



WEEKLY ECONOMIC DIGEST

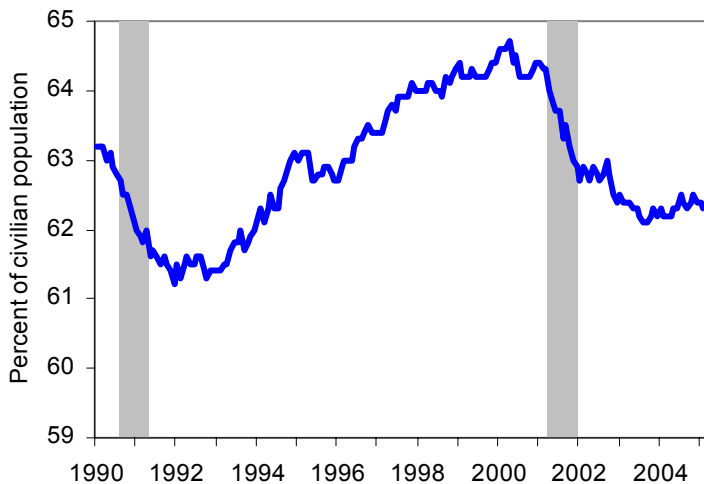


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

April 5, 2005

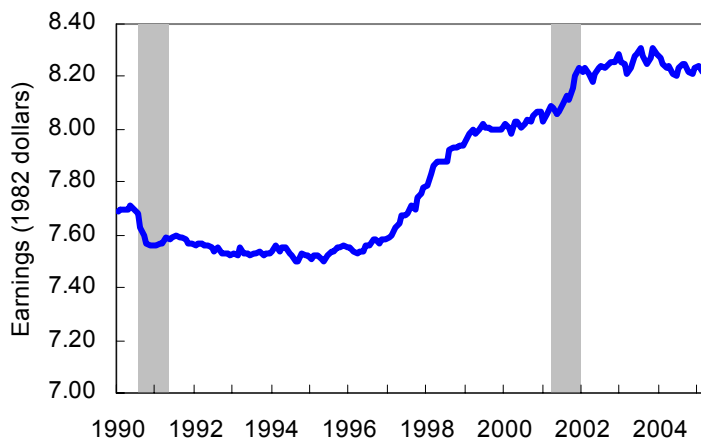
Sustained Strong Job Growth Remains Elusive

Civilian Employment



Source: Bureau of Economic Analysis, U.S. Department of Labor and National Bureau of Economic Research.

Average Hourly Earnings of Production & Nonsupervisory Workers, Nonfarm Business



Source: Bureau of Economic Analysis, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **Growth of nonfarm payrolls fell short of expectations.** Payroll employment at nonfarm establishments grew by just 110,000 jobs in March, half as many as financial markets were expecting. Total nonfarm payrolls have been growing for 22 months, but the average pace of job creation—about 141,000 jobs per month—is barely sufficient to keep pace with normal growth of the labor force.
- **The unemployment rate fell last month.** In contrast to the payroll survey, the survey of households showed sizable employment gains and a drop in the unemployment rate to 5.2 percent. However, the $\frac{1}{2}$ -point drop in the unemployment rate over the past year has not been accompanied by the expansion of the labor force normally seen in an economic recovery. The fraction of the population in the labor force remained at 65.8 percent in March, its lowest level since 1988. As a result, the fraction of the population with a job is 1.9 percentage points below its level at the start of the recession, despite an uptick to 62.4 percent in March (see top chart).
- **The workweek was unchanged in March.** The average workweek for production and other nonsupervisory workers in nonfarm businesses was 33.7 hours last month. That is the same as its level a year ago and still below the average of 34.1 hours per week in March 2001, when the recession began.
- **Real average hourly earnings are stagnating.** The average hourly earnings of production and other nonsupervisory workers in nonfarm businesses rose 0.3 percent. That gain was larger than the 0.1 percent rise in February, but it was unlikely to have significantly outpaced inflation (the consumer price index for March is not yet available). Real (inflation-adjusted) hourly earnings have stagnated in recent years (see bottom chart). Indeed, since payroll employment hit bottom in May 2003, real average hourly earnings have declined by 0.7 percent.

The Economy at a Glance	Mar	Feb	Jan	Dec	2005 Qrt 1	2004 Qrt 4	2004 Qrt 3	2004 Qrt 2	2004	2003
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	3.8	4.0	3.3	4.4	3.0
Industrial Production (% growth)	n.a.	3.7	1.2	10.0	n.a.	4.4	2.7	4.3	4.1	0.0
Capacity Utilization (level, %)	n.a.	79.4	79.2	79.2	n.a.	78.8	78.2	77.9	78.1	75.5
Civilian Unemployment Rate (level, %)	5.2	5.4	5.2	5.4	5.3	5.4	5.5	5.6	5.5	6.0
Housing Starts (thousands)	n.a.	2195	2183	2056	n.a.	1975	1969	1920	1952	1853
Real Disposable Personal Income (% growth)	n.a.	0.8	3.9 [#]	9.7 [#]	n.a.	3.5 [#]	2.9	2.8	3.2 [#]	2.3
Retail Sales (% growth)	n.a.	5.3	2.0	16.2	n.a.	10.2	6.2	7.1	7.3	4.3
Personal Saving Rate (level, %)	n.a.	0.6	0.8	0.4 [#]	n.a.	0.5 [#]	0.7	1.3	0.9 [#]	1.4
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	n.a.	4.9	1.2	0.0	n.a.	3.6	1.6	4.4	2.7	2.3
Core CPI-U Inflation (% growth)	n.a.	3.7	2.4	2.4	n.a.	2.3	1.7	2.6	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	n.a.	2.8	3.6	4.1	3.8	4.0
Output per Hour (% growth)	—	—	—	—	n.a.	2.1	1.3	3.9	4.0	4.4
Financial Markets										
T-bill Rate, 3-month (level, %)	2.74	2.54	2.33	2.19	2.54	2.01	1.49	1.08	1.37	1.01
T-note Rate, 10-years (level, %)	4.50	4.17	4.22	4.23	4.30	4.17	4.30	4.60	4.27	4.01
Federal Funds Rate (level, %)	2.63	2.50	2.28	2.16	2.47	1.95	1.43	1.01	1.35	1.13
Dow Jones Industrial Avg (index level)	10682	10724	10540	10673	10648	10362	10130	10289	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

Upcoming Economic Releases:

- **Monthly Wholesale Trade—Sales and Inventories: February 2005** [Release: Thursday, April 7]
- **Consumer Credit: February 2005** [Release: Thursday, April 7]