



WEEKLY ECONOMIC DIGEST

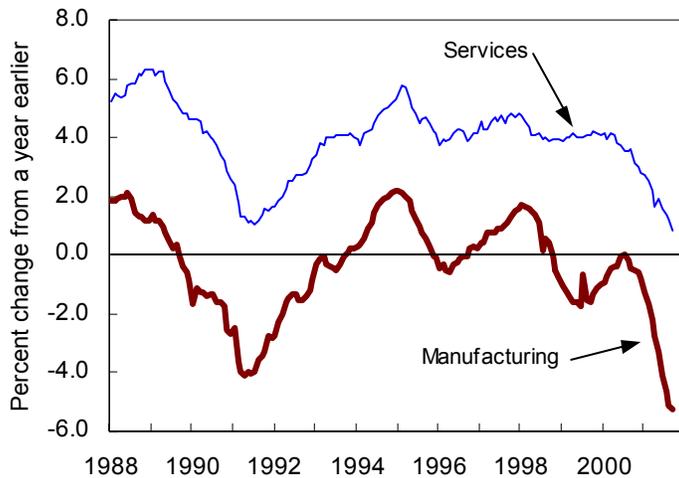


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
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October 9, 2001

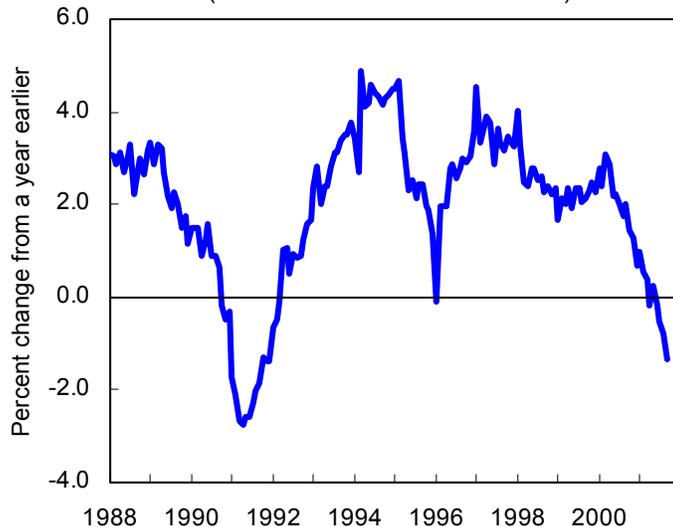
Job Losses Highlight the Economy's Underlying Weakness

Growth in Establishment Payrolls



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

Aggregate Weekly Hours
(Private nonfarm establishments)



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

- **Establishment payrolls declined in September.** Nonfarm employment fell by 199,000 last month, the largest monthly decline in more than ten years and about twice as large a drop as most analysts had been expecting. Manufacturing jobs continued to decline, dropping by 93,000 jobs in September. Producers of industrial machinery and electrical equipment alone shed 38,000 more jobs. Overall factory employment has now declined 14 months in a row, with payrolls declining by 900,000 jobs since the start of the year. Private service-producing establishments also reported job losses last month, with payrolls declining by 99,000 jobs. Wholesale and retail trade along with amusement and recreation services reported the largest declines for the month.
- **The unemployment rate did not change.** The civilian unemployment rate remained at 4.9 percent in September after rising 0.4 percentage points in August. At seven million people, the number of unemployed remained at a level that is nearly 1.5 million higher than a year ago.
- **Aggregate weekly hours fell.** The index of aggregate weekly hours worked in private nonfarm establishments declined again in September. That index is now 1.3 percent below its level 12 months ago.
- **The employment data provide an incomplete picture.** Due to the timing and definitions in use by the BLS, those who lost their jobs as a result of the September 11th terrorist attacks may well have been counted as employed in September. The employment data for October (to be released on November 2) are expected to indicate more fully the impact of the attacks on employment. The September data do, however, underscore the economy's underlying weakness prior to the attacks.
- **Unemployment insurance claims swell again.** New claims made for unemployment insurance do indicate a sharp deterioration in employment after the attacks. For the second week in a row, initial claims surged during the week ending September 29. That rise of 71,000 claims followed a jump of 64,000 during the previous week. Approximately 4,800 claims from the week ending September 22 were reported to be directly related to the destruction of the World Trade Center.

Economy At A Glance	Sep	Aug	Jul	Jun	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000	1999
Economic Activity										
Real GDP (% growth)						0.3	1.3	1.9	4.1	4.1
Industrial Production (% growth)		-9.2	-1.2	-12.7		-4.4	-6.8	-0.9	5.6	4.2
Capacity Utilization (Level, %)		76.2	76.9	77.1		77.8	79.2	81.3	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.9	4.9	4.5	4.5	4.8	4.5	4.2	4.0	4.0	4.2
Housing Starts (Thousands)		1527	1641	1634		1623	1627	1539	1575	1647
Real Disposable Personal Income (% growth)		25.3	23.9	1.2		2.4	2.7	4.2	3.5	2.5
Retail Sales (% growth)*		4.0	2.0	-0.2		5.2	5.2	0.3	7.6	8.2
Personal Saving Rate (Level, %)		4.1	2.5	1.0		1.1	1.1	1.0	1.0	2.4
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		1.2	-3.5	2.7		3.1	4.2	2.9	3.4	2.2
Core CPI-U Inflation (% growth)		2.4	2.4	3.9		2.6	3.2	2.4	2.4	2.1
Compensation per Hour (% growth)						4.1	4.5	3.6	4.4	3.5
Output per Hour (% growth)						2.1	0.0	2.4	3.0	2.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	2.6	3.4	3.5	3.5	3.2	3.7	4.8	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	4.7	5.0	5.2	5.3	5.0	5.3	5.1	5.6	6.0	5.7
Federal Funds Rate (Level, %)	3.3	3.7	3.8	4.0	3.6	4.3	5.6	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	9043	10315	10445	10767	9934	10669	10513	10586	10735	10465

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; 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.

Major Economic News Due This Week:

- **Export and Import Prices** [Release: Thursday, October 11, 2001]
- **Initial Claims for Unemployment Insurance, Week ending October 6** [Release: Thursday, October 11, 2001]
- **Retail Sales, September** [Release: Friday, October 12, 2001]
- **University of Michigan Index of Consumer Sentiment, October (Preliminary)** [Release: Friday, October 12, 2001]