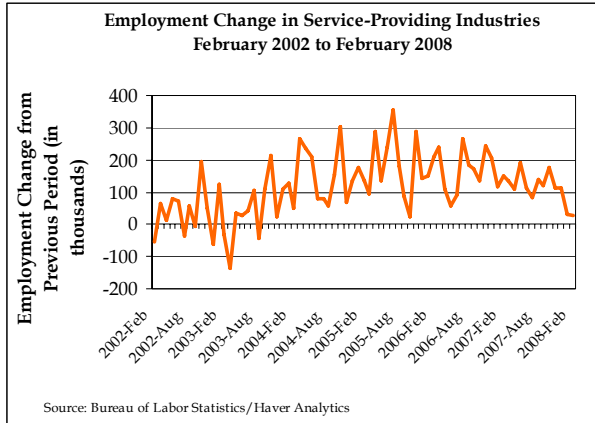
**\* New this week**



- The household survey showed a loss of 255,000 employed workers in February 2008, and a gain of about 105,000 workers over the past year.
- The household survey has shown an increase of over 8.4 million employed workers since August 2003 and nearly 8.2 million workers since January 2001.

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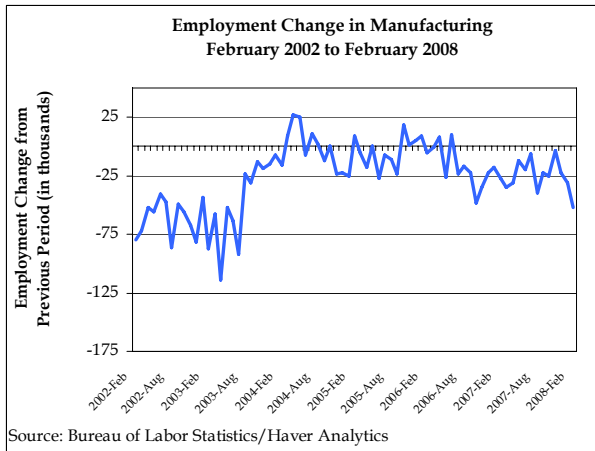
**\* New this week**



- Employment in services increased by 26,000 in February 2008.
- Employment in services has added over 8.0 million jobs out of 8.17 million created since August 2003, 54 months of consecutive gains.

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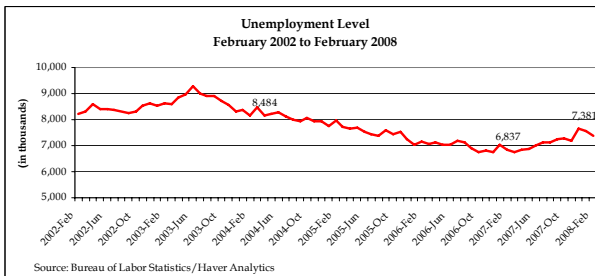
**\* New this week**



- Manufacturing employment decreased by 52,000 in February 2008.
- In February 2008, manufacturing jobs were 299,000 below the level of February 2007.
- Manufacturing has lost over 3.4 million jobs since January 2001.

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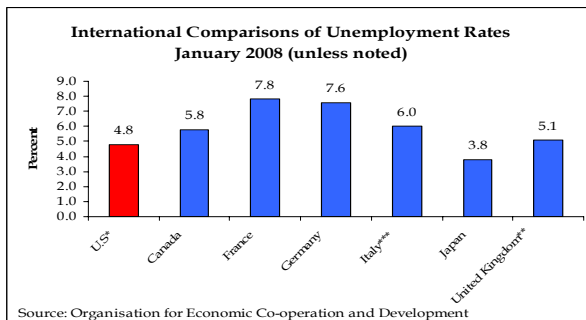
**\* New this week**



- The number of unemployed was 7.381 million in February 2008, compared with 6.837 million in February 2007.

