



Hudson Institute Economic Report **(updated bi-weekly and the first Friday of every month)** **April 4, 2008**

It's not for nothing that economics is called the dismal science. The economy lost 80,000 payroll jobs in March, and downward revisions of both January and February estimates resulted in another 67,000 jobs lost. In addition, the unemployment rate rose to 5.1% from 4.8%.

However, economists are known for having two hands, and, on the other hand, these data do not mean that we are heading for a protracted period of slow growth. Aggregate hours worked in the economy rose, as did earnings. In a sharp downturn, total hours worked, as well as earnings, fall. Half of the layoffs were due to the American Axle strike, and 410,000 more people entered the labor force rose in March looking for work, contributing to the rise in the unemployment rate, since these workers did not all find jobs immediately. The labor force participation rate actually rose one tenth of a percentage point to 66%.

Key sectors that gained jobs in March include education and health services (+42,000), leisure and hospitality (+18,000), government (+18,000), mining (+6,100), insurance carriers (+3,900), securities and investments (+2,400) and other services (+1,000).

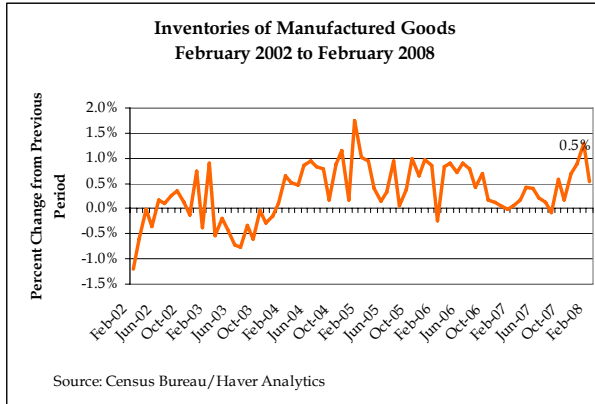
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I. Output Data

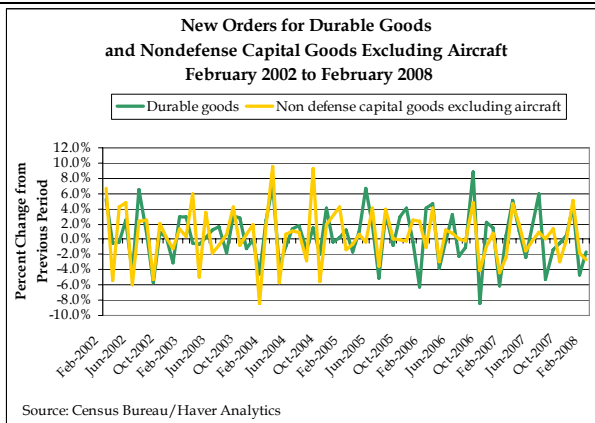
<p style="text-align: center;">Real Gross Domestic Product (seasonally adjusted at an annual rate)</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Fourth quarter final real GDP growth was an annual rate of 0.6%. • From 4th quarter 2006 to 4th quarter 2007, real GDP grew at 2.5%. • Real GDP growth in 2007 was 2.18% for the year. <p style="text-align: right; color: blue;">1.</p>
<p style="text-align: center;">Real After Tax Personal Incomes February 2002 to February 2008 (seasonally adjusted at an annual rate)</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Personal incomes rose 0.47% in February, and were 4.5% higher than a year ago. • Real after-tax personal incomes, at an annual rate of \$8,735.8 billion, were up 0.35% from January, and were 1.25% higher than a year ago. <p style="text-align: right; color: blue;">2.</p>
<p style="text-align: center;">Nonfarm Business Sector Productivity (seasonally adjusted at an annual rate)</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • Fourth quarter nonfarm business productivity growth was revised up 0.1 percentage points to 1.9%. The year-on-year growth rate was at 2.9% • Productivity growth was 1.8% in 2007. • Unit labor costs rose at an annual rate of 2.6% in Q4, following a 2.7% fall in Q3. The year-on-year growth rate was at 0.9%. • Unit labor costs were up 3.07% in 2007 – the biggest increase since 2000. <p style="text-align: right; color: blue;">3.</p>

*** New this week**



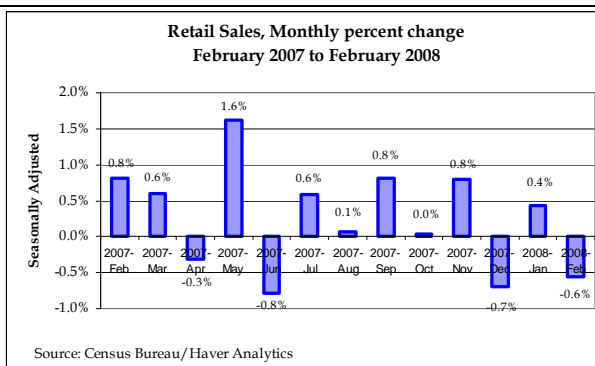
- Inventories of manufactured goods rose 0.5% to \$538.4 billion in February. Shipments fell by 2.1%.
- New orders for manufactured goods in February fell by 1.3%.

