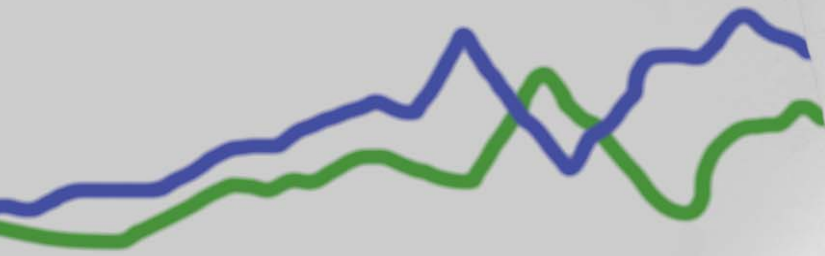


JUNE 19, 2009



Hudson Institute Economic Report

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June 19, 2009

Housing starts increased in May to a seasonally adjusted annual rate of 532,000, up 17.2% from the April revised figure of 454,000. The most encouraging aspect of this increase is the rise in single-family starts, to 401,000 from 373,000, an increase of 7.5%. This is not statistically significant, but for the first four months of the year single-family starts were flat. There is now some basis for hoping that home starts have reached bottom. Multifamily starts continued to fluctuate as they have all year, rising by 77.1% to 124,000, but this comes after a drop of 45.7% in April; the May figure of 124,000 is essentially the same as the March figure of 129,000.

Building permits in May increased by 4.0% overall; single-family permits paralleled single-family starts, with a 7.9% increase.

Economists are debating whether we should be more concerned about inflation or deflation. Will the Federal Reserve be able to pull back on liquidity when the recovery occurs? The consumer price index rose 0.1% in May, after being unchanged in April. Over the past year, it has fallen by 1.0%. The energy index rose 0.2% due to increases in gasoline index, while the food index fell 0.2%. The core CPI, which excludes food and energy, rose 0.1%.

The producer price index rose 0.2% in May, following a 0.3% increase in April. It has shown a decrease of 4.7% over the past year. Energy price increases of 2.9% were partially offset by declines in food prices of 1.9%. The core PPI fell 0.1%.

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I. Output Data

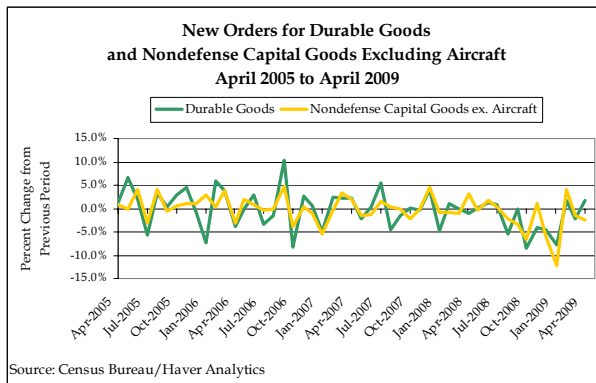
<p style="text-align: center;">Real Gross Domestic Product (seasonally adjusted at an annual rate)</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • First quarter real GDP contracted at an annual rate of 5.7%, revised upwards from a previous estimate of 6.1% decline. • From 1st quarter 2008 to 1st quarter 2009, real GDP shrank at 2.5%. • Real GDP growth in 2008 was 1.1% for the year. <p style="text-align: right;">1.</p> <p style="text-align: center;">(Next update: June 25)</p>
<p style="text-align: center;">Real After Tax Personal Income April 2005 to April 2009 (seasonally adjusted at an annual rate)</p> <p style="text-align: center;">— Monthly change — Year-over-year change</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>	<ul style="list-style-type: none"> • Personal income rose 0.5% in April, and was 0.7% higher than a year ago. • Real after-tax personal income, at an annual rate of \$8,987 billion, was up 1.1% from March, and was 3.7% higher than a year ago. <p style="text-align: right;">2.</p> <p style="text-align: center;">(Next update: June 26)</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"> • First quarter nonfarm business productivity growth was 1.6%, revised upwards from a previous estimate of 0.8%. • The year-on-year growth rate was at 1.9%. <p style="text-align: right;">3.</p> <p style="text-align: center;">(Next update: August 11)</p>



- Inventories of manufactured goods fell 1% to \$517.6 billion in April. Shipments fell by 0.2%.
- New orders for manufactured goods in April rose by 0.7%.

