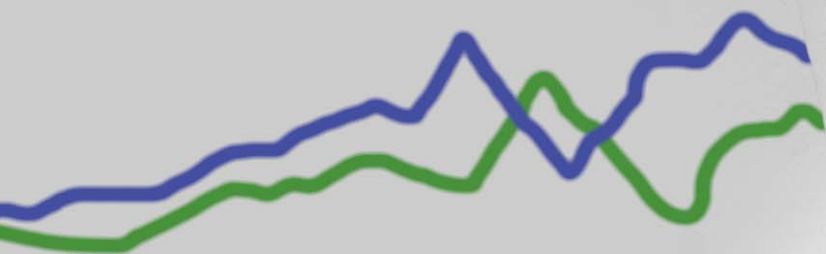


MARCH 19, 2010



# Hudson Institute Economic Report

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## Hudson Institute Economic Report

### March 19, 2010

Spring is here, but the effects of the winter blizzards live on in the data. Whereas the poor weather had little effect on measured employment, as we saw at the beginning of the month, they lowered industrial production and housing starts. Industrial production rose 0.1 percent in February, following a 0.9 percent increase in January. The slow increase in production was partially due to poor weather conditions in the Northeast. Manufacturing production declined 0.2 percent, while output at utilities and mining increased 0.5 percent and 2.0 percent respectively.

The remarkably bad weather, particularly in the Northeast and Mid-Atlantic states, also had an expected depressing effect on housing construction, exacerbated in the data by an upward revision for housing starts in January. Housing starts in February were 576,000 at a seasonally adjusted annual rate, down 5.9 percent from January's revised 611,000, but also right in line with starts during the last half of last year (a rate of 573,000). Starts were down 16 percent in the South and 10 percent in the Northeast; up 11 percent in the Midwest and 8 percent in the West.

Once again, the overall data were driven by changes in multifamily construction; multifamily starts declined by 43 percent, from a rate of 102,000 to 58,000, while single-family starts declined by less than 1 percent.

Permits for future construction declined by 1.6 percent, from an annual rate of 622,000 to 612,000. The decline was more than accounted for by the South, where permits declined by 18,000. One month's housing data never means anything, especially in the winter. The data for February, considered in combination with the last half of last year, suggests a continuing weak housing market, but not a weakening one.

The consumer price index for all items remained unchanged in February, following a 0.2 percent increase in January. Over the past year, it has increased 2.2 percent. The food index increased 0.1 percent, while the energy index declined 0.5 percent. The core CPI, which excludes food and energy, increased 0.1 percent.

The producer price index for finished goods decreased 0.6 percent in February, following a 1.4 percent increase in January. It has increased by 4.6 percent over the past year. Food prices increased 0.4 percent, while energy prices decreased 2.9 percent. The core PPI increased 0.1 percent.

Initial jobless claims decreased 5,000 to 457,000 during the week ending March 13, from 462,000 the week before. The four-week moving average of initial jobless claims was 471,250, down from 475,500. However, the total number of people continuing to claim unemployment benefits increased 12,000 to at 4.58 million during the week ending March 6.

For more information, contact Senior Fellow Diana Furchtgott-Roth, 202.974.6450 ([DFR@hudson.org](mailto:DFR@hudson.org)), Irwin Stelzer, 202.777.3000 ([Stelzer@aol.com](mailto:Stelzer@aol.com)), and John Weicher, 202.974.2420 ([John@Hudson.org](mailto:John@Hudson.org)).

