



# WEEKLY ECONOMIC DIGEST

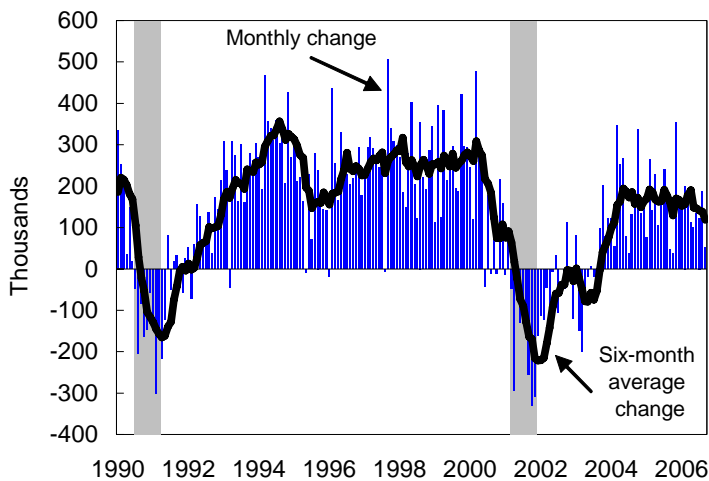


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

October 10, 2006

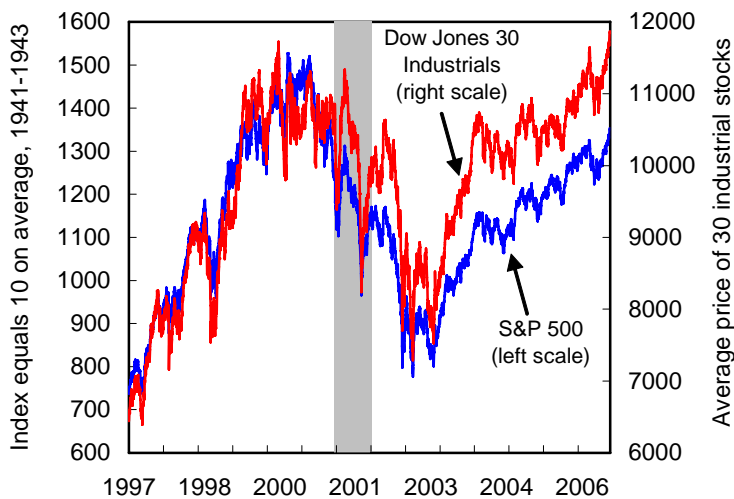
## Declines in Housing, Factory, and Retail Payrolls Slow Job Growth in September

Change in Nonfarm Payroll Employment



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

Stock Price Indexes



Sources: New York Times; Wall Street Journal; and National Bureau of Economic Research.

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

- **Job growth slowed sharply in September.** Payroll employment at nonfarm establishments rose by 51,000 jobs last month, after increasing by 188,000 jobs in August. Job gains have averaged just 118,000 per month over the past six months—the lowest 6-month average monthly job gain since early 2004 and well below average gains during the expansion of the 1990s (see top chart). The Bureau of Labor Statistics reported preliminary data indicating that payroll employment since March 2005 will be revised up in estimates that will be released early next year. However, the revisions may not alter the pattern of recent slowing.

- **September's slower job growth reflected housing declines and continued weakness in factory and retail payrolls.** Employment in residential construction declined by 15,600 jobs in September and is now 41,900 jobs (1.3 percent) below its January level. Factory payrolls declined by 19,000 jobs in September, the third consecutive monthly drop. Retail establishments, which had strong job growth in 2004-2005, shed 11,900 jobs last month, and 70,300 jobs in the past 12 months.

- **Unemployment edged down in September.** The civilian unemployment rate declined by 0.1 percentage point to 4.6 percent last month. The percentage of the population either working or looking for a job remained at 66.2 percent for the fourth consecutive month, a full percentage point below its level in March 2001, when the recession started. The percentage of the population that is employed remained at 63.1 percent in September, 1.2 percentage points below the March 2001 level.

- **The Dow reached a new high, but other stock price indexes remain below their 2000 peaks.** Last week the Dow Jones index of 30 industrial stocks moved above its previous high of 11,723 set in January 2000 (see bottom chart) and closed at 11,858 yesterday. However, other broader indexes have yet to reach their 2000 peaks. For example, the Standard and Poor's Index of 500 stocks, which closed yesterday at 1351, remains almost 12 percent lower than its previous peak of 1527.

<b>The Economy at a Glance</b>	Sep	Aug	Jul	Jun	2006 Qtr 3	2006 Qtr 2	2005 Qtr 1	2005 Qtr 4	2005	2004
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	n.a.	2.6	5.6	1.8	3.2	3.9
Industrial Production (% growth)*	n.a.	-1.2	4.9	14.0	n.a.	6.6	5.1	5.3	3.3	4.1
Capacity Utilization (level, %)*	n.a.	82.4	82.7	82.5	n.a.	82.0	81.1	80.5	80.0	78.6
Civilian Unemployment Rate (level, %)	4.6	4.7	4.8	4.6	4.7	4.7	4.7	5.0	5.1	5.5
Housing Starts (thousands)	n.a.	1665	1772	1833	n.a.	1873	2123	2060	2073	1950
Real Disposable Personal Income (% growth)	n.a.	2.0	3.8	4.6	n.a.	1.7	4.6	5.5	1.2	3.6
Retail Sales (% growth)*	n.a.	2.9	17.5	-6.1	n.a.	3.3	13.4	2.2	7.2	6.2
Personal Saving Rate (level, %)	n.a.	-0.5	-0.7	-0.6	n.a.	-0.6	-0.3	-0.3	-0.4	2.0
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)	n.a.	2.4	4.9	2.4	n.a.	5.0	2.2	3.2	3.4	2.7
Core CPI-U Inflation (% growth)	n.a.	2.4	2.4	3.7	n.a.	3.5	2.4	2.4	2.2	1.8
Compensation per hour (% growth)	—	—	—	—	n.a.	3.6	2.4	3.2	3.3	3.7
Output per hour (% growth)	—	—	—	—	n.a.	1.6	4.3	-0.1	2.3	3.0
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	4.81	4.96	4.95	4.79	4.91	4.70	4.39	3.83	3.15	1.37
T-note Rate, 10-years (level, %)	4.72	4.88	5.09	5.11	4.90	5.07	4.57	4.49	4.29	4.27
Federal Funds Rate (level, %)	5.25	5.25	5.24	4.99	5.25	4.91	4.46	3.98	3.22	1.35
Dow Jones Industrial Avg (index level)	11534	11257	11033	10998	11274	11189	10996	10616	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:

- **Minutes of the Federal Open Market Committee meeting: September 20, 2006** [Release: Wednesday, October 11]
- **U.S. International Trade in Goods and Services: August 2006** [Release: Thursday, October 12]
- **U.S. Import and Export Price Indexes: September 2006** [Release: Friday, October 13]
- **Advance Monthly Sales for Retail and Food Services: September 2006** [Release: Friday, October 13]
- **Manufacturing and Trade Inventories and Sales: August 2006** [Release: Friday, October 13]
- **Industrial Production and Capacity Utilization: September 2006** [Release: Tuesday, October 17]