4.



- New orders for manufactured durable goods decreased 1.7% in February, following a 4.6% decrease in January. Shipments were down 2.77%, following a 2.25% rise in January.
- New orders of core capital goods fell 2.6% in February, following a 1.8% fall in January. Shipments fell by 2.1%, following a 0.44% decrease in January.

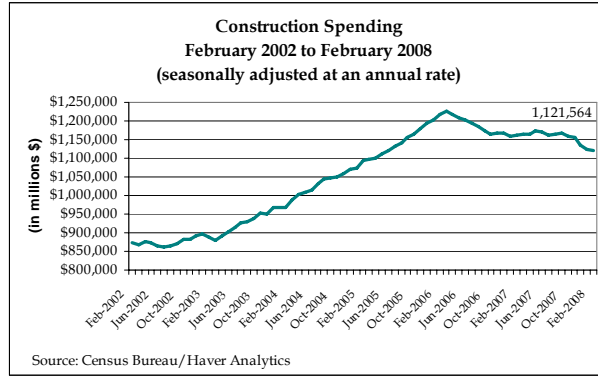
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- Retail sales in February fell by 0.56%, and were 2.58% higher than a year ago.
- Excluding the volatile auto sector, retail sales fell by 0.57% in February, and were 2.3% higher than a year ago.

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*** New this week**

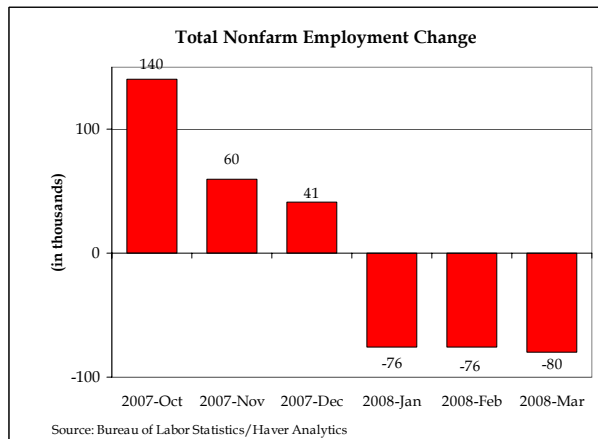


- Following a 1.0% fall in January, construction spending fell by 0.3% to an annual rate of \$1,121 billion in February.
- The February figure was 3.5% lower than a year ago.

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II. Labor Market Data

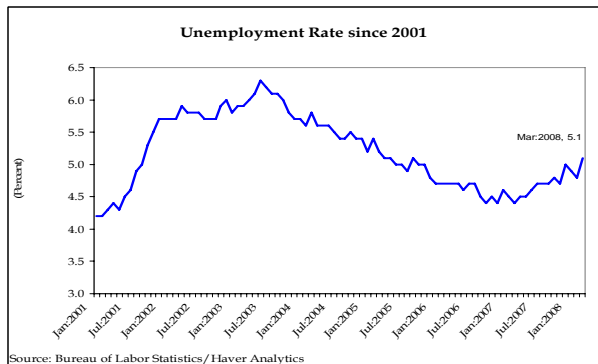
*** New this week**



- In March, the payroll survey recorded a decrease of 80,000 jobs.
- Over the past year, total payroll employment has increased by 0.53 million jobs. Employment in the private sector has increased by 0.3 million jobs.