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**\* New this week**

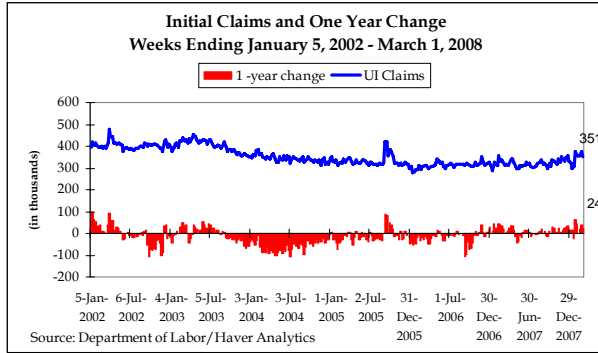


\* February rate for the United States  
\*\* November rate \*\*\* September rate

- 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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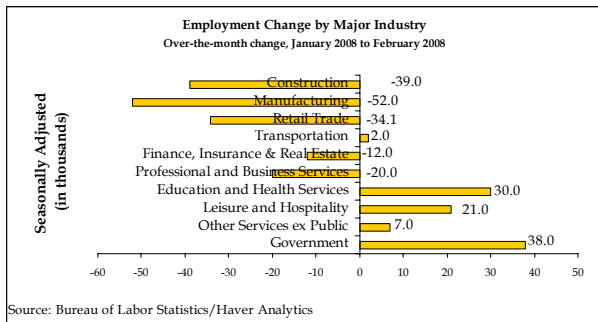
**\* New this week**



- During the week ending March 1, 2008, initial jobless claims fell 24,000 to 351,000 from 375,000 the week before, and were 7.3 percent higher than a year ago.
- The four-week moving average of initial jobless claims was 359,500, down from 361,000 the week before, and was 6.2 percent higher than a year ago.

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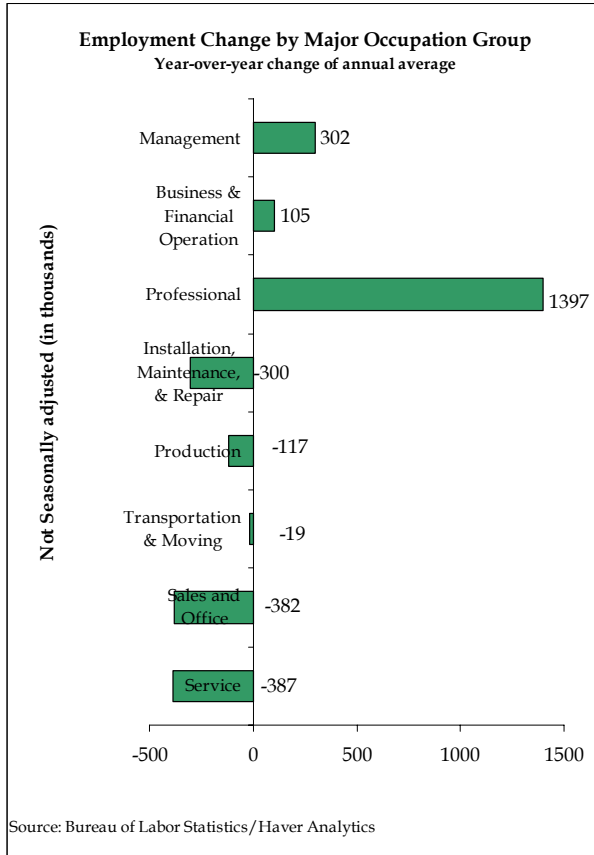
**\* New this week**



- Key industries that gained jobs in February include government (+38,000), education and health services (+30,000), leisure and hospitality (+21,000), other services (+7,000), and transportation (+2,000).

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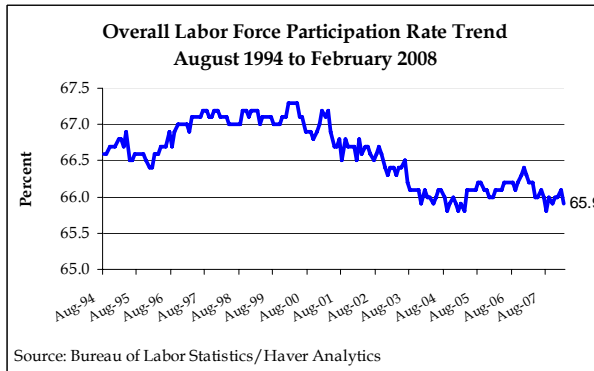
**\* New this week**



- Professional & related occupations increased 1.397 million jobs over the past year.
- Other major gains were in management occupations and business & financial operation occupations.
- Employment in installation, maintenance and repair; production; transportation and moving; sales and offices; and service occupations declined.

