



Hudson Institute Economic Report

March 13, 2009

For the second month in a row, American consumers have surpassed analysts' predictions in their spending. Retail sales in February declined a mere 0.1% from January sales, which were revised upwards from 1.0% increase to 1.8% increase. More importantly, excluding the volatile auto sector, retail sales increased 0.7%. While sales for motor vehicle and parts dealers declined 4.3% in February, rising purchases were seen at gasoline stations (3.4%), clothing and clothing accessories stores (2.8%), general merchandise stores (1.3%), and electronics and appliance stores (1.2%).

The trade deficit declined 9.7% to \$36 billion in January from a revised \$39.9 billion in December. The fall in trade deficit was due to the decrease in imports by 6.7%, or 11.5 billion, partially offset by the fall in exports by 5.7 percent, or \$7.6 billion. This declining deficit is caused by consumers' reduced buying power, it is not a positive sign for the economy.

Initial jobless claims rose 9,000 to 654,000 during the week that ended on March 7, from a revised 645,000 the week before. Unemployment claims has been above the 600,000 mark for six consecutive weeks. The four-week moving average, a more accurate measure, was 650,000, the highest number in more than 26 years. Moreover, the total number of people claiming unemployment benefits rose 193,000 to 5.317 million, in the week ending February 28.

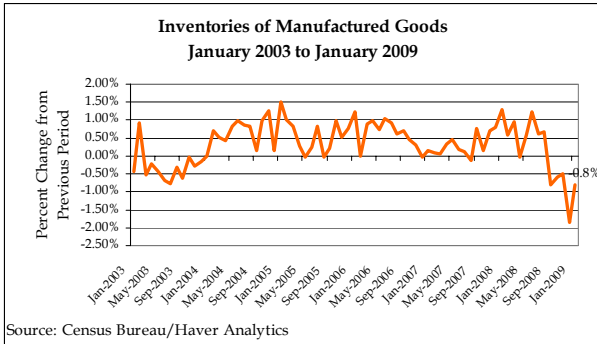
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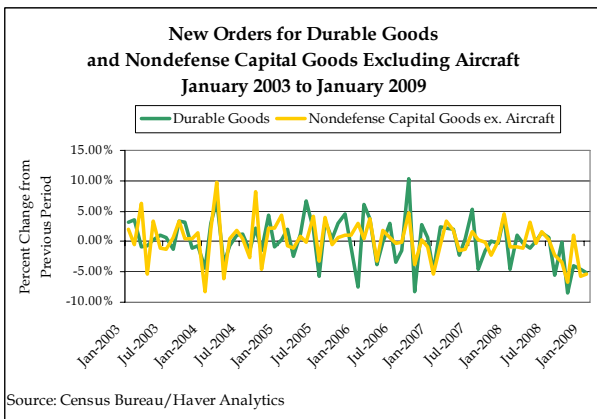
I. Output Data

<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 real GDP contracted at an annual rate of -6.2%, revised downward from -3.8% due to changes in inventories, exports, and nondurable consumptions. • From 4th quarter 2007 to 4th quarter 2008, real GDP shrank at 0.8%. • Real GDP growth in 2008 was 1.1% for the year. <p style="text-align: right;">1.</p>
<p style="text-align: center;">Real After Tax Personal Income January 2003 to January 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 incomes rose 0.4% in January, and were 1.9% higher than a year ago. • Real after-tax personal incomes, at an annual rate of \$8,947 billion, were up 1.5% from December, and were 3.3% higher than a year ago. <p style="text-align: right;">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 -0.4%, revised down from 3.2%. The year-on-year growth rate was at 2.2%. <p style="text-align: right;">3.</p>



- Inventories of manufactured goods fell 0.8% to \$537.6 billion in January. Shipments fell by 1.8%.
- New orders for manufactured goods in January fell by 1.9%.

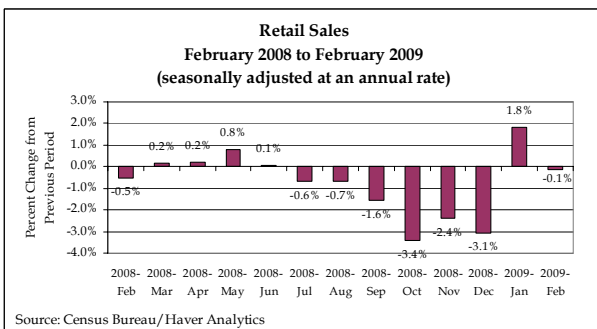
4.