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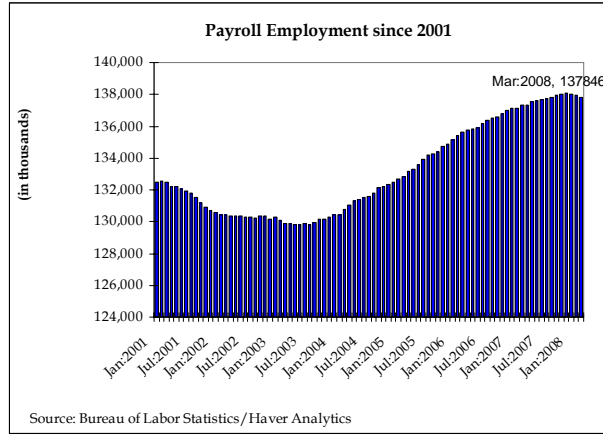
*** New this week**



- The unemployment rate in March 2008 rose to 5.1%, up from 4.4% a year ago.

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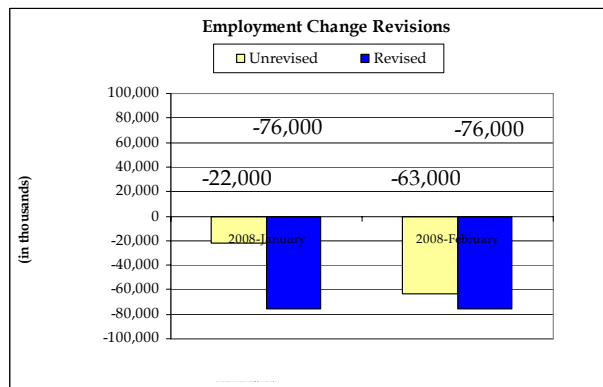
*** New this week**



- From August 2003 to March 2008, nonfarm payroll employment has increased by 8.02 million jobs.
- In March 2008, the payroll survey jobs total was 5.38 million above the level of January 2001.

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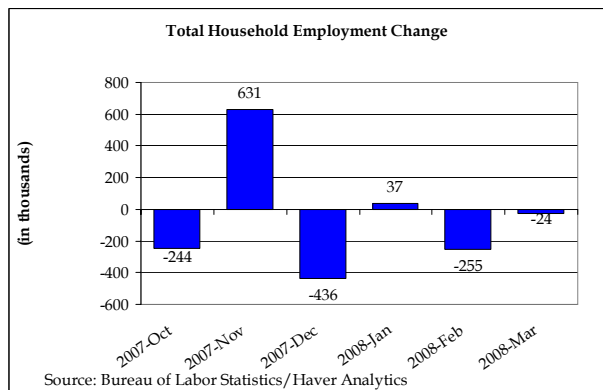
*** New this week**



- In March, the change in January's nonfarm payroll employment was revised down from -22,000 to -76,000. It was first estimated at 17,000. February's number was revised down from -63,000 to -76,000. The total downward revision was 67,000.

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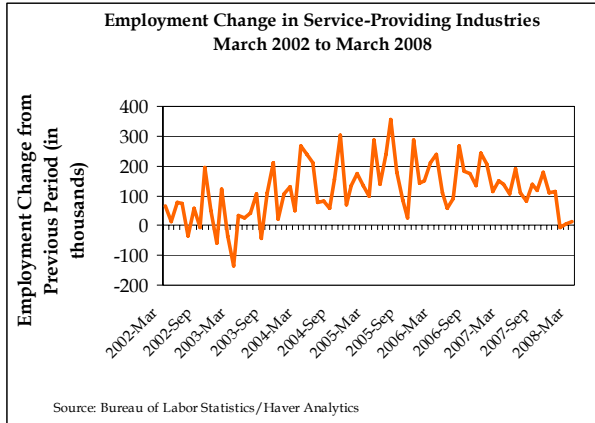
*** New this week**



- The household survey showed a loss of 24,000 employed workers in March 2008, and a loss of about 176,000 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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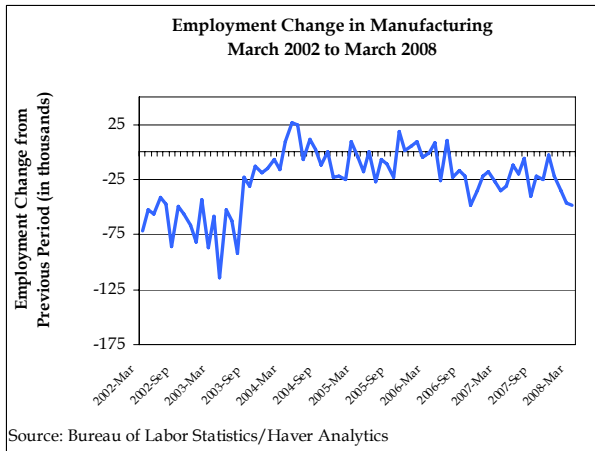
*** New this week**



- Employment in services increased by 13,000 in March 2008.
- Employment in services has added 8.0 million jobs out of 8.02 million created since August 2003.