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

## I. Output Data

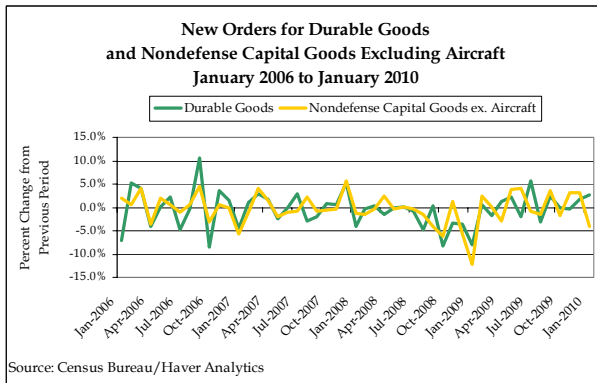
|  |   |
|--|---|
| <p style="text-align: center;"><b>Real Gross Domestic Product</b><br/>(seasonally adjusted at an annual rate)</p> <p>Source: Bureau of Economic Analysis/Haver Analytics</p>   | <ul style="list-style-type: none"> <li>• Fourth quarter real GDP increased at an annual rate of 5.9%. It increased by 2.2% in the third quarter.</li> <li>• From the 4<sup>th</sup> quarter of 2008 to the 4<sup>th</sup> quarter of 2009, real GDP grew at 0.1%.</li> <li>• Real GDP declined 2.4% in 2009.</li> </ul> <p style="text-align: right;">1.</p> <p style="text-align: center;">(Next update: March 26)</p> |
| <p style="text-align: center;"><b>Real After Tax Personal Income</b><br/>January 2006 to January 2010<br/>(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"> <li>• Personal income increased 0.1% in January, and was 1.1% higher than a year ago.</li> <li>• Real after-tax personal income, at an annual rate of \$9,996 billion, was down 0.6% from December, and remained unchanged from a year ago.</li> </ul> <p style="text-align: right;">2.</p> <p style="text-align: center;">(Next update: March 29)</p>                               |
| <p style="text-align: center;"><b>Nonfarm Business Sector Productivity</b><br/>(seasonally adjusted at an annual rate)</p> <p>Source: Bureau of Labor Statistics/Haver Analytics</p>   | <ul style="list-style-type: none"> <li>• Fourth quarter nonfarm business productivity growth was 6.9%.</li> <li>• The year-on-year growth rate was 5.8%.</li> </ul> <p style="text-align: right;">3.</p> <p style="text-align: center;">(Next update: May 6)</p>  |



- Inventories of manufactured goods increased 0.2% to \$495.2 billion in January. Shipments increased 0.3%.
- New orders for manufactured goods in January increased by 1.7%.

4.

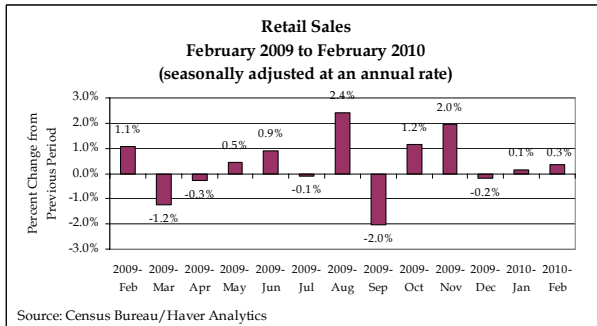
(Next update: March 31)



- New orders for manufactured durable goods increased 2.6% in January, following a 1.8% increase in December. Shipments decreased 0.4%, following a 2.4% increase in December.
- More important, new orders of core capital goods decreased 4.1% in January, following a 3.1% increase in December. Shipments decreased 1.7%.

5.

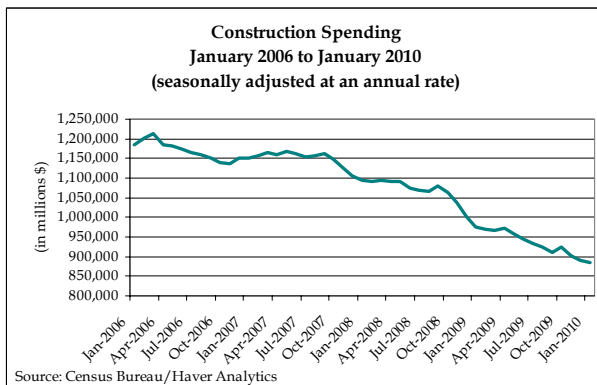
(Next update: March 24)



- Retail sales in February increased 0.3%, and were 3.9% higher than a year ago.
- Excluding the volatile auto sector, retail sales increased by 0.8% in February, and were 4.2% higher than a year ago.

