



WEEKLY ECONOMIC DIGEST

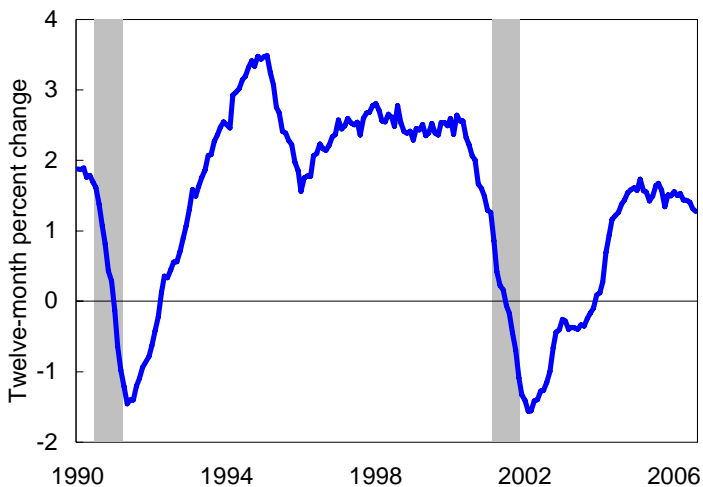


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

September 6, 2006

Job Growth Remains Modest in a Slowing Economy

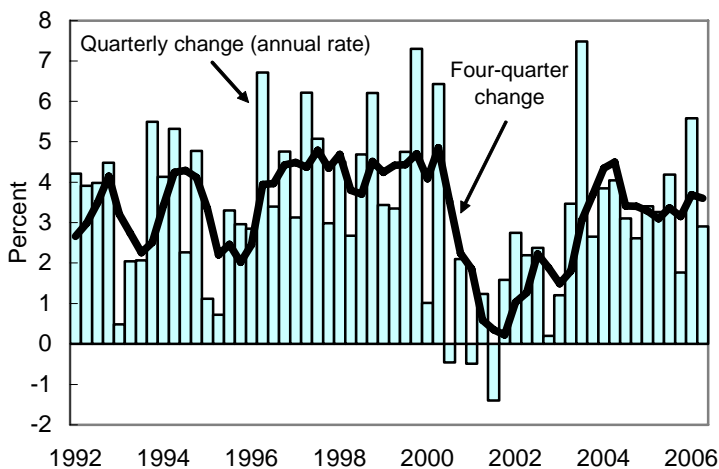
Change in Nonfarm Payroll Employment



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

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

Growth of Real Gross Domestic Product



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

- **Payrolls posted a modest gain in August.** Payroll employment at nonfarm establishments rose by 128,000 jobs last month, a pace only slightly higher than July's gain of 121,000 jobs. Job gains have averaged 142,000 per month over the past year, but just 119,000 jobs per month over the past five months. Payroll employment was 1.3 percent higher last month than a year earlier, well below the 12-month growth rates experienced during the expansion of the 1990s (see top chart).

- **Unemployment edged down last month.** The civilian unemployment rate declined by 0.1 percentage point to 4.7 percent in August. The percentage of the population either working or looking for a job remained at 66.2 percent, a full percentage point below its level in March 2001, when the recession started. The percentage of the population that is employed rose by 0.1 percentage point last month to 63.1 percent, but that is still 1.2 percentage points below the March 2001 level.

- **Hourly wages barely advanced in August.** The average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls grew by 0.1 percent last month, down from July's 0.5 percent advance. Earnings were 3.9 percent above last year's level in July. However, when the August consumer price index becomes available it is likely to show little if any gain in inflation-adjusted earnings over the last 12 months.

- **Revised estimate still shows growth slowing in the second quarter.** Real (inflation-adjusted) gross domestic product grew at a 2.9 percent annual rate in the second quarter following a 5.6 percent gain in the first quarter, according to the latest estimate by the Department of Commerce (see bottom chart). While higher than the advance estimate of 2.5 percent, the new second-quarter growth figure is just below the range thought to be consistent with a stable unemployment rate and well below the 3.6 percent gain over the past four quarters. Forecasters expect the economy to slow even further in the second half of the year.

The Economy at a Glance	Aug	Jul	Jun	May	2006 Qtr 2	2006 Qtr 1	2005 Qtr 4	2005 Qtr 3	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	2.9	5.6	1.8	4.2	3.2	3.9
Industrial Production (% growth)	n.a.	4.9	10.0	0	6.2	5.1	5.3	1.4	3.3	4.1
Capacity Utilization (level, %)	n.a.	82.4	82.3	81.7	81.9	81.1	80.5	79.8	80.0	78.6
Civilian Unemployment Rate (level, %)	4.7	4.8	4.6	4.6	4.7	4.7	5.0	5.0	5.1	5.5
Housing Starts (thousands)	n.a.	1795	1841	1953	1875	2123	2060	2101	2073	1950
Real Disposable Personal Income (% growth)	n.a.	4.1	4.4	0.2	1.5	4.6	5.5	-0.6	1.2	3.6
Retail Sales (% growth)	n.a.	18.1	-4.7	2.4	3.5	13.4	2.1	8.1	7.2	6.2
Personal Saving Rate (level, %)	n.a.	-0.9	-0.7	-0.8	-0.7	-0.3	-0.3	-1.5	-0.4	2.0
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	n.a.	4.9	2.4	4.9	5.0	2.2	3.2	5.5	3.4	2.7
Core CPI-U Inflation (% growth)	n.a.	2.4	3.7	3.7	3.5	2.4	2.4	1.6	2.2	1.8
Compensation per hour (% growth)	—	—	—	—	3.6	2.4	3.2	3.2	3.3	3.7
Output per hour (% growth)*	—	—	—	—	1.1	4.3	-0.1	4.4	2.3	3.0
Financial Markets										
T-bill Rate, 3-month (level, %)	4.96	4.95	4.79	4.72	4.70	4.39	3.83	3.36	3.15	1.37
T-note Rate, 10-years (level, %)	4.88	5.09	5.11	5.11	5.07	4.57	4.49	4.21	4.29	4.27
Federal Funds Rate (level, %)	5.25	5.24	4.99	4.91	4.90	3.98	3.97	3.46	3.22	1.35
Dow Jones Industrial Avg (index level)	11257	11033	10998	11334	11189	10996	10616	10544	10548	10317

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 civilian workers. 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.

* Subject to revision over the next week.

Upcoming Economic Releases:

- **Productivity and Costs: Second Quarter 2006 (Revised)** [Release: Wednesday, September 6]
- **Monthly Wholesale Trade, Sales and Inventories: July 2006** [Release: Thursday, September 7]
- **Consumer Credit: July 2006** [Release: Friday, September 8]