4.

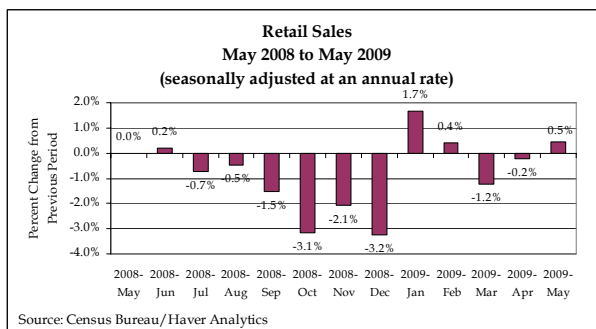
(Next update: July 15)



- New orders for manufactured durable goods increased 1.7% in April, following a 2.2% decrease in March. Shipments were down 0.4%, following a 1.9% decline in March.
- More important, new orders of core capital goods declined 2.4% in April, following a 1.4% decrease in March. Shipments fell by 2.6%.

5.

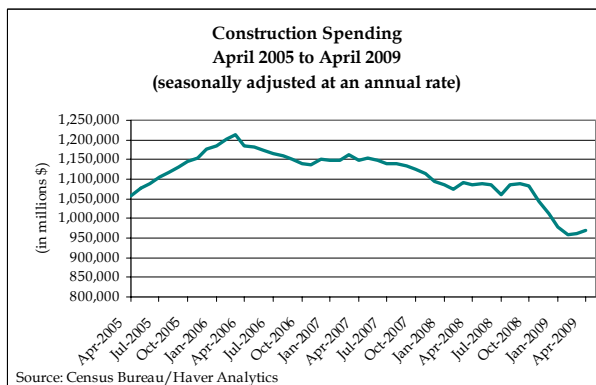
(Next update: June 24)



- Retail sales in May rose 0.5%, yet were 9.6% lower than a year ago.
- Excluding the volatile auto sector, retail sales rose by 0.5% in May, but were 7.3% lower than a year ago.

6.

(Next update: July 14)

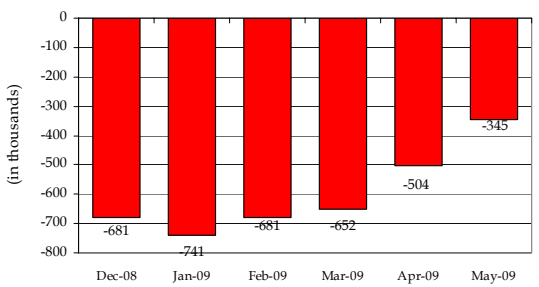
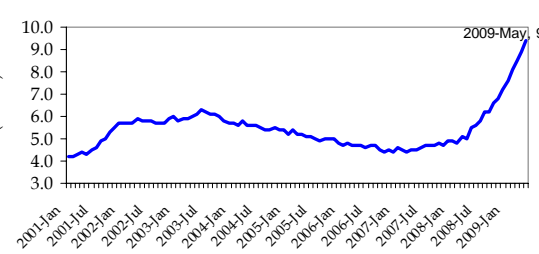
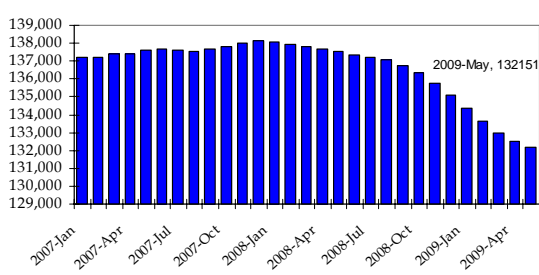


