



WEEKLY ECONOMIC DIGEST

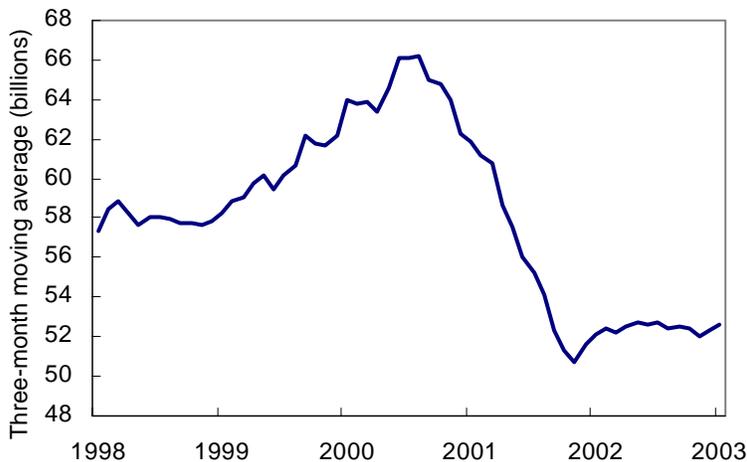


JOINT ECONOMIC COMMITTEE – DEMOCRATS
REPRESENTATIVE PETE STARK (D-CA)

March 4, 2003

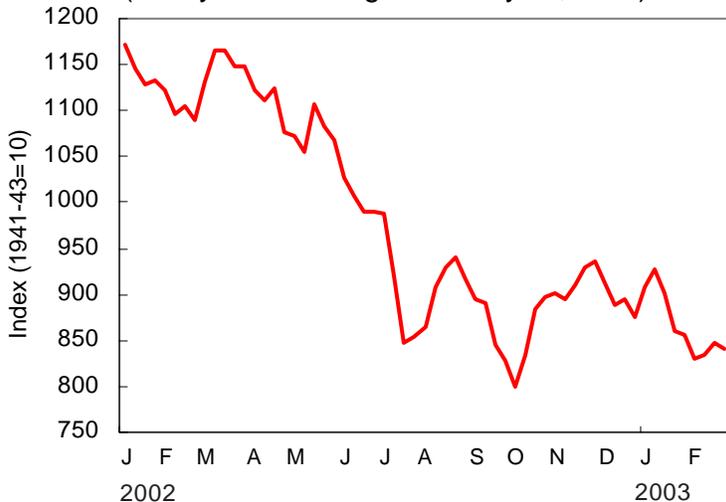
Growth Is Too Tentative to Inspire Confidence

New Orders for Nondefense Capital Goods
Excluding Aircraft



Source: Census Bureau, U.S. Department of Commerce.

Standard & Poor's 500 Stock Price Index
(Friday close through February 28, 2003)



Source: Wall Street Journal

- Upward revision still leaves fourth-quarter growth weak.** Real gross domestic product (GDP) grew at a 1.4 percent annual rate in the fourth quarter of last year, according to the Department of Commerce's latest estimate. Although higher than last month's "advance" estimate of 0.7 percent, that growth is too slow to bring down unemployment. Moreover, final sales, which is a better measure of underlying demand, was revised down to 1.2 percent at an annual rate.
- Factory orders notched up.** Manufacturers reported that new orders for durable goods rose by 3.3 percent in January. The three-month average of new orders for nondefense capital goods excluding aircraft—an important indicator of future business investment in equipment—rose by 0.6 percent in January, matching December's rise. However, both unfilled orders and inventories of durable goods declined, reflecting the persistence of considerable excess factory capacity and some reluctance among manufacturers to build inventories ahead of demand. Moreover, the February Institute for Supply Management survey suggests that growth in factory orders may be slowing.
- Growth of personal income remained stable in January.** Personal income grew by 0.3 percent for the sixth month in a row. However, growth of wage and salary disbursements, which has been slowing for some time, was a mere 0.1 percent in January. Consumer spending has kept the economy afloat, but survey measures of consumer confidence plunged in February, with job worries an important reason why. Unfortunately, market analysts expect that Friday's jobs report will show little change in the employment situation.
- Oil prices and the stock market are further impediments to recovery.** Since the start of the year, crude oil prices have risen by more than \$6 per barrel and stock market prices, as measured by the Standard and Poor's 500 index, have fallen by more than 4 percent. Many analysts attribute those developments to the looming possibility of war with Iraq. Whatever the reason, those developments stand in the way of a strong recovery.

Economy At A Glance	2003 Feb	2003 Jan	2002 Dec	2002 Nov	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2002	2001
Economic Activity										
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, %)*		5.7	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
Inflation & Productivity										
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)*					-0.2	5.5	1.7	8.6	4.7	1.1
Financial Markets										
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:

- **Productivity and Costs: Fourth Quarter (Revised)** [Release: Thursday, March 6]
- **Manufacturers' Shipments, Inventories, and Orders, January** [Release: Thursday, March 6]
- **The Employment Situation, February** [Release: Friday, March 7]
- **Consumer Credit, January** [Release: Friday, March 7]