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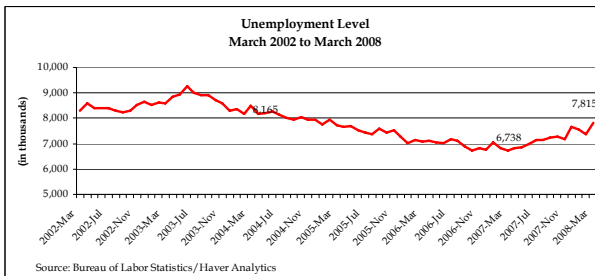
*** New this week**



- Manufacturing employment decreased by 48,000 in March 2008.
- In March 2008, manufacturing jobs were 310,000 below the level of March 2007.
- Manufacturing has lost over 3.4 million jobs since January 2001.

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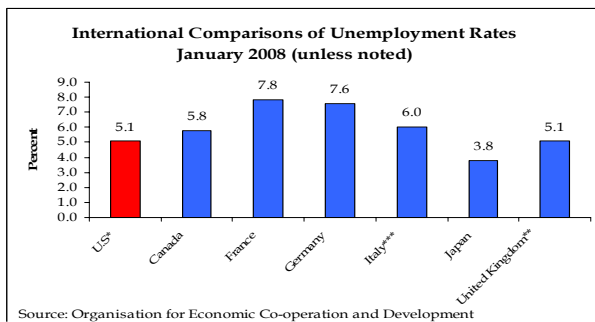
*** New this week**



- The number of unemployed was 7.815 million in March 2008, compared with 6.738 million in March 2007.

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*** New this week**

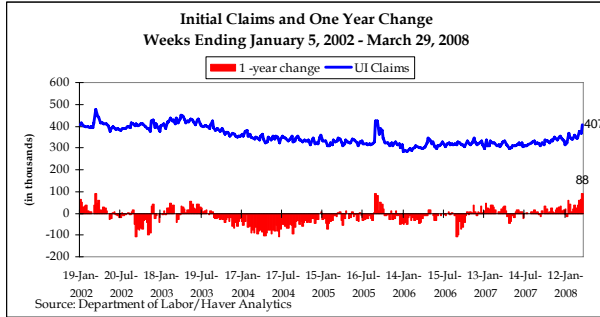


* March rate for the United States
** November rate *** September rate

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

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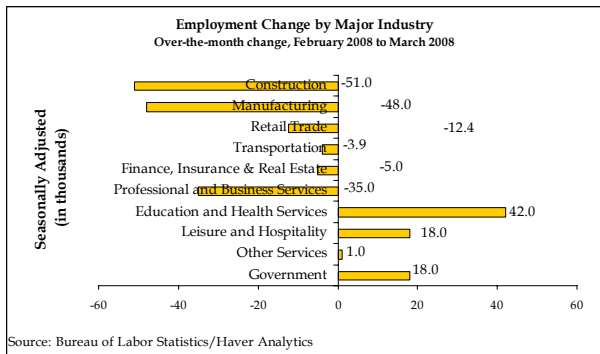
*** New this week**



- During the week ending March 29, 2008, initial jobless claims rose 38,000 to 407,000 from 369,000 the week before, and were 27.6% higher than a year ago.
- The four-week moving average of initial jobless claims was 375,000, up from 359,000 the week before, and was 20% higher than a year ago.

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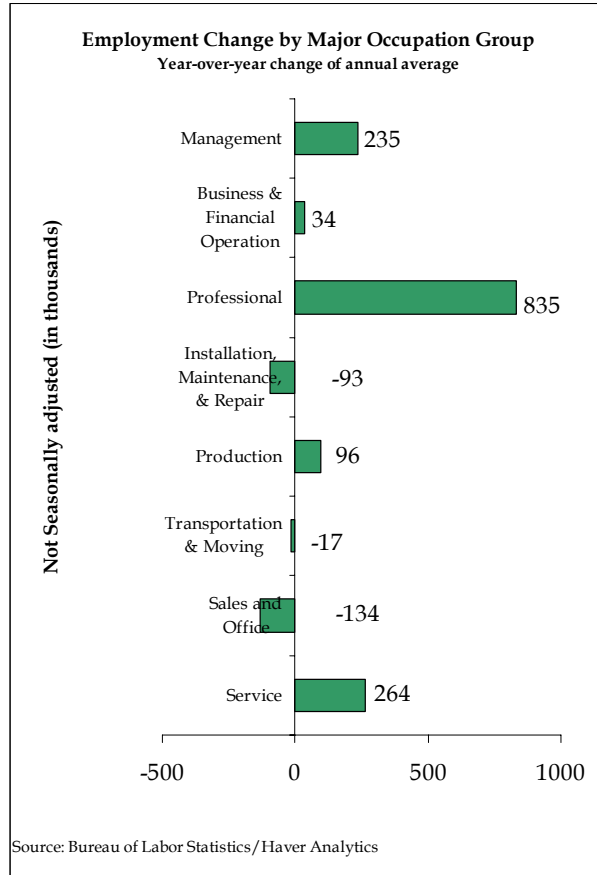
*** New this week**