6.

(Next update: April 14)

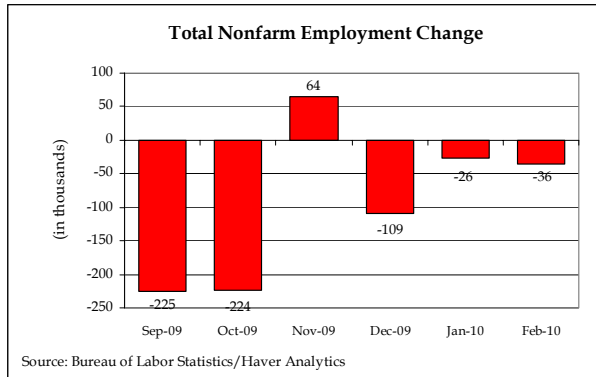


- Following a 1.2% decrease in December, construction spending declined 0.6% at an annual rate of \$884.1 billion in January.
- The January figure was 9.3% lower than a year ago.

7.

(Next update: April 1)

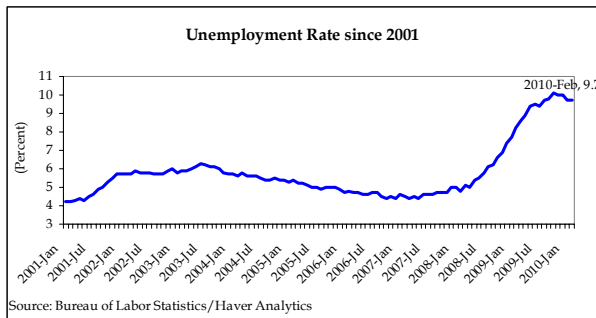
## II. Labor Market Data



- In February, the payroll survey recorded a decrease of 36,000 jobs.
- Over the past year, total payroll employment has decreased by 3,297 million jobs. Employment in the private sector has decreased by 3.198 million jobs.

8.

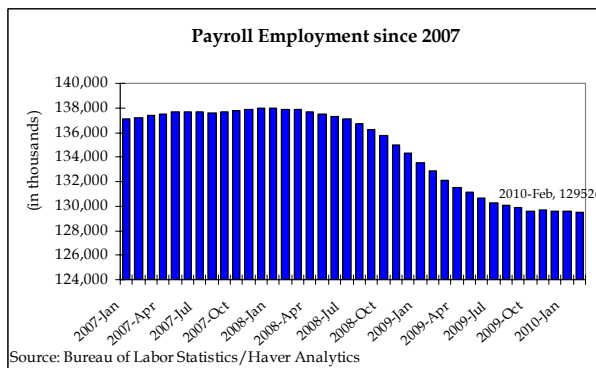
(Next update: April 2)



- The unemployment rate in February 2010 was 9.7%, up from 8.2% a year ago.
- The unemployment rate for adult men was 10.0% and for adult women was 8.0%, a difference of 2.0 percentage points.

9.

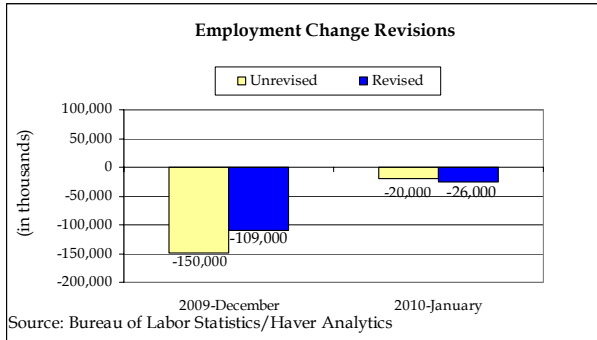
(Next update: April 2)



- From December 2007, the start of the recession, to February 2010, payroll employment has decreased by 8.425 million jobs.

10.