- New orders for manufactured durable goods decreased 5.2% in January, following a 4.6% decrease in December. Shipments were down 3.7%, following a 1.4% decline in December.
- More important, new orders of core capital goods fell 5.4% in January, following a 5.8% decline in December. Shipments rose by 6.6%.

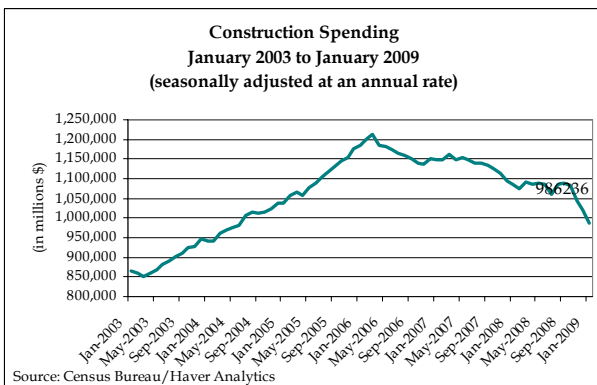
5.

***New this week**



- Retail sales in February fell by a mere 0.1%, but were 8.6% lower than a year ago.
- Excluding the volatile auto sector, retail sales rose by 0.7% in February, but were 5% lower than a year ago.

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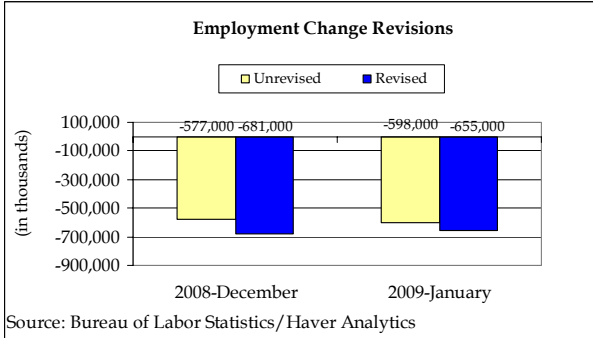


- Following a 2.4% decline in December, construction spending fell by another 3.3% to an annual rate of \$0.986 billion in January.
- The January figure was 9.1% lower than a year ago.

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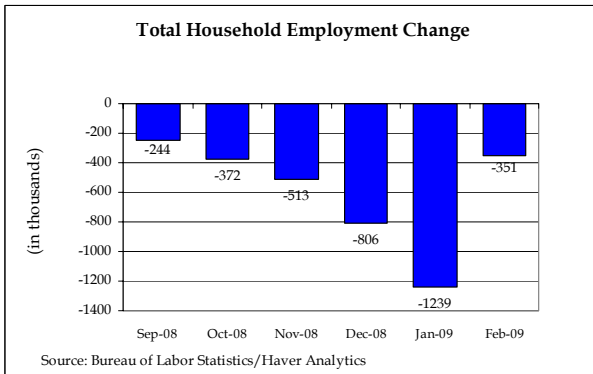
II. Labor Market Data

<p style="text-align: center;">Total Nonfarm Employment Change</p> <p style="text-align: center;">Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • In February, the payroll survey recorded a decrease of 651,000 jobs. • Over the past year, total payroll employment has decreased by 4.168 million jobs. Employment in the private sector has decreased by 4.319 million jobs. <p style="text-align: right;">8.</p>
<p style="text-align: center;">Unemployment Rate since 2001</p> <p style="text-align: center;">Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • The unemployment rate in February 2009 was 8.1%, up from 4.8% a year ago. • This is the highest monthly recording since December 1983, when the unemployment rate stood at 8.3%. <p style="text-align: right;">9.</p>
<p style="text-align: center;">Payroll Employment since 2007</p> <p style="text-align: center;">Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • From December 2007 to February 2009, nonfarm payroll employment has decreased by 4.384 million jobs. <p style="text-align: right;">10.</p>