- Key industries that gained jobs in March include education and health services (+42,000), leisure and hospitality (+18,000), government (+18,000) and other services (+1,000).

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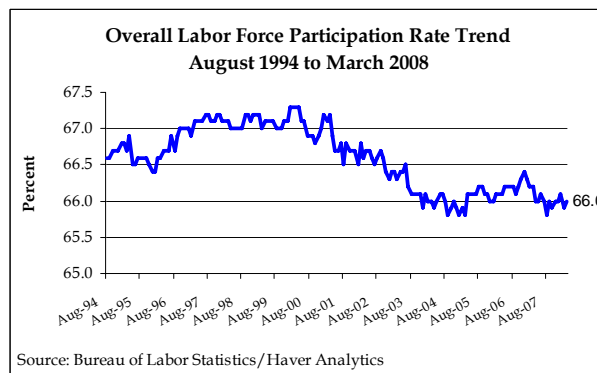
*** New this week**



- Professional & related occupations increased 0.835 million jobs over the past year.
- Other major gains were in management occupations, service occupations, production occupations and business & financial operation occupations.
- Employment in installation, maintenance and repair; transportation and moving; and sales and offices occupations declined.

19.

*** New this week**



- In March 2008, the labor force participation rate rose from 65.9 to 66.0%.
- The average labor force participation rate since 1994 was 66.6%.
- The highest rate since 1994 was 67.3% in January - April 2000.

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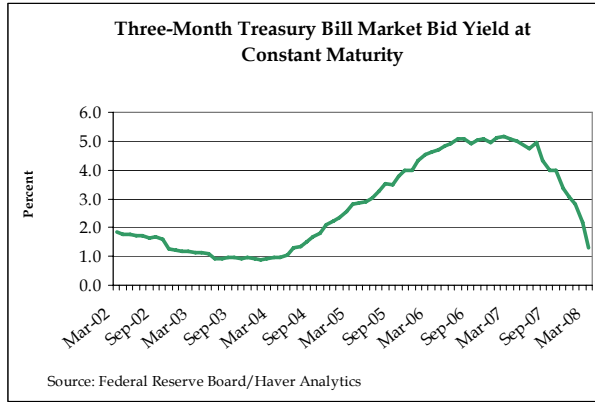
III. Housing Data

<p style="text-align: center;">Housing Starts and Permits February 2006 to February 2008 (seasonally adjusted at an annual rate)</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • Following a 7.1% increase in January, housing starts fell 0.56% to an annual rate of 1.065 million units in February from January's 1.071 million, and were 28.4% lower than a year ago. • Following a 1.8% fall in January, building permits fell 7.8% to 0.978 million units in February from January's 1.06 million, and were 36.5% lower than a year ago. <p style="text-align: right;">21.</p>
<p style="text-align: center;">Home Sales February 2006 to February 2008 (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 February, existing home sales increased by 2.86% to an annual rate of 5.03 million units. This figure was 23.8% lower than a year ago. • Following a 1.64% fall in January, sales of new single-family homes fell by 1.8% to an annual rate of 0.59 million units. This figure was 29.8% lower than a year ago. <p style="text-align: right;">22.</p>
<p style="text-align: center;">House Price Index Q4-2005 to Q4-2007</p> <p>Source: Office of Federal Housing Enterprise Oversight/Haver Analytics</p>	<ul style="list-style-type: none"> • Average home prices fell 1.3% in the fourth quarter of 2007, and were down 0.3% over the past year. • During the past year, the biggest increase in home prices was in Utah, at 12.9%. <p style="text-align: right;">23.</p>

