



WEEKLY ECONOMIC DIGEST

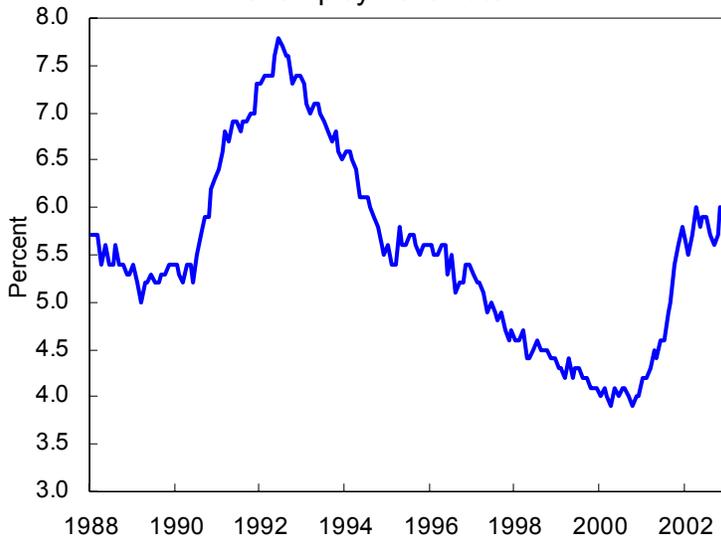


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

December 9, 2002

The November Employment Situation Was Worse Than Expected

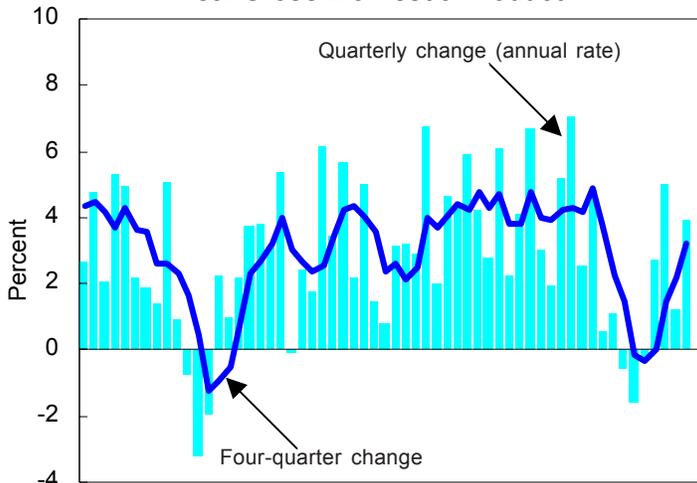
Unemployment Rate



1988 1990 1992 1994 1996 1998 2000 2002

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

Real Gross Domestic Product



1988 1990 1992 1994 1996 1998 2000 2002

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

- **Unemployment rose and payrolls fell in November.** The civilian unemployment rate rose from 5.7 to 6.0 percent last month, as adult men experienced the sharpest rise in their unemployment rate in more than a year. Nonfarm payroll employment dropped by 40,000, as payrolls shrank at factories and retail establishments. As private nonfarm payrolls declined, total weekly hours worked fell for the second consecutive month. Financial markets had expected a smaller increase in unemployment and a rise in payroll employment.
- **Estimated third-quarter growth was revised up.** Real (inflation-adjusted) gross domestic product (GDP) grew at a 4.0 percent annual rate in the third quarter, according to the latest estimate by the Commerce Department. Much of the increase over the 3.1 percent rate initially estimated a month ago reflects more inventory accumulation than was originally assumed. However, robust consumer spending, driven by strong motor vehicle sales, remained the primary source of growth in the quarter.
- **Growth is expected to slow in the fourth quarter.** Most forecasters expect GDP to slow sharply in the fourth quarter, as the unsustainable pace of vehicle sales subsides. Indeed, vehicle sales have already dropped sharply since August, more than reversing the early summer surge. On the positive side, nonautomotive retail sales grew more rapidly than expected in October, while shipments and orders for nondefense capital goods rose. Survey measures of consumer and business confidence have stopped declining. Finally, new jobless claims have dropped somewhat in recent weeks, although continuing claims remain high.
- **The Fed is not likely to change course tomorrow.** When the Federal Open Market Committee (FOMC) cut rates last month, it also implied that it did not expect to take any further action in the near term. The current pricing of federal funds futures contracts suggests that financial markets believe that the most recent data will not lead the Fed to change its mind at this point.

Economy At A Glance	Nov	Oct	Sep	Aug	2002 Qtr 3	2002 Qtr 2	2002 Qtr 1	2001 Qtr 4	2001	2000
Economic Activity										
Real GDP (% growth)					4.0	1.3	5.0	2.7	0.3	3.8
Industrial Production (% growth)		-9.2	-2.4	-2.4	3.5	4.2	2.6	-6.7	-3.9	4.5
Capacity Utilization (Level, %)		75.2	75.8	76.1	76.1	75.6	75.0	74.7	76.8	81.8
Civilian Unemployment Rate (Level, %)	6.0	5.7	5.6	5.7	5.7	5.9	5.6	5.6	4.8	4.0
Housing Starts (Thousands)		1603	1810	1631	1698	1667	1725	1573	1603	1573
Real Disposable Personal Income (% growth)		0.0	3.7	1.2	2.9	3.6	14.5	-7.7	1.8	4.8
Retail Sales (% growth)*		0.0	-14.5	6.2	6.7	4.3	-2.9	13.1	3.8	6.7
Personal Saving Rate (Level, %)		4.2	4.4	3.5	3.8	4.0	3.5	0.8	2.3	2.8
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		3.7	2.4	3.7	1.9	3.4	1.4	-0.3	2.8	3.4
Core CPI-U Inflation (% growth)		2.4	1.2	3.7	2.0	2.2	2.3	2.7	2.7	2.4
Compensation per Hour (% growth)					2.4	4.5	3.6	4.1	4.1	4.5
Output per Hour (% growth)					5.1	1.7	8.6	7.3	1.1	2.9
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.2	1.6	1.6	1.6	1.6	1.7	1.7	1.9	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.1	3.9	3.9	4.3	4.3	5.1	5.1	4.8	5.0	6.0
Federal Funds Rate (Level, %)	1.3	1.8	1.8	1.7	1.7	1.8	1.7	2.1	3.9	6.2
Dow Jones Industrial Avg (Index level)	8626	8048	8161	8685	8488	9913	10105	9641	10189	10735

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:

- **Federal Open Market Committee Meeting** [Tuesday, December 10]
- **U.S. Import and Export Price Indexes, November** [Release: Thursday, December 12]
- **Advance Monthly Sales for Retail and Food Services, November** [Release: Thursday, December 12]
- **Producer Price Indexes, November** [Release: Friday, December 13]