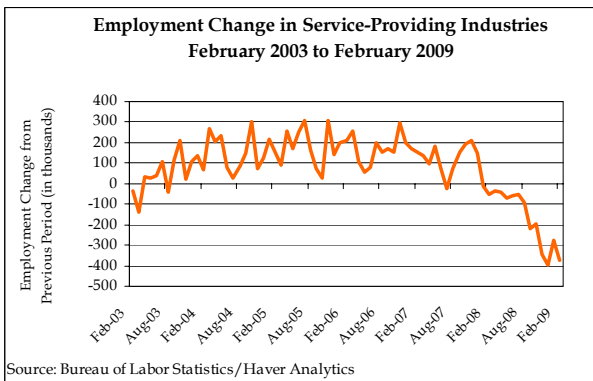
- In February, the change in December's nonfarm payroll employment was revised down from -577,000 to -681,000. It was first estimated at -524,000.
- January's number was revised down from -598,000 to -655,000.
- The total downward revision was 161,000.

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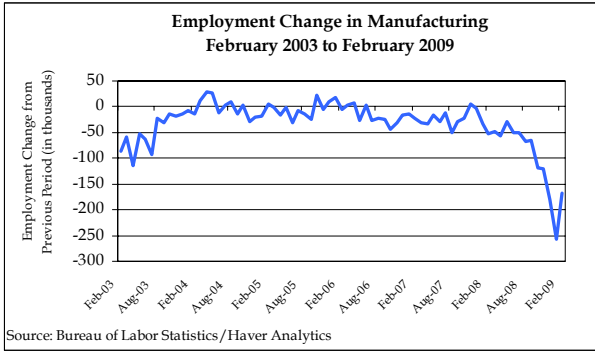
- The household survey showed a loss of 351,000 employed workers in February 2009, and a loss of about 4,327,000 workers over the past year.
- The household survey has shown a decline of over 4.546 million employed workers since December 2007.

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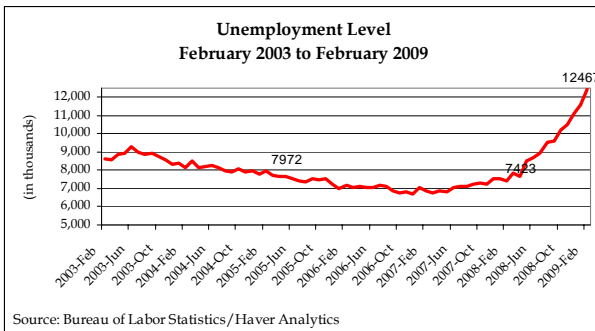
- Employment in services decreased by 375,000 in February 2009.
- Employment in services has declined by 2.218 million jobs since December 2007.

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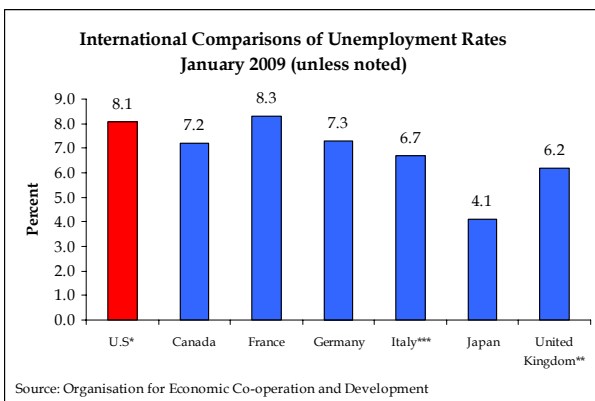
- Manufacturing employment decreased by 168,000 in February 2009.
- In February 2009, manufacturing jobs were 1,215,000 below the level of February 2008.
- Manufacturing has lost over 1.3 million jobs since December 2007.

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- The number of unemployed was 12.467 million in February 2009, compared with 7.423 million in February 2008.