19.

**\* New this week**



- In February 2008, the labor force participation rate fell from 66.1 to 65.9 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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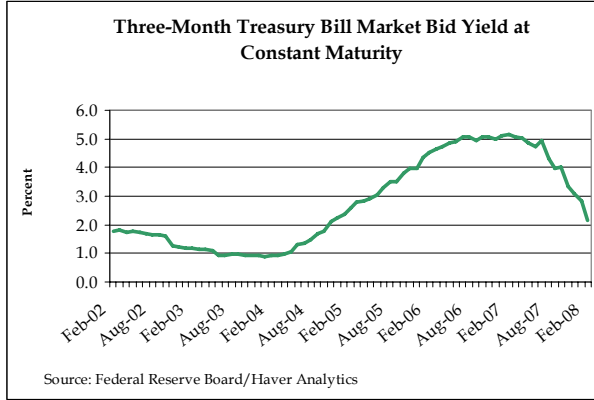
### III. Housing Data

<p style="text-align: center;"><b>Housing Starts and Permits</b> January 2006 to January 2008 (seasonally adjusted at an annual rate)</p> <p style="text-align: center;">Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• Following a 14.7 percent decrease in December, housing starts rose 0.8 percent to an annual rate of 1.012 million units in January from December's 1.004 million, and were 27.8 percent lower than a year ago.</li> <li>• Following a 7.1 percent fall in December, building permits fell 3.0 percent to 1.048 million units in January from December's 1.08 million, and were 33.0 percent lower than a year ago.</li> </ul> <p style="text-align: right;">21.</p>
<p style="text-align: center;"><b>Home Sales</b> January 2006 to January 2008 (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"> <li>• In January, existing home sales decreased by 0.41 percent to an annual rate of 4.89 million units. This figure was 23.3 percent lower than a year ago.</li> <li>• Following a 3.97 percent fall in December, sales of new single-family homes fell by 2.8 percent to an annual rate of 0.588 million units. This figure was 33.9 percent lower than a year ago.</li> </ul> <p style="text-align: right;">22.</p>
<p style="text-align: center;"><b>House Price Index</b> Q4-2005 to Q4-2007</p> <p style="text-align: center;">Source: Office of Federal Housing Enterprise Oversight/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• Average home prices fell 1.3 percent in the fourth quarter of 2007, and were down 0.3 percent over the past year.</li> <li>• During the past year, the biggest increase in home prices was in Utah, at 12.9 percent.</li> </ul> <p style="text-align: right;">23.</p>

## IV. Price and Interest Rate Data

<p style="text-align: center;"><b>Producer Price Index</b> Finished Goods, 12 month percent change</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The PPI for finished goods rose 1 percent in January, following a 0.3 percent fall in December.</li> <li>• Over the past year, the PPI rose by 7.3 percent.</li> <li>• The core PPI rose 0.4 percent in January, and showed a year-on-year gain of 2.37 percent.</li> </ul> <p style="text-align: right;">24.</p>
<p style="text-align: center;"><b>Consumer Price Index,</b> Urban Consumers, All Items, 12 month percent change</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The CPI for all items rose 0.4 percent in January, following a 0.4 percent increase in December.</li> <li>• The 12-month change of the CPI was 4.28 percent in January 2008.</li> <li>• Excluding food and energy, the core CPI rose 0.31 percent in January, and was up 2.4 percent over the past year.</li> </ul> <p style="text-align: right;">25.</p>
<p><b>* New This Week</b></p> <p style="text-align: center;"><b>Crude Oil Spot Prices</b> January 7, 2008 to March 7, 2008</p> <p>Source: Energy Information Administration/The Wall Street Journal</p>	<ul style="list-style-type: none"> <li>• Crude oil prices rose to an average of about \$103.33 a barrel this week.</li> <li>• On March 7, oil traded around \$104.50 a barrel, down from Thursday's close of \$105.47 a barrel.</li> </ul> <p style="text-align: right;">26.</p>

