



WEEKLY ECONOMIC DIGEST

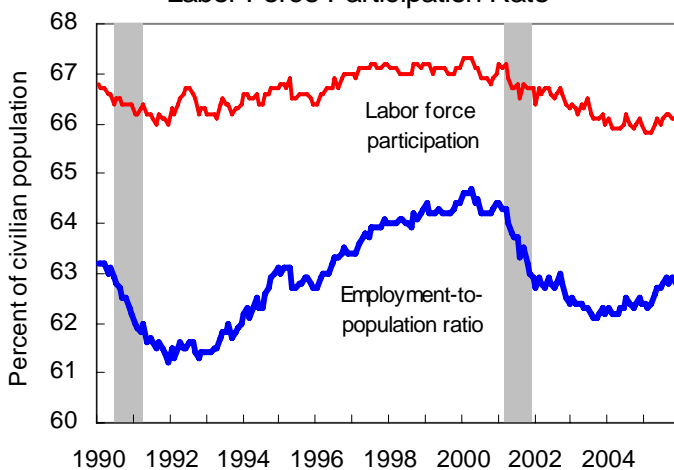


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

December 7, 2005

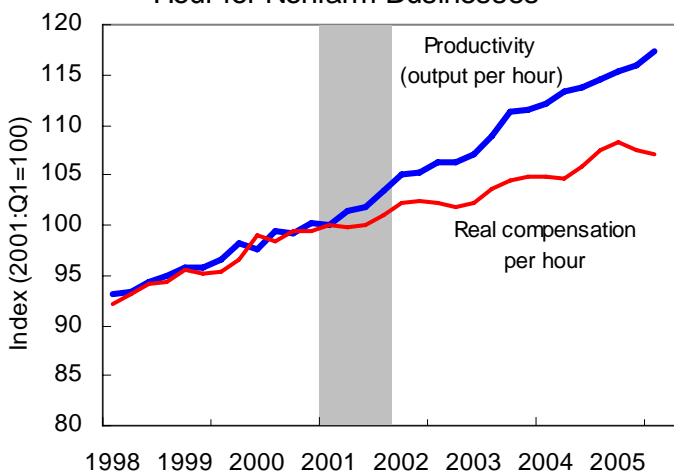
Payroll Employment Increases but Wages Continue to Lag Behind Productivity

Civilian Employment-to-Population Ratio and Labor Force Participation Rate



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

Productivity and Real Compensation per Hour for Nonfarm Businesses



Source: JEC calculations based on data from the Bureau of Labor Statistics, U.S. Department of Labor and the National Bureau of Economic Research.

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

- **Job growth strengthened last month.** Total payroll employment at nonfarm establishments rose by 215,000 jobs in November, after the direct and indirect effects of the hurricanes held job gains to an average of 31,000 per month in September and October. Last month's increase was slightly higher than the average monthly gain of 196,000 jobs between January and August.

- **The unemployment rate was unchanged in November.** The civilian unemployment rate remained at 5.0 percent last month. However, there was little growth in the labor force. The percentage of the population in the labor force remained at 66.1 percent. That participation rate is the same as it was a year earlier and is 1.1 percentage points below the level at the start of the recession in 2001 (see top chart). The proportion of the population with a job is 1.5 percentage points lower than it was at the start of the recession.

- **Reduced hours cut average weekly earnings last month.** The average hourly earnings of production and other nonsupervisory workers rose by 0.2 percent in November to a level that was 3.2 percent higher than a year earlier. However, the length of the average workweek slipped by 0.3 percent, and average weekly earnings fell by 0.1 percent.

- **Third-quarter economic growth and productivity were revised up.** The economy grew faster than originally estimated in the third quarter, with real (inflation-adjusted) gross domestic product growing at a 4.3 percent annual rate. That stronger growth led to an upward revision of productivity growth in nonfarm business establishments to a 4.7 percent annual rate in the third quarter. Real compensation (wages plus benefits) in the nonfarm business sector has grown much more slowly than productivity during this economic expansion (see bottom chart), and has actually fallen in the last two quarters in the face of rising energy prices.

The Economy at a Glance	Nov	Oct	Sep	Aug	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004	2003
Economic Activity										
Real GDP (% growth)	—	—	—	—	4.3	3.3	3.8	3.3	4.2	2.7
Industrial Production (% growth)	n.a.	11.4	-16.6	2.4	0.9	1.6	3.8	4.2	4.1	0.6
Capacity Utilization (level, %)	n.a.	79.5	78.9	80.2	79.7	79.9	79.9	79.4	78.6	75.7
Civilian Unemployment Rate (level, %)	5.0	5.0	5.1	4.9	5.0	5.1	5.3	5.4	5.5	6.0
Housing Starts (thousands)	n.a.	2014	2134	2081	2092	2044	2083	1973	1950	1854
Real Disposable Personal Income (% growth)	n.a.	2.3	12.5	-16.8	-0.7	0.2	1.0 [#]	4.3 [#]	3.1 [#]	2.4
Retail Sales (% growth)*	n.a.	-0.7	3.6	-19.9	6.9	10.8	5.8	10.0	7.3	4.3
Personal Saving Rate (level, %)	n.a.	-0.7	-0.8	-2.2	-1.5	-0.2	0.5	1.2 [#]	1.5 [#]	2.1
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	n.a.	2.4	15.4	6.2	5.1	4.2	2.4	3.6	2.7	2.3
Core CPI-U Inflation (% growth)	n.a.	2.4	1.2	1.2	1.5	2.0	2.6	2.3	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	3.2	2.8	2.8	3.2	3.9	3.9
Output per Hour (% growth)	—	—	—	—	4.7	2.1	3.2	2.5	3.4	3.8
Financial Markets										
T-bill Rate, 3-month (level, %)	3.88	3.71	3.42	3.44	3.36	2.86	2.54	2.01	1.37	1.01
T-note Rate, 10-years (level, %)	4.54	4.46	4.20	4.26	4.21	4.16	4.30	4.17	4.27	4.01
Federal Funds Rate (level, %)	4.00	3.78	3.62	3.50	3.46	2.94	2.47	1.95	1.35	1.13
Dow Jones Industrial Avg (index level)	10695	10324	10533	10554	10544	10382	10648	10362	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 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.

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

Upcoming Economic Releases:

- **Consumer Credit: October 2005** [Release: Wednesday, December 7]
- **Monthly Wholesale Trade--Sales and Inventories: October 2005** [Release: Friday, December 9]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: November 2005** [Release: Monday, December 12]
- **Advance Monthly Retail Sales for Retail and Food Services: November 2005** [Release: Tuesday, December 13]
- **Manufacturing and Trade Inventories and Sales: October 2005** [Release: Tuesday, December 13]
- **Monetary Policy Statement of the Federal Open Market Committee** [Tuesday, December 13]