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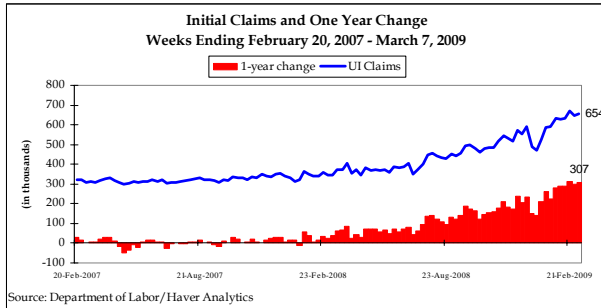


*February 2009 rate **November 2008 rate ***September 2008 rate

- The U.S. unemployment rate for February is higher than that of most other industrialized countries. New data expected for other countries will show increases in unemployment.

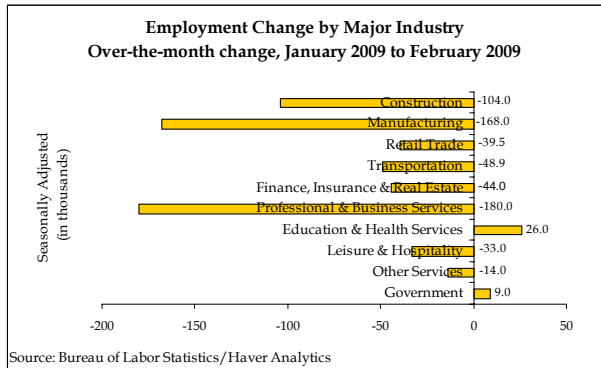
16.

***New this week**



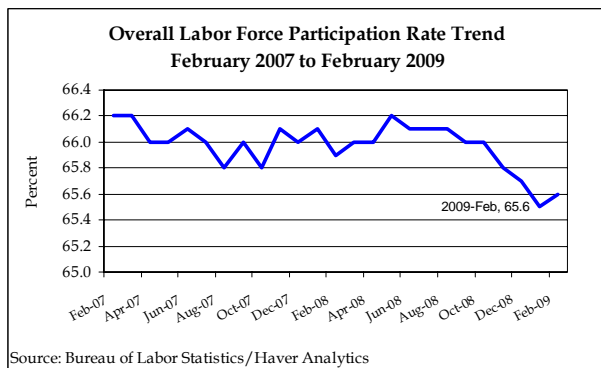
- During the week ending March 7, 2009, initial jobless claims was 654,000, up from 645,000 the week before, and were 88.5% higher than a year ago.
- The four-week moving average of initial jobless claims was 650,000, up from 643,250 the week before, and was 86.8% higher than a year ago.

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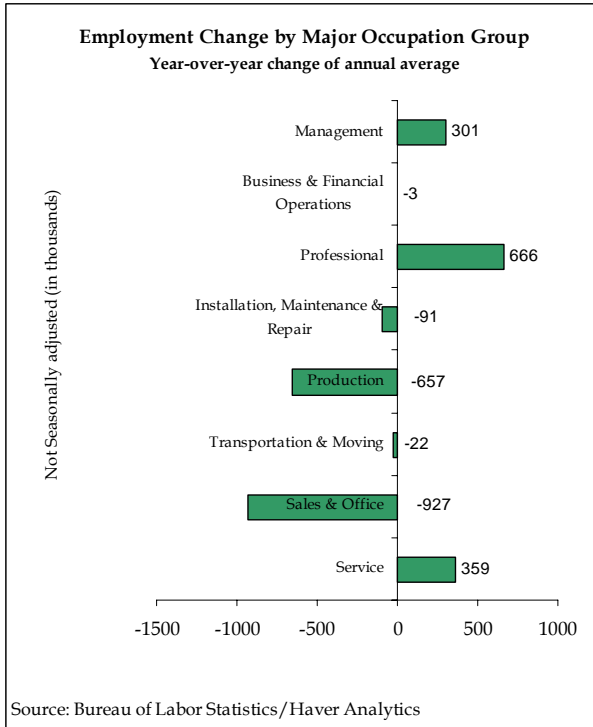
- The only industries that gained jobs in February include education and health services (+26,000), and government (+9,000).