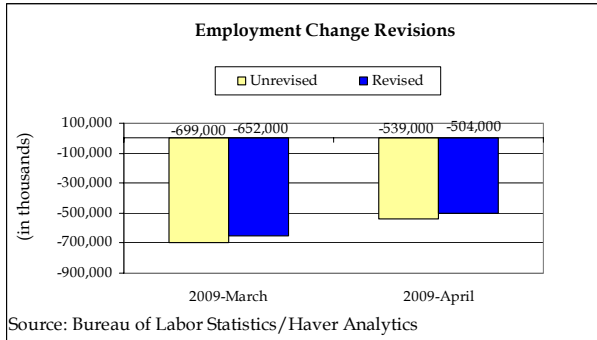
- Following a 0.4% increase in March, construction spending rose by 0.8% to an annual rate of \$968.7 billion in April.
- The April figure was 10.7% lower than a year ago.

7.

(Next update: July 1)

II. Labor Market Data

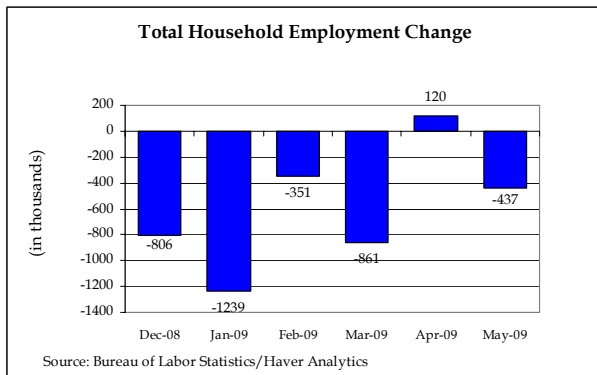
<p style="text-align: center;">Total Nonfarm Employment Change</p>  <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • In May, the payroll survey recorded a decrease of 345,000 jobs. • Over the past year, total payroll employment has decreased by 5.366 million jobs. Employment in the private sector has decreased by 5.506 million jobs. <p style="text-align: right;">8.</p> <p style="text-align: center;">(Next update: July 2)</p>
<p style="text-align: center;">Unemployment Rate since 2001</p>  <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • The unemployment rate in May 2009 was 9.4%, up from 5.5% a year ago. • This is the highest monthly recording since 1983. • The unemployment rate for adult men was 9.8% and for adult women was 7.5%. <p style="text-align: right;">9.</p> <p style="text-align: center;">(Next update: July 2)</p>
<p style="text-align: center;">Payroll Employment since 2007</p>  <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • From December 2007, the start of the recession, to May 2009, employment has decreased by 6.0 million jobs. <p style="text-align: right;">10.</p> <p style="text-align: center;">(Next update: July 2)</p>



- In May, the change in March's nonfarm payroll employment was revised from -699,000 to -652,000. It was first estimated at -663,000.
- April's number was -504,000, revised from -539,000.
- The total upward revision was 82,000 fewer jobs lost.

11.

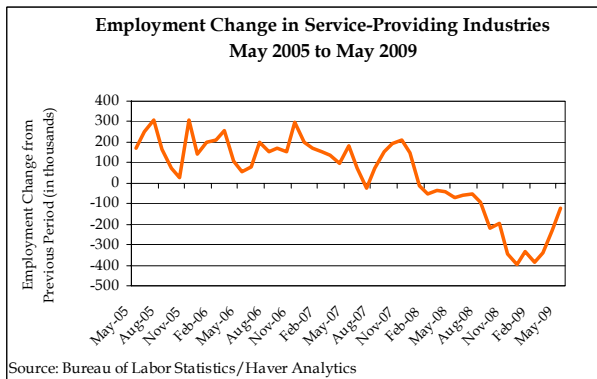
(Next update: July 2)



- The household survey showed a decrease of 437,000 employed workers in May 2009, and a loss of 5,404,000 workers over the past year.
- The household survey has shown a decline of over 5.724 million employed workers since December 2007.

12.

