



WEEKLY ECONOMIC DIGEST

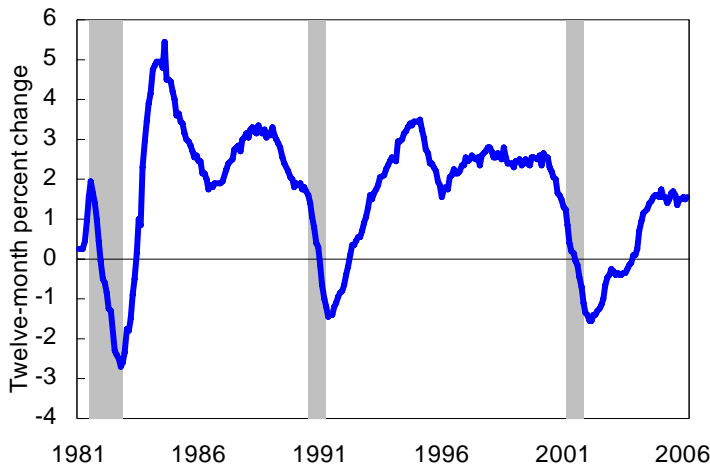


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

April 11, 2006

Job Growth Continues; Energy Prices Up Sharply

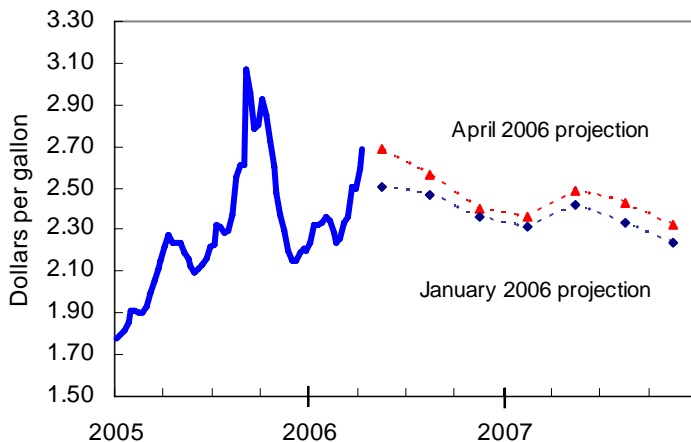
Nonfarm Payroll Employment



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.

EIA Short-term Projections for Retail Price of Regular Grade Gasoline: U.S. Average



Source: Energy Information Administration, Department of Energy.

- **Payrolls grew again in March.** Total payroll employment at nonfarm establishments rose by 211,000 jobs last month, down slightly from February's gain of 225,000 jobs. Over the past 12 months, payroll employment has grown by 1.6 percent (an average of about 174,000 jobs per month). That is a solid pace but slower than in previous recoveries (see top chart).
- **Unemployment edged down last month.** The civilian unemployment rate declined by 0.1 percentage point to 4.7 percent in March. The percentage of the population either working or actively seeking work was unchanged at 66.1 percent, and the proportion of the population with a job rose 0.1 percentage point to 63.0 percent. Both, however, remain lower than they were at the start of the recession in March 2001.
- **Growth of average hourly earnings slowed in March.** Average hourly earnings of production or nonsupervisory workers in nonfarm establishments rose 0.2 percent in March to a level 3.4 percent higher (before inflation) than a year earlier. February's gain was 0.4 percent.
- **Oil prices have risen sharply in recent weeks.** The price of West Texas Intermediate crude petroleum averaged \$67.08 per barrel last week, up \$5.25 from the average price just two weeks earlier. Tight supplies along with geopolitical risks centered in key oil-exporting nations have contributed to that rise.
- **New forecast calls for higher gasoline prices.** The retail price of regular grade gasoline has risen sharply since the start of the year and averaged \$2.68 per gallon on Monday. The Energy Information Administration (EIA) has just revised up its forecast of future gasoline prices (see bottom chart). The EIA cites higher crude oil costs together with higher producer margins stemming from stronger demand and the adjustment to higher fuel quality requirements as reasons for the increase. These projections assume no new production or refinery outages.

The Economy at a Glance	Mar	Feb	Jan	Dec	2006 Qtr 1	2005 Qtr 4	2005 Qtr 3	2005 Qtr 2	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	1.7	4.1	3.3	3.5	4.2
Industrial Production (% growth)*	n.a.	8.7	-3.5	12.7	n.a.	5.3	1.4	1.6	3.3	4.1
Capacity Utilization (level, %)*	n.a.	81.2	80.8	81.2	n.a.	80.5	79.8	79.9	80.0	78.6
Civilian Unemployment Rate (level, %)	4.7	4.8	4.7	4.9	4.7	5.0	5.0	5.1	5.1	5.5
Housing Starts (thousands)	n.a.	2120	2303	1989	n.a.	2059	2101	2044	2072	1950
Real Disposable Personal Income (% growth)	n.a.	2.4	1.2	6.2	n.a.	6.7	-1.4	0.2	1.4	3.4
Retail Sales (% growth)*	n.a.	-16.1	42.2	5.1	n.a.	1.9	8.5	9.2	7.2	6.2
Personal Saving Rate (level, %)	n.a.	-0.5	-0.5	-0.3	n.a.	-0.2	-1.6	-0.2	-0.4	1.8
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	n.a.	1.2	8.7	-1.2	n.a.	3.2	5.5	3.7	3.4	2.7
Core CPI-U Inflation (% growth)	n.a.	1.2	2.4	1.2	n.a.	2.4	1.6	2.0	2.2	1.8
Employment Cost Index (% growth)	—	—	—	—	3.2	3.2	2.8	2.8	3.2	3.9
Output per Hour (% growth)	—	—	—	—	n.a.	-0.5	4.2	2.4	2.9	3.4
Financial Markets										
T-bill Rate, 3-month (level, %)	4.51	4.43	4.24	3.89	4.39	3.83	3.36	2.86	3.15	1.37
T-note Rate, 10-years (level, %)	4.72	4.57	4.42	4.47	4.57	4.49	4.21	4.16	4.29	4.27
Federal Funds Rate (level, %)	4.59	4.49	4.29	4.16	4.46	3.98	3.46	2.94	3.22	1.35
Dow Jones Industrial Avg (index level)	11144	10971	10872	10828	10996	10616	10544	10382	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:

- **U.S. International Trade in Goods and Services: February 2006** [Wednesday, April 12]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: March 2006** [Release: Wednesday, April 12]
- **Manufacturing and Trade Inventories and Sales: February 2006** [Release: Thursday, April 13]
- **U.S. Import and Export Price Indexes: March 2006** [Release: Thursday, April 13]
- **Advance Monthly Sales for Retail and Food Services: March 2006** [Release: Thursday, April 13]
- **Industrial Production and Capacity Utilization: March 2006** [Release: Friday, April 14]