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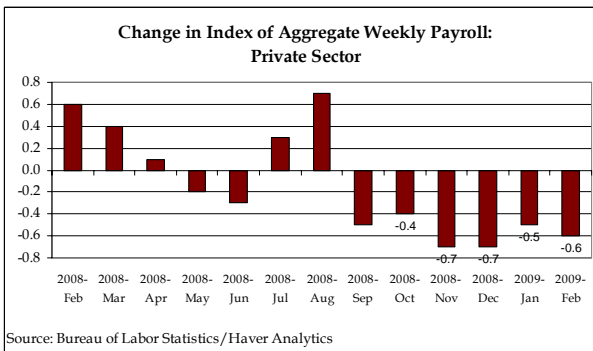


- In February 2009, the labor force participation rate rose to 65.6%.

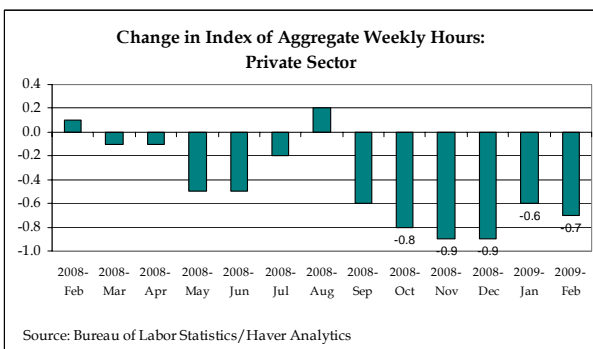
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- Professional & related occupations increased 666,000 million jobs over the past year.
- Other gains were in management and service occupations.
- Employment in business & financial occupations; installation, maintenance and repair; production occupations; and sales and offices occupations declined 20.

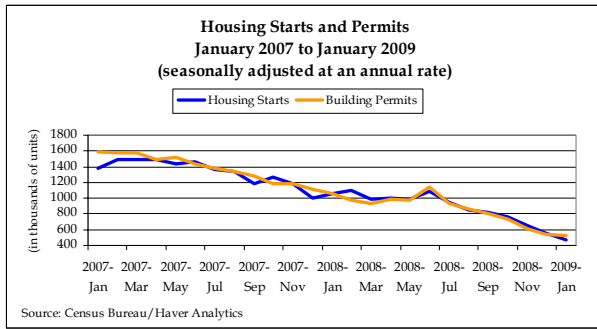


- In February 2009, the index of aggregate weekly payroll for the private sector dropped six-tenths of a point. 21.



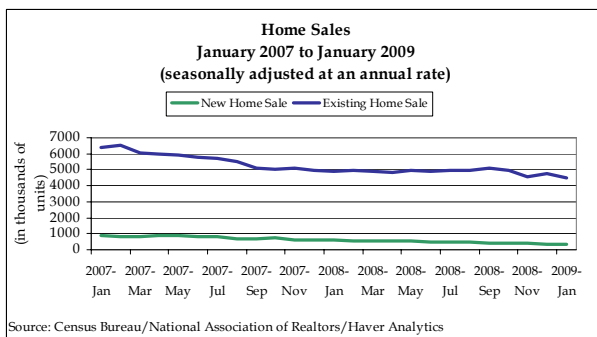
- In February 2009, the index of aggregate weekly hours for the private sector dropped seven-tenths of a point. 22.

Housing Data



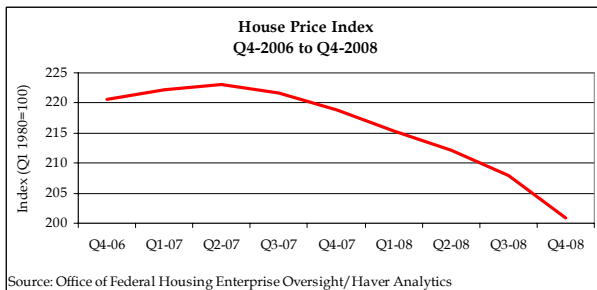
- Following a 14.5% decrease in December, housing starts declined 16.8% to an annual rate of 466,000 units in January from December's 560,000, and were 56.2% lower than a year ago.
- Following a 11.1% decline in December, building permits fell 4.8% to 521,000 units in January from December's 547,000, and were 50.5% lower than a year ago.

23.



- In January, existing home sales decreased by 5.3% to an annual rate of 4,490,000 units. This figure was 8.6% lower than a year ago.
- Following a 9.8% fall in December, sales of new single-family homes fell by 10.2% to an annual rate of 309,000 units. This figure was 48.2% lower than a year ago.