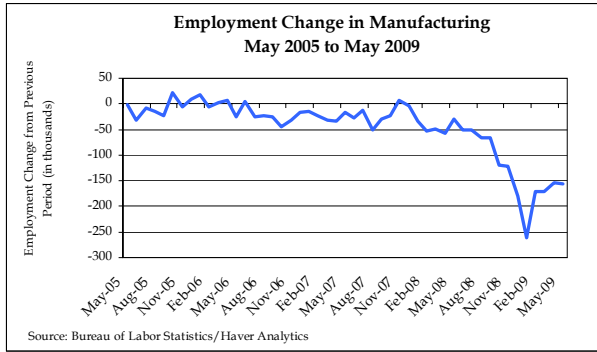
(Next update: July 2)



- Employment in services decreased by 120,000 in May 2009.
- Employment in services has declined by 2.979 million jobs since December 2007.

13.

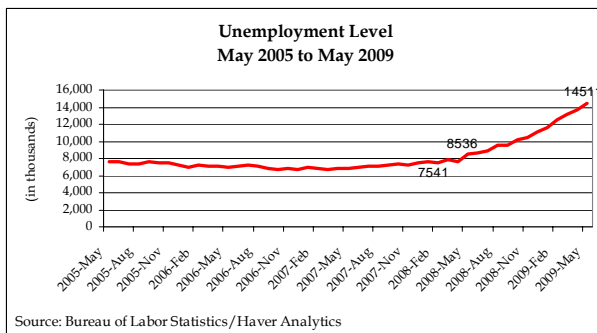
(Next update: July 2)



- Manufacturing employment decreased by 156,000 in May 2009.
- Manufacturing jobs were 1,570,000 below the level of May 2008.
- Manufacturing has lost 1.791 million jobs since December 2007.

14.

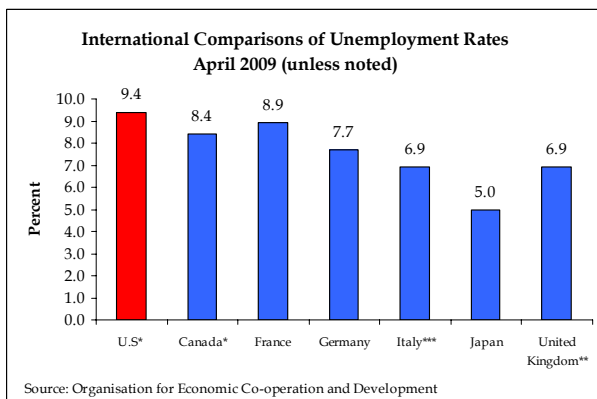
(Next update: July 2)



- The number of unemployed was 14.511 million in May 2009, compared with 8.536 million in May 2008.

15.

(Next update: July 2)



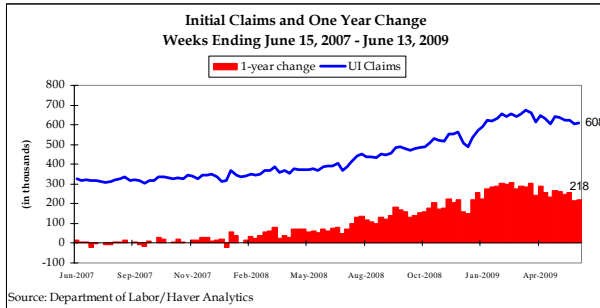
*May 2009 rate **February 2009 rate ***December 2008 rate

- The U.S. unemployment rate for May is higher than other industrialized countries. New data expected for other countries will probably show increases in unemployment.

16.

(Next update: July 10)

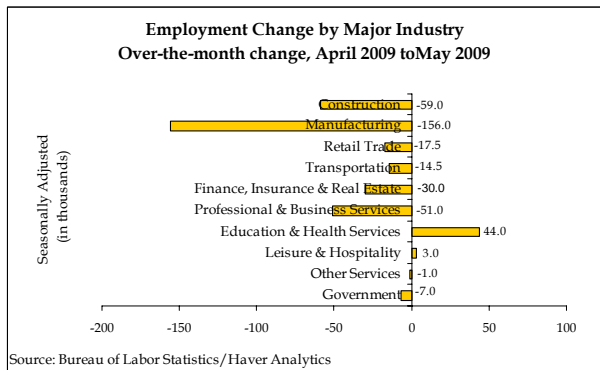
***New this week**



- During the week ending June 13, 2009, initial jobless claims rose 3,000 to 608,000 from 605,000 the week before. They were 56% higher than a year ago.
- The four-week moving average of initial jobless claims was 615,750, down from 622,750 the week before. It was 61% higher than a year ago.

