



# WEEKLY ECONOMIC DIGEST

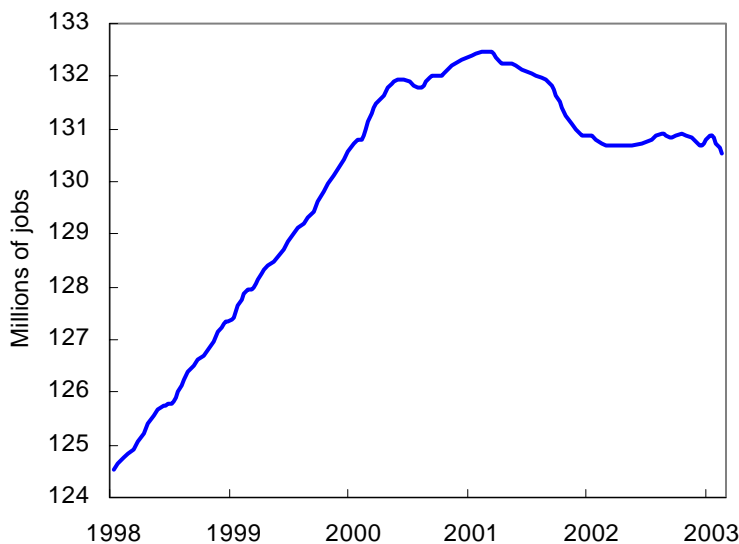


JOINT ECONOMIC COMMITTEE – DEMOCRATS  
REPRESENTATIVE PETE STARK (D-CA)

March 11, 2003

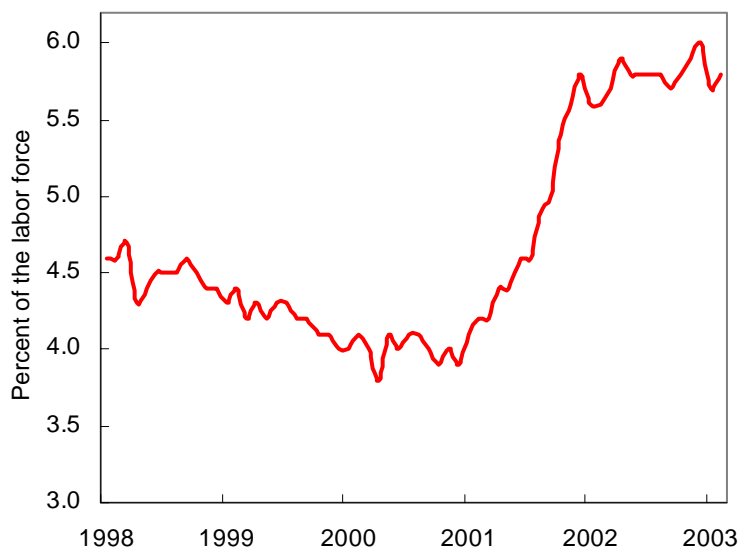
## The Employment Situation Weakened in February

Nonfarm Payrolls



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Civilian Unemployment Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Nonfarm payrolls shrank sharply.** Payrolls at nonfarm establishments declined by 308,000 in February. Market analysts had been expecting a small rise in payroll employment. The job losses were widespread. Service-producing establishments lost 204,000 jobs, the largest monthly decline since October 2001. Factories shed jobs for the 31<sup>st</sup> consecutive month, while construction payrolls shrank by 48,000 jobs.
- **Unemployment inched up last month.** The civilian unemployment rate rose 0.1 percentage point to 5.8 percent in February, its average level for all of 2002. Of the 8.5 million unemployed workers, more than 22 percent had been jobless for at least 27 weeks--the highest reading for that measure of long-term unemployment in more than a decade.
- **The average workweek declined last month.** The average workweek for production or nonsupervisory workers on private nonfarm payrolls slipped to 34.1 hours in February. The average workweek remained below its level when the recession began in March 2001. February's decline, coupled with the decline in payrolls, caused total weekly hours worked (an important monthly indicator of overall economic activity) to drop to the lowest level in four years.
- **Fed may lower rates, amid signs of weakness.** New claims for unemployment insurance have risen for 3 weeks. Unit vehicle sales declined again in February, and both General Motors and Ford have announced their intention to cut production in the second quarter. Moreover, surveys of purchasing managers have indicated that January's solid rise in durable goods orders may not have been repeated in February. Currently, the prices of futures contracts for federal funds indicate that markets perceive an increased likelihood of the Fed lowering short-term rates to 1 percent, either at its meeting next week or at its next scheduled meeting in May.

<b>Economy At A Glance</b>	2003 Feb	2003 Jan	2002 Dec	2002 Nov	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2002	2001
<b>Economic Activity</b>										
Real GDP (% growth)					1.4	4.0	1.3	5.0	2.4	0.3
Industrial Production (% growth)*		8.7	-4.7	2.4	-2.9	3.4	4.4	1.4	1.5	-5.7
Capacity Utilization (Level, %)*		75.7	75.2	75.6	75.4	76.2	75.7	75.1	75.6	77.3
Civilian Unemployment Rate (Level, %)	5.8	5.7	6.0	5.9	5.9	5.8	5.8	5.6	5.8	4.7
Housing Starts (Thousands)		1850	1847	1761	1756	1697	1667	1725	1711	1603
Real Disposable Personal Income (% growth)		2.4	3.7	3.7	2.7	3.1	3.9	14.5	4.5	1.8
Retail Sales (% growth)*		-10.3	26.8	7.4	1.5	6.5	4.1	-3.7	3.4	3.9
Personal Saving Rate (Level, %)		4.3	3.9	4.4	4.2	3.8	4.0	3.5	3.9	2.3
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)		3.7	1.2	1.2	2.0	2.2	3.5	1.3	1.6	2.8
Core CPI-U Inflation (% growth)		1.2	2.4	1.2	1.8	2.2	2.1	2.2	2.3	2.7
Compensation per Hour (% growth)					2.8	2.4	4.5	3.6	3.3	4.1
Output per Hour (% growth)					0.8	5.5	1.7	8.6	4.8	1.1
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	1.2	1.2	1.2	1.2	1.3	1.6	1.7	1.7	1.6	3.4
T-Note Rate, 10-years (Level, %)	3.9	4.1	4.0	4.1	4.0	4.3	5.1	5.1	4.6	5.0
Federal Funds Rate (Level, %)	1.3	1.2	1.2	1.3	1.4	1.7	1.8	1.7	1.7	3.9
Dow Jones Industrial Avg (Index level)	7916	8475	8527	8626	8400	8488	9913	10105	9226	10189

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. Compensation is the Employment Cost Index 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.

\* Subject to revision this week.

#### Upcoming Economic Releases:

- **U.S. International Transactions: Fourth Quarter 2002** [Release: Wednesday, March 12]
- **Advance Monthly Sales for Retail Trade and Food Services** [Release: Thursday, March 13]
- **Industrial Production and Capacity Utilization** [Release: Friday, March 14]
- **Federal Open Market Committee Meeting** [Release: Tuesday, March 18]