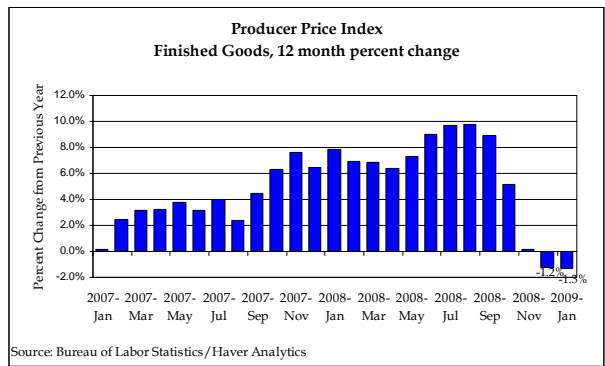
24.



- Average home prices fell 3.4% in the fourth quarter of 2008, and were down 8.2% over the past year.
- During the past year, the only places that home prices increased were North Dakota, at 1.89%, Wyoming, at 1.53%, Alaska, at 0.43%, Texas, at 0.30%, Hawaii, at 0.27%, and South Dakota, at 0.22%.

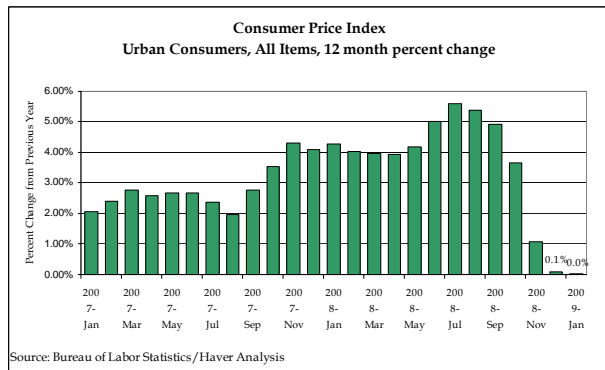
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III. Price and Interest Rate Data



- The Producer Price Index for finished goods unexpectedly rose 0.8% in January, following a 1.9% decline in December.
- Over the past year, the PPI fell by 1.3%.
- The core PPI rose 0.4% in January and showed a year-on-year gain of 4.2%.

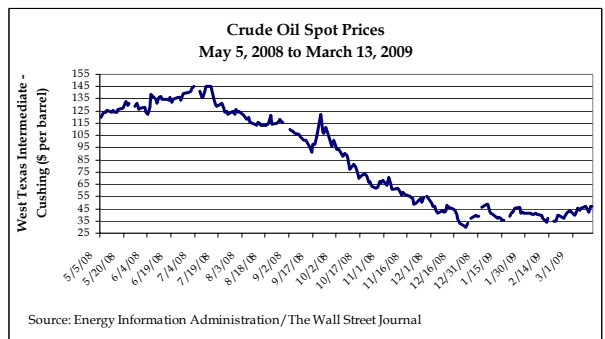
26.



- The Consumer Price Index for all items rose 0.3% in January, following a 0.8% decrease in December.
- The 12-month change of the CPI was -0.15% in January 2009.
- Excluding food and energy, the core CPI rose 0.2% in January, and was up 1.7% over the past year, the smallest increase since March 2004.

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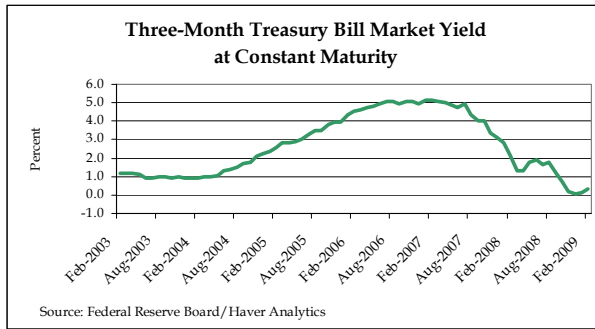
***New This Week**



- Crude oil prices rose to an average of about \$45.88 a barrel this week.
- On March 13, oil traded around \$47.34 a barrel, up from Thursday's close of \$47.03 a barrel.