17.

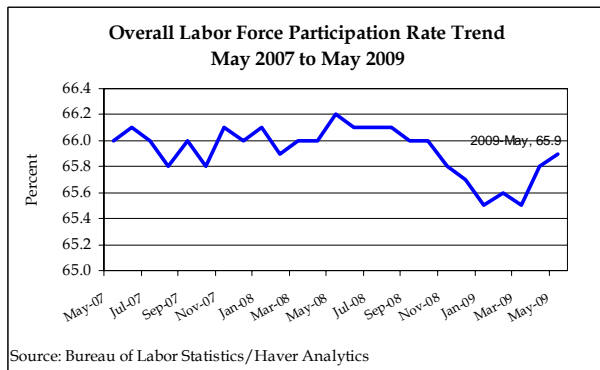
(Next update: June 25)



- The only industries that gained jobs in May were education and health services (+44,000) and leisure and hospitality (+3,000).

18.

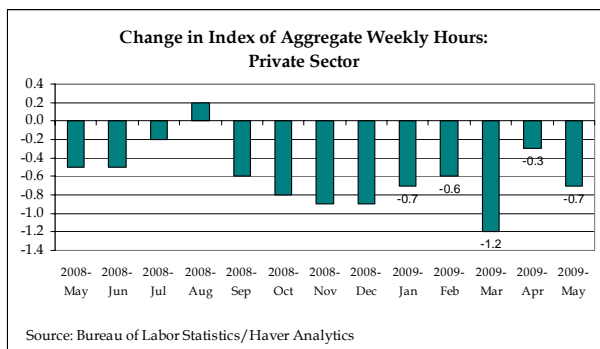
(Next update: July 2)



- In May 2009 the labor force participation rate rose to 65.9% from 65.8%.

19

(Next update: July 2)



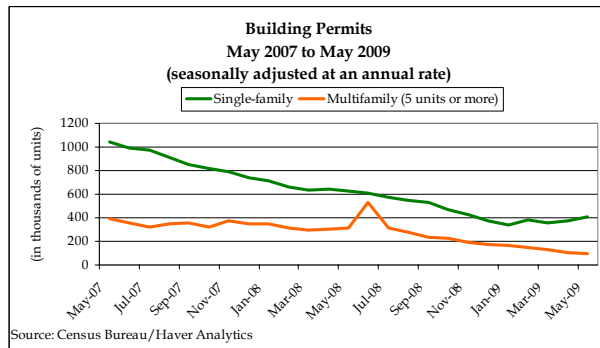
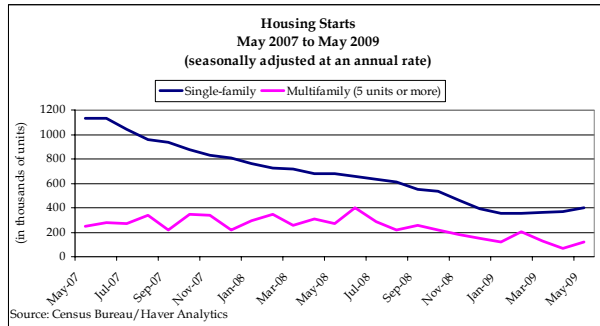
- In May 2009 the index of aggregate weekly hours for the private sector dropped seven-tenths of a point.

20.

(Next update: July 2)

III. Housing Data

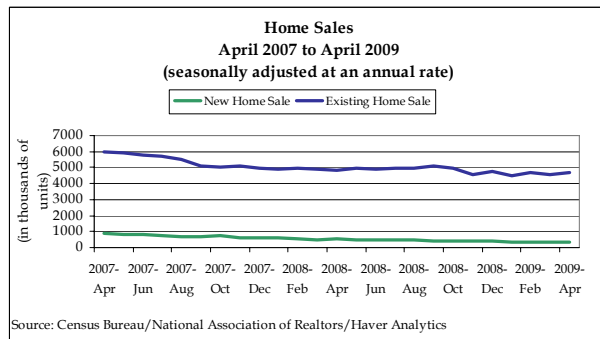
***New this week**



- Following a 12.9% decrease in April, housing starts rose 17.2% to an annual rate of 532,000 units in May from April's 454,000, and were 45% lower than a year ago.
- Following a 2.5% fall in April, building permits rose 4.0% to 518,000 units in May from April's 498,000, and were 47% lower than a year ago.