IV. Price and Interest Rate Data

<p style="text-align: center;">Producer Price Index Finished Goods, 12 month percent change</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • The PPI for finished goods rose 0.3% in February, following a 1% rise in January. • Over the past year, the PPI rose by 6.4%. • The core PPI rose 0.5% in February, and showed a year-on-year gain of 2.49%. <p style="text-align: right; color: blue;">24.</p>
<p style="text-align: center;">Consumer Price Index, Urban Consumers, All Items, 12 month percent change</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • The CPI for all items rose less than 0.05% in February, following a 0.4% increase in January. • The 12-month change of the CPI was 4.03% in February 2008. • Excluding food and energy, the core CPI rose less than 0.05% in February, and was up 2.3% over the past year. <p style="text-align: right; color: blue;">25.</p>
<p style="color: red;">* New This Week</p> <p style="text-align: center;">Crude Oil Spot Prices February 7, 2008 to April 4, 2008</p> <p>Source: Energy Information Administration/The Wall Street Journal</p>	<ul style="list-style-type: none"> • Crude oil prices fell to an average of about \$103.31 a barrel this week. • On April 4, oil traded around \$105.45 a barrel, up from Thursday's close of \$103.83 a barrel. <p style="text-align: right; color: blue;">26.</p>

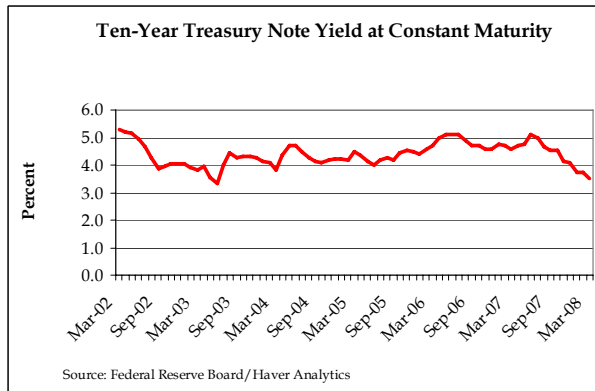
*** New This Week**



- For the week ending March 28, the latest three-month Treasury bill market bid yielded 1.29%, up from 0.82% the week before and down from 5.06% a year ago.

27.

*** New This Week**



- For the week ending March 28, the latest ten-year Treasury note yielded 3.52, up from 3.39% a week ago, and down from 4.63% a year ago.

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V. Trade Data

<p style="text-align: center;">Exports and Imports January 2006 to January 2008</p> <p style="text-align: center;">Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • The trade deficit rose by 0.6% in January to \$58.2 billion from December's \$57.8 billion. • Compared to December, exports rose by 1.6% and imports increased by 1.3%. • January's exports of \$148.2 billion were at a record high, and were 16.5% higher than one year earlier. <p style="text-align: right; color: blue;">29.</p>
<p style="color: red;">* New this week</p> <p style="text-align: center;">U.S. Dollar Value vs. Euro and Yen March 2005 to March 2008</p> <p style="text-align: center;">Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> • Compared to last week, the dollar fell against the euro and rose against the yen. • On April 4, the dollar traded at 0.63959 euros, up from Thursday's close of 0.6383. • On April 4, the dollar traded at 102.26 yen, up from Thursday's close of 102.21 yen. <p style="text-align: right; color: blue;">30.</p>
<p style="color: red;">* New this week</p> <p style="text-align: center;">Real Trade-Weighted Exchange Value of U.S. Dollars vs. Major Currencies</p> <p style="text-align: center;">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 decreased to 79.04 in March from 81.02 in February. <p style="text-align: right; color: blue;">31.</p>

VI. Survey Data

<p style="text-align: center;">Measures of Consumer Attitudes</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 0.3 points to 70.5 in March from 70.8 in February. • The Conference Board’s index of consumer confidence fell 12.3 points to 75, in February from 87.3 in January. <p style="text-align: right;">32.</p>
<p>* New this week</p> <p style="text-align: center;">Institute for Supply Management Manufacturing Indices</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 0.3 points to 48.6 in March from 48.3 in February – indicating slowed contraction in this industry. • The ISM Manufacturing Employment Index rose 3.2 points to 49.2 in March from 46.0 in February – indicating slower contraction of employment. <p style="text-align: right;">33.</p>
<p>* New this week</p> <p style="text-align: center;">Institute for Supply Management Nonmanufacturing Indices</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 rose 1.4 points to 52.2 in March from 50.8 in February - signaling faster expansion in the industry. • The Employment Index stayed at 46.9 in March – signaling continued contraction in employment. <p style="text-align: right;">34.</p>