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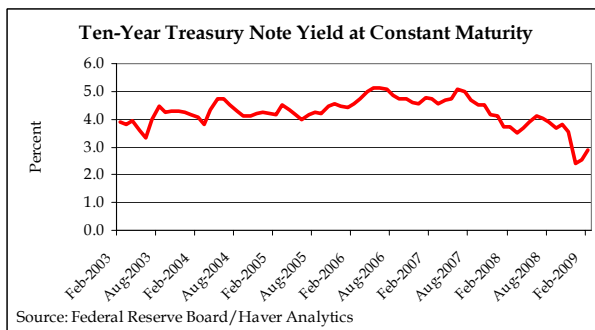
***New This Week**



- For the week ending March 6, the latest three-month Treasury bill market bid yielded 0.24%, down from 0.29% a week ago, and down from 1.55% a year ago.

29.

***New This Week**



- For the week ending March 6, the latest ten-year Treasury note yielded 2.90%, down from 2.91% a week ago, and down from 3.61% a year ago.

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V. Trade Data

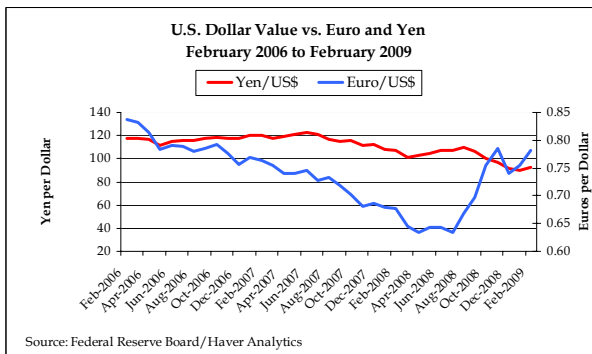
***New this week**



- The trade deficit declined by 9.7% in January to \$36 billion from December's \$39.9 billion.
- Compared to December, exports fell by 5.7% and imports decreased by 6.7%.
- January's exports of \$124.9 billion were 16.4% lower than one year earlier.

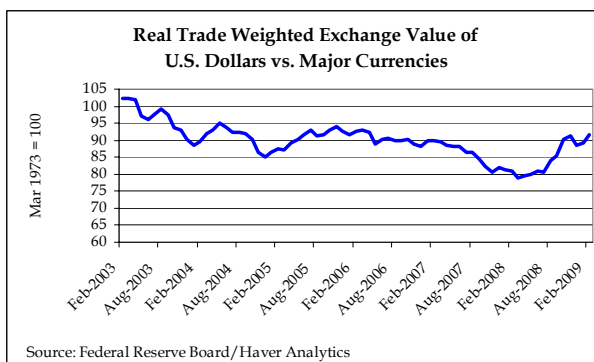
31.

***New this week**



- Compared to last week, the dollar fell against the euro and the yen.
- On March 13, the dollar traded at 0.7784 euros, down from Thursday's close of 0.7824 euros.
- On March 13, the dollar traded at 97.17 yen, down from Thursday's close of 97.84 yen.

32.



- The index of real trade-weighted exchange value of the dollar relative to major currencies increased to 91.64 in February from 89.23 in January.

33.

VI. Survey Data

<p style="text-align: center;">Measures of Consumer Attitudes</p> <p style="text-align: center;">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 5.0 points to 56.2 in February from 61.2 in January. • The Conference Board’s index of consumer confidence fell 12.4 points to 25.0 in February from 37.4 in January, the lowest ever since the data series began in 1967. <p style="text-align: right;">34.</p>
<p style="text-align: center;">Institute for Supply Management Manufacturing Indices</p> <p style="text-align: center;">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 0.2 points to 35.8 in February from 35.6 in January. • The ISM Manufacturing Employment Index fell 3.8 points to 26.1 in February from 29.9 in January. <p style="text-align: right;">35.</p>
<p style="text-align: center;">Institute for Supply Management Nonmanufacturing Indices</p> <p style="text-align: center;">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 4.0 points to 40.2 in February from 44.2 in January. • The Employment Index rose 2.9 points to 37.3 in February from 34.4 in January. <p style="text-align: right;">36.</p>