23.

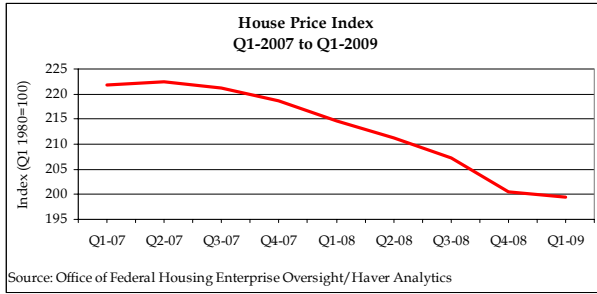
(Next update: July 17)



- In April, existing home sales increased by 2.9% to an annual rate of 4,680,000 units. This figure was 3.5% lower than a year ago.
- Following a 3% fall in March, sales of new single-family homes rose by 0.3% to an annual rate of 352,000 units. This figure was 34% lower than a year ago.

24.

(Next update: June 23 and 24)



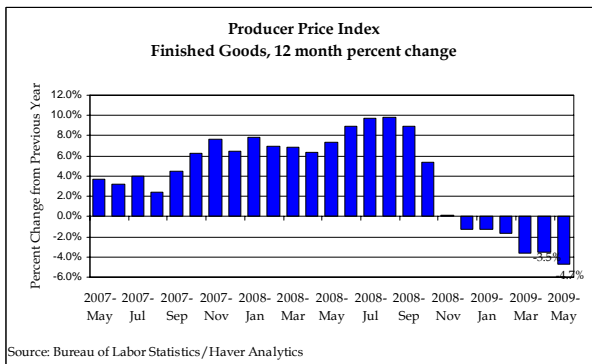
- Average home prices fell 0.55% in the first quarter of 2009, and were down 7.1% over the past year.
- During the past year, the only places that home prices increased were Alaska, at 4.79%, Oklahoma, at 0.30%, North Dakota, at 0.30%, and South Dakota, at 0.29%.

25.

(Next update: August 25)

IV. Price and Interest Rate Data

***New this week**

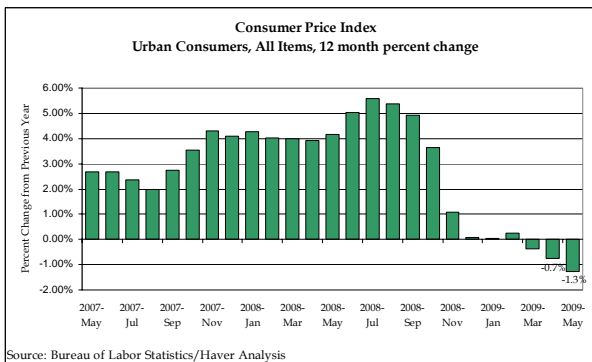


- The producer price index for finished goods rose 0.2% in May, following a 0.3% increase in April.
- Over the past year, the PPI fell by 4.7%.
- The core PPI declined by 0.1% in May and showed a year-on-year gain of 3.0%.

26.

(Next update: July 14)

***New this week**

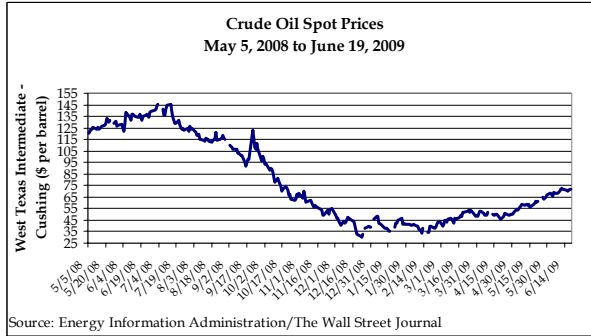


- The consumer price index for all items rose 0.1% in May, after being unchanged in April.
- The 12-month change of the CPI was -1.0% in May 2009.
- Excluding food and energy, the core CPI rose 0.1% in May, and was up 1.8% over the past year.