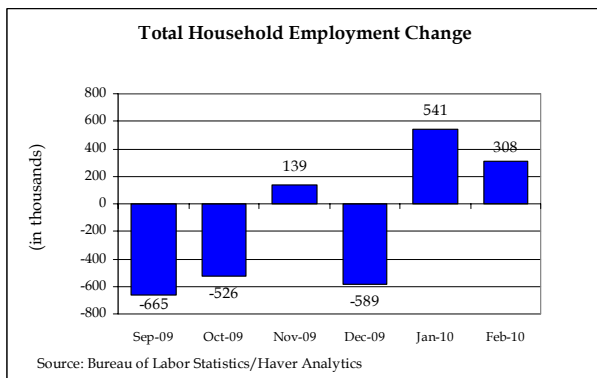
(Next update: April 2)



- In February, the change in December's nonfarm payroll employment was revised from -150,000 to -109,000. It was first estimated at -85,000.
- January's number was -26,000, revised from -20,000.
- Backward revisions for December and January showed a gain of 35,000 more jobs than was previously estimated.

11.

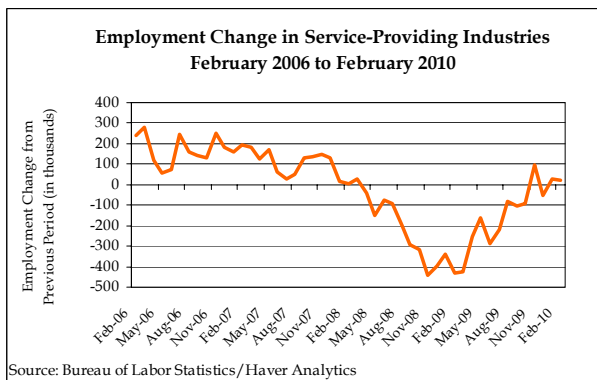
(Next update: April 2)



- The household survey showed an increase of 308,000 employed workers in February 2010 and a loss of 3,046,000 workers over the past year.
- The household survey has shown a decline of over 7.532 million employed workers since December 2007.

12.

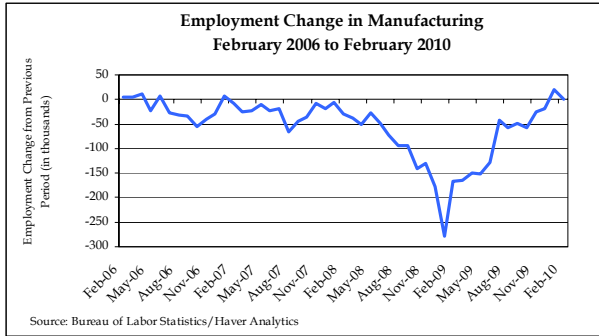
(Next update: April 2)



- Employment in services increased by 24,000 in February 2010.
- Employment in services has declined by 4.262 million jobs since December 2007.

13.

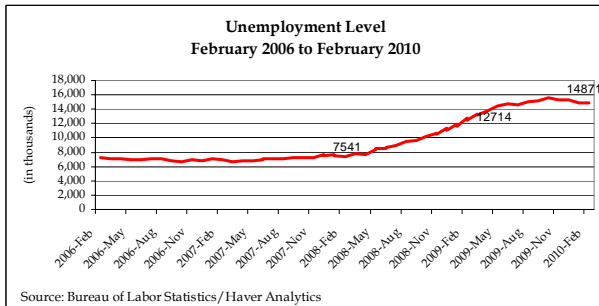
(Next update: April 2)



- Manufacturing employment increased by 1,000 in February 2010.
- Manufacturing jobs were 822,000 below the level of February 2009.
- Manufacturing has lost 2.171 million jobs since December 2007.

14.

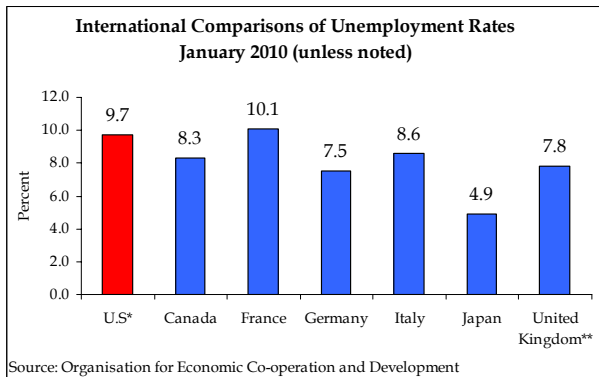
(Next update: April 2)



- The number of unemployed was 14.9 million in February 2010, compared with 12.7 million in February 2009.