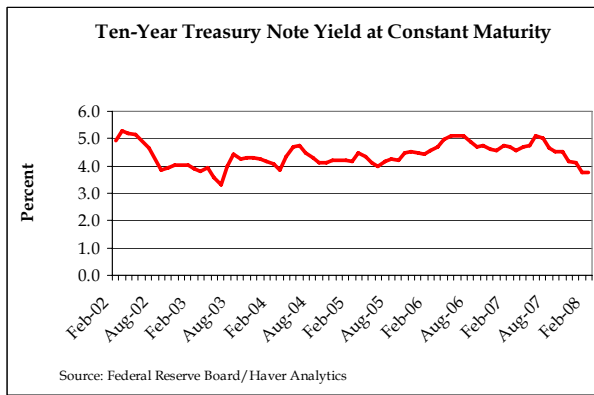
**\* New This Week**



- For the week ending February 29, the latest three-month Treasury bill market bid yielded 2.01 percent, down from 2.23 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 29, the latest ten-year Treasury note yielded 3.78, down from 3.85 percent a week ago, and down from 4.55 percent a year ago.

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## V. Trade Data

<p style="text-align: center;"><b>Exports and Imports</b> December 2005 to December 2007</p> <p style="text-align: center;">Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The trade deficit closed by 6.9 percent in December to \$58.7 billion from November's \$63.1 billion.</li> <li>• Compared to November, exports rose by 1.5 percent and imports decreased by 1.0 percent.</li> <li>• December's exports of \$144.3 billion were at a record high, and were 13.5 percent higher than one year earlier.</li> </ul> <p style="text-align: right; color: blue;">29.</p>
<p style="color: red;">* <b>New this week</b></p> <p style="text-align: center;"><b>U.S. Dollar Value vs. Euro and Yen</b> February 2005 to February 2008</p> <p style="text-align: center;">Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• Compared to last week, the dollar fell against the euro and against the yen.</li> <li>• On March 7, the dollar traded at 0.65119 euros, down from Thursday's close of 0.65121.</li> <li>• On March 7, the dollar traded at 103.08 yen, down from Thursday's close of 103.10 yen.</li> </ul> <p style="text-align: right; color: blue;">30.</p>
<p style="color: red;">* <b>New this week</b></p> <p style="text-align: center;"><b>Real Trade-Weighted Exchange Value of U.S. Dollars vs. Major Currencies</b></p> <p style="text-align: center;">Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The index of real trade-weighted exchange value of the dollar relative to major currencies decreased to 81.40 in February from 81.68 in January.</li> </ul> <p style="text-align: right; color: blue;">31.</p>

## VI. Survey Data

<p style="text-align: center;"><b>Measures of Consumer Attitudes</b></p> <p>Source: University of Michigan/The Conference Board/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The University of Michigan’s consumer sentiment index was revised up to 70.8 (from 69.6) in February from 78.4 in January.</li> <li>• The Conference Board’s index of consumer confidence fell 12.3 points to 75, in February from 87.3 in January.</li> </ul> <p style="text-align: right;">32.</p>
<p style="color: red;">* New this week</p> <p style="text-align: center;"><b>Institute for Supply Management Manufacturing Indices</b></p> <p>Source: Institute for Supply Management/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The Institute for Supply Management’s Index of Manufacturing Activity fell 2.4 points to 48.3 in February from 50.7 in January - indicating contraction in this industry.</li> <li>• The ISM Manufacturing Employment Index fell 1.1 points to 46.0 in February from 47.1 in January - indicating faster contraction of employment.</li> </ul> <p style="text-align: right;">33.</p>
<p style="color: red;">* New this week</p> <p style="text-align: center;"><b>Institute for Supply Management Nonmanufacturing Indices</b></p> <p>Source: Institute for Supply Management/Haver Analytics</p>	<ul style="list-style-type: none"> <li>• The Institute for Supply Management’s Index of Non-Manufacturing Business Activity rose 8.9 points to 50.8 in February from 41.9 in January - signaling expansion in the industry.</li> <li>• The Employment Index rose 3 points to 46.9 in February from 43.9 in January - signaling slower contraction in employment.</li> </ul> <p style="text-align: right;">34.</p>