27.

(Next update: July 15)

***New This Week**

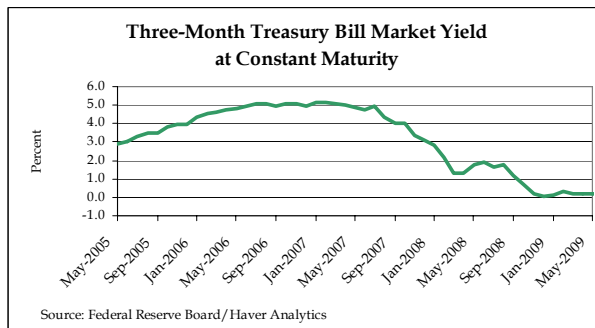


- Crude oil prices averaged about \$70.86 a barrel this week, compared to \$135.37 a barrel a year earlier.
- On June 19, oil traded around \$70.89 a barrel, down from Thursday's close of \$71.37 a barrel.

28.

(Updated daily)

***New This Week**

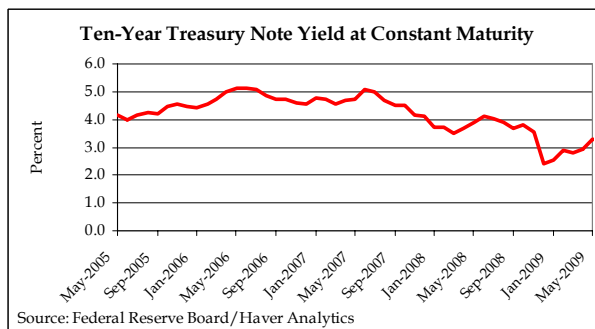


- For the week ending June 12, the latest three-month Treasury bill market bid yielded 0.19%, up from 0.15% a week ago, and down from 1.97% a year ago.

29.

(Updated Weekly)

***New This Week**



- For the week ending June 12, the latest ten-year Treasury note yielded 3.89%, up from 3.70% a week ago, and down from 4.15% a year ago.

30.

(Updated Weekly)