15.

(Next update: April 2)

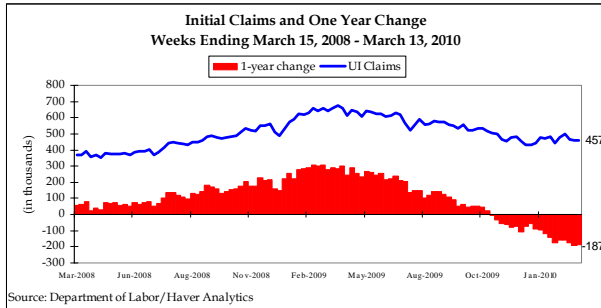


- The U.S. unemployment rate for February is higher than other industrialized countries.

16.

(Next update: April 2)

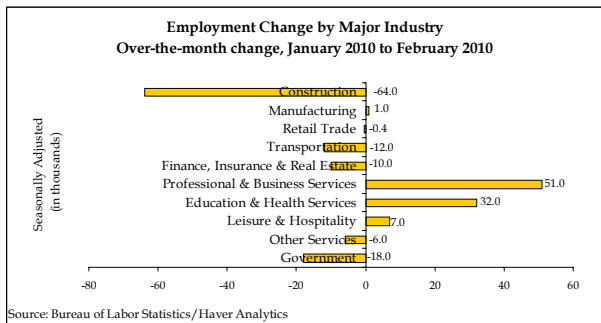
**\*New this week**



- During the week ending March 13, initial jobless claims decreased 5,000 to 457,000 from 462,000 the week before. It was 29% lower than a year ago.
- The four-week moving average of initial jobless claims was 471,250, down from 475,500 the week before. It was 28% lower than a year ago.

17.

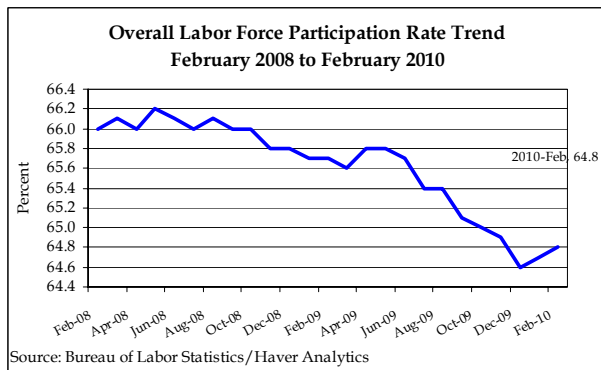
(Next update: March 25)



- The only major sectors that gained jobs in February were education and health services (+32,000), professional and business services (+51,000), leisure and hospitality (+7,000), and manufacturing (+1,000).

18.

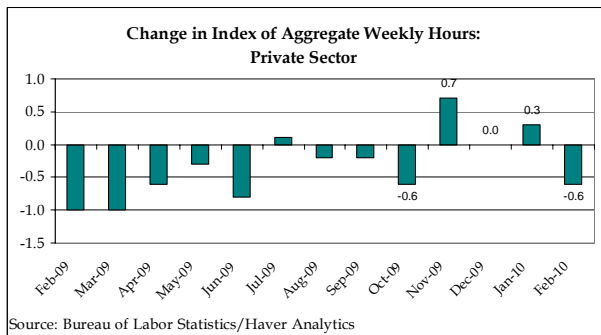
(Next update: April 2)



- In February 2010, the labor force participation rate was 64.8%, up from 64.7% in January 2010.