V. Trade Data

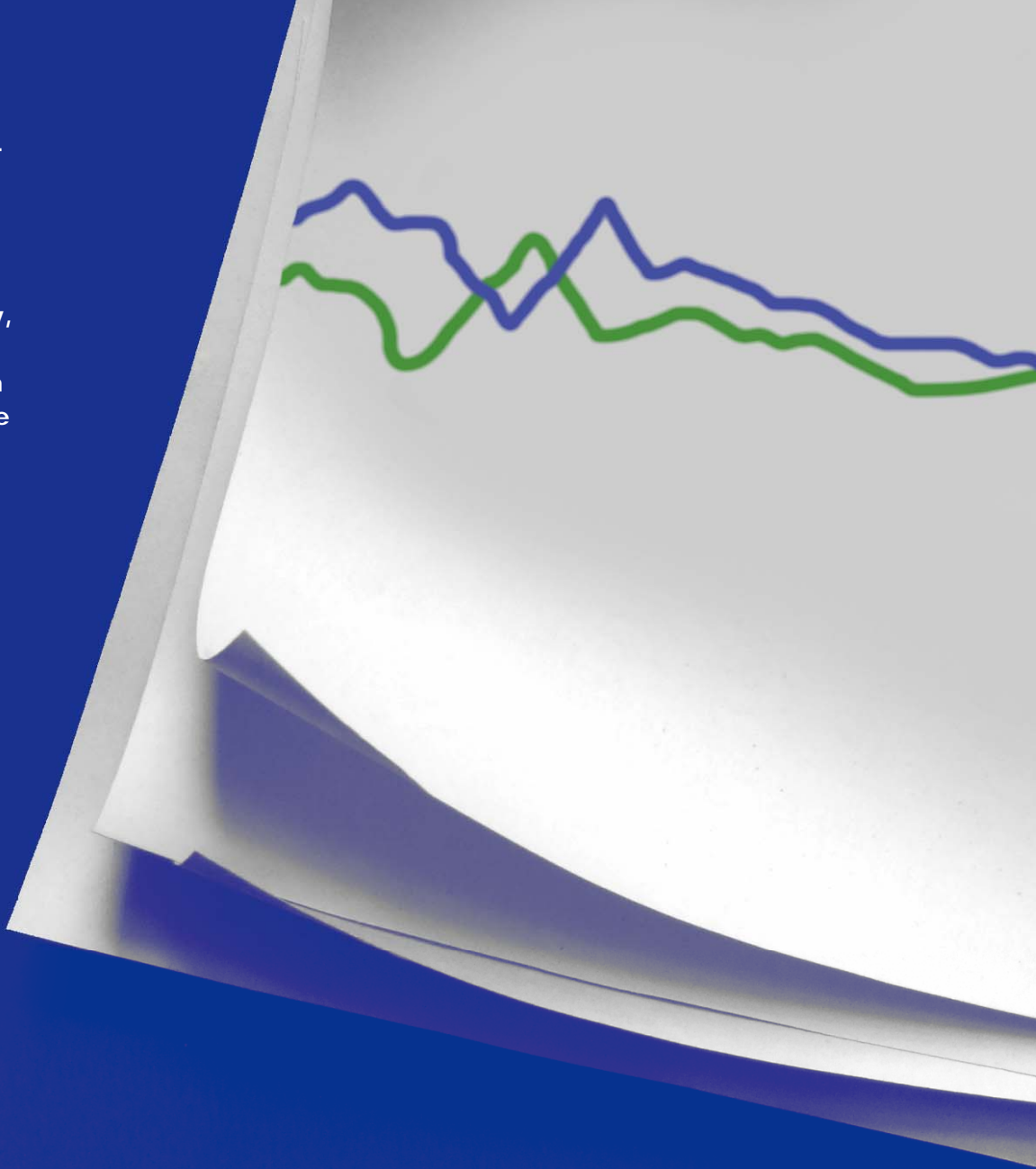
<p>Trade Deficit April 2007 to April 2009</p> <p>(in millions \$) SA</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • The trade deficit increased 2.2% in April to \$29.2 billion from March's \$28.5 billion. • Compared to March, exports fell by 2.3% and imports decreased by 1.4%. • April's exports of \$121.1 billion were 21.8% lower than one year earlier.
<p>31.</p>	<p>(Next update: July 10)</p>
<p>*New this week</p> <p>U.S. Dollar Value vs. Euro and Yen May 2006 to May 2009</p> <p>Yen per Dollar (red line), Euro per Dollar (blue line)</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 the yen. • On June 19, the dollar traded at 0.7181 euros, down from Thursday's close of 0.7199 euros. • On June 19, the dollar traded at 96.80 yen, up from Thursday's close of 96.62 yen.
<p>32.</p>	<p>(Updated daily)</p>
<p>Real Trade Weighted Exchange Value of U.S. Dollars vs. Major Currencies</p> <p>Mar 1973 = 100</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 decreased to 90.84 in May from 91.79 in April.
<p>33.</p>	<p>(Next update: July 2)</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 rose 3.6 points to 68.7 in May from 65.1 in April. • The Conference Board's index of consumer confidence rose 14.1 points to 54.9 in May from 40.8 in April. <p style="text-align: right; color: blue;">34.</p> <p>(Next update: Mich Sentiment - June 26 Consumer Confidence - July 1)</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 2.7 points to 42.8 in May from 40.1 in April. • The ISM Manufacturing Employment Index fell 0.1 points to 34.3 in May from 34.4 in April. <p style="text-align: right; color: blue;">35.</p> <p style="text-align: center;">(Next update: July 1)</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 fell 2.8 points to 42.4 in May from 45.2 in April. • The Employment Index rose 2.0 points to 39.0 in May from 37.0 in April. <p style="text-align: right; color: blue;">36.</p> <p style="text-align: center;">(Next update: July 1)</p>

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