19

(Next update: April 2)



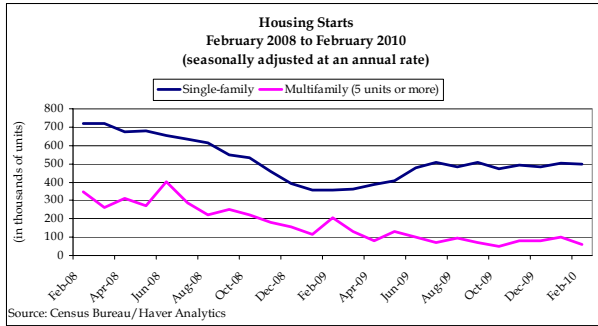
- In February 2010, the index of aggregate weekly hours for production and nonsupervisory employees in the private sector decreased six tenths of a percent.

20.

Next update: April 2)

### III. Housing Data

**\*New this week**

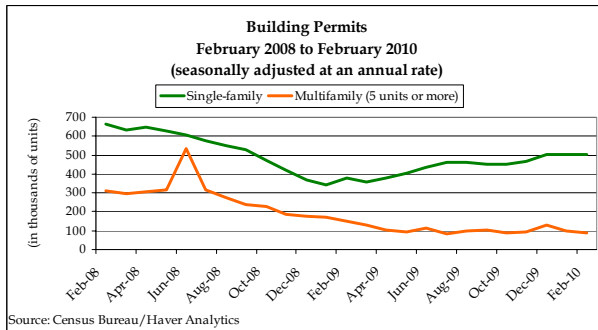


- Following a 6.6% increase in January, housing starts decreased 5.9% to an annual rate of 575,000 units in February from January's 611,000, but were 0.2% higher than a year ago.

23.

(Next update: April 16)

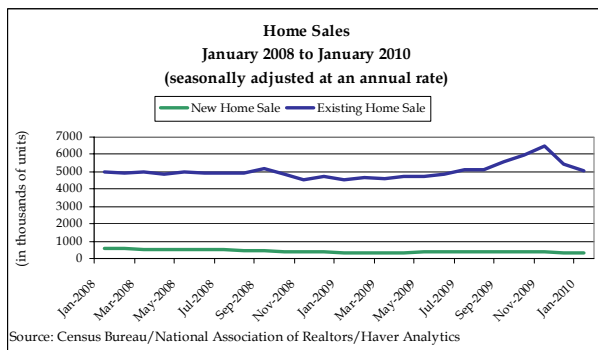
**\*New this week**



- Following a 4.8% decrease in January, building permits decreased 1.6% to 612,000 units in February from January's 622,000, yet were 11% higher than a year ago.

24.

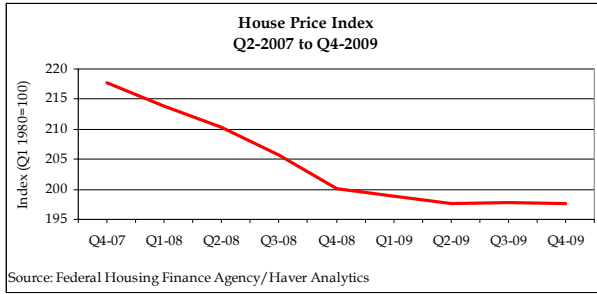
(Next update: April 16)



- In January, existing home sales decreased by 7.2% to an annual rate of 5,050,000 units, 11.5% higher than a year ago.
- Following a 3.9% decrease in December, sales of new single-family homes decreased 11.2% to an annual rate of 309,000 units in January, 6.1% lower than a year ago.

25.

(Next update:  
New home sales - March 24  
Existing home sales- March 23)



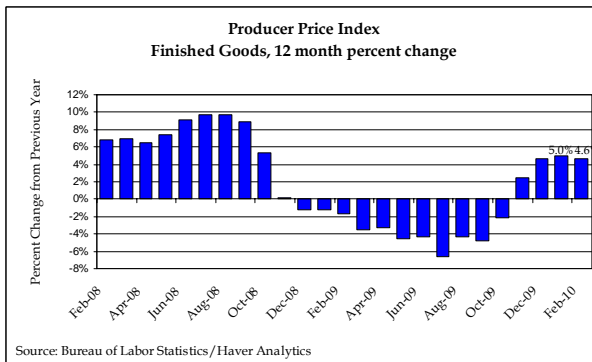
- Average home prices decreased 0.1% in the fourth quarter of 2009, and were down 1.2% over the past year.
- During the past year, home prices increased in 19 states, including Oklahoma (3.53%), Virginia (3.07%), Colorado (2.76%), Alabama (2.14%), Nebraska (2.09%), Indiana (1.71%), Kentucky (1.62%), and South Dakota (1.56%).

26.

(Next update: May 25)

#### IV. Price and Interest Rate Data

**\*New this week**

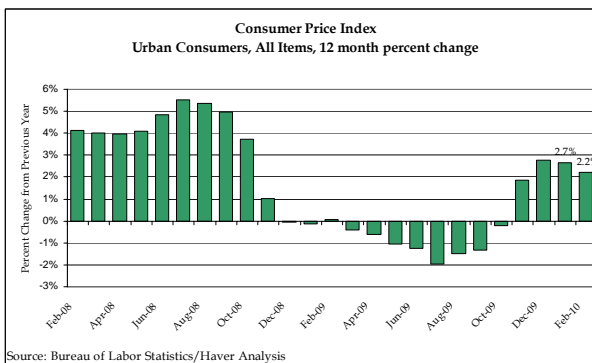


- The producer price index for finished goods decreased 0.6% in February, following a 1.4% increase in January.
- Over the past year, the PPI rose by 4.6%.
- The core PPI increased 0.1% in February and showed a year-on-year gain of 0.9%.

27.

(Next update: April 22)

**\*New this week**

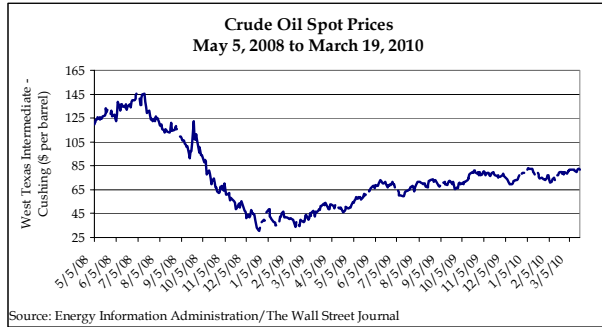


- The consumer price index for all items remained unchanged in February, following a 0.2% increase in January.
- The 12-month change of the CPI was 2.2% in February 2010.
- Excluding food and energy, the core CPI increased 0.1% in February, and was up 1.3% over the past year.

28.

(Next update: April 14)

**\*New This Week**

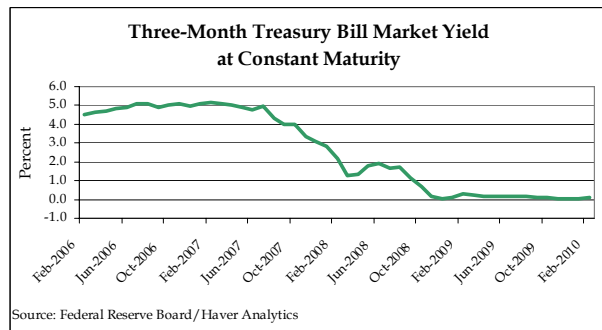


- Crude oil prices averaged about \$81.26 a barrel this week, compared to \$49.49 a barrel a year earlier.
- On March 19, oil traded around \$80.34 a barrel, down from Thursday's close of \$82.20 a barrel.

29.

(Updated daily)

**\*New This Week**

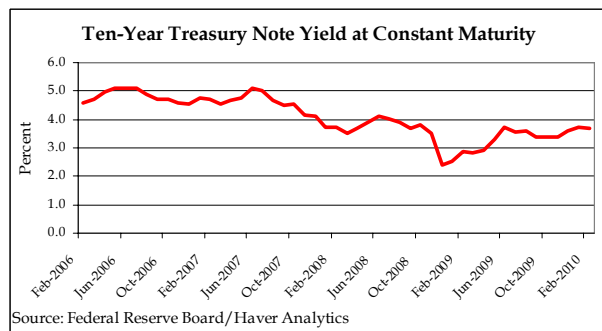


- For the week ending March 12, the latest three-month Treasury bill market bid yielded 0.16%, up from 0.14% a week ago, and down from 0.22% a year ago.

30.

(Updated Weekly)

**\*New This Week**



- For the week ending March 12, the latest ten-year Treasury note yielded 3.72%, up from 3.63% a week ago, and up from 2.92% a year ago.

31.

(Updated Weekly)

V. Trade Data

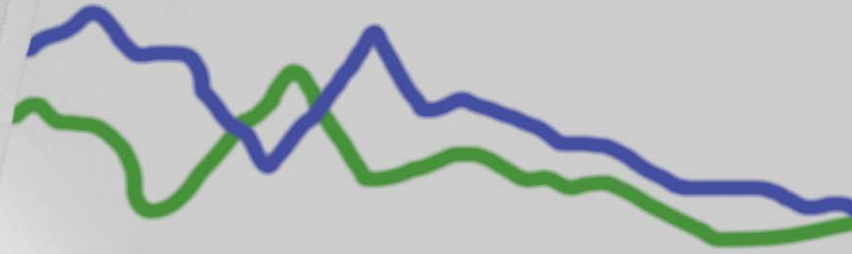
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|--|--|
| <p style="text-align: center;"><b>Trade Deficit</b><br/>January 2008 to January 2010</p> <p>Source: Census Bureau/Haver Analytics</p>  | <ul style="list-style-type: none"> <li>• The trade deficit decreased 6.6% in January to \$37.3 billion from December's \$39.9 billion.</li> <li>• Compared to December, exports declined by 0.3% and imports decreased by 1.7%.</li> <li>• January's exports of \$142.7 billion were 15.1% higher than one year earlier.</li> </ul> <p style="text-align: right;">32.</p> <p style="text-align: center;">(Next update: April 13)</p> |
| <p style="color: red;">+New this week</p> <p style="text-align: center;"><b>U.S. Dollar Value vs. Euro and Yen</b><br/>February 2007 to February 2010</p> <p>Source: Federal Reserve Board/Haver Analytics</p> | <ul style="list-style-type: none"> <li>• The dollar fell against the euro, and the yen.</li> <li>• On March 19, the dollar traded at 0.7388 euros, up from Thursday's close of 0.7348 euros.</li> <li>• On March 19, the dollar traded at 90.44 yen, up from Thursday's close of 90.35 yen.</li> </ul> <p style="text-align: right;">33.</p> <p style="text-align: center;">(Updated daily)</p>                                      |
| <p style="text-align: center;"><b>Real Trade Weighted Exchange Value of U.S. Dollars vs. Major Currencies</b></p> <p>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 increased to 84.44 in February from 82.43 in January.</li> </ul> <p style="text-align: right;">34.</p> <p style="text-align: center;">(Next update: April 2)</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 decreased 1.1 points to 72.5 in March from 73.6 in February.</li> <li>• The Conference Board’s index of consumer confidence decreased 10.5 points to 46.0 in February from 56.5 in January.</li> </ul> <p style="text-align: right;">35.</p> <p style="text-align: center;">(Next update:<br/>Mich Sentiment – March 26<br/>Consumer Confidence – March 30)</p> |
| <p style="text-align: center;"><b>Institute for Supply Management<br/>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 decreased 1.9 points to 56.5 in February from 58.4 in January.</li> <li>• The ISM Manufacturing Employment Index increased 2.8 points to 56.1 in February from 53.3 in January.</li> </ul> <p style="text-align: right;">36.</p> <p style="text-align: center;">(Next update: April 1)</p>  |
| <p style="text-align: center;"><b>Institute for Supply Management<br/>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 increased 2.6 points to 54.8 in February from 52.2 in January.</li> <li>• The Employment Index rose 4.0 points to 48.6 in February from 44.6 in January.</li> </ul> <p style="text-align: right;">37.</p> <p style="text-align: center;">(Next update: April 5)</p>  |

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