

# Joint Economic Committee WEEKLY ECONOMIC DIGEST

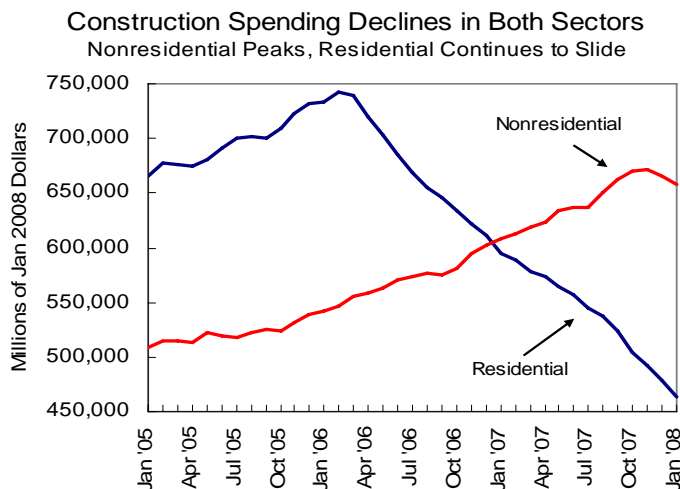
Senator Charles E. Schumer, Chairman  
Congresswoman Carolyn B. Maloney, Vice Chair

March 10, 2008

## ECONOMIC NEWS

### Foreclosures Up, Construction Spending Down

**Nonresidential construction spending fell in January.** According to estimates released by the Bureau of Labor Statistics, total residential construction spending has been declining since mid-2005, but, except for a small decline in September and October of 2006, total nonresidential construction spending has been increasing steadily during the same period. (See Chart) Past increases in nonresidential fixed investment have helped fuel GDP growth, while declines in residential fixed investment have subtracted up to 1 percent from annual GDP growth.



Source: U.S. Department of Commerce.

**Foreclosure rates for subprime mortgages increased in every state in the fourth quarter of 2007.** On average, 8.7 percent of subprime mortgages were in foreclosure during the fourth quarter of 2007, up 1.8 points from the previous quarter. Subprime foreclosure rates were highest in Ohio (13.7%). High subprime foreclosure rates were also experienced in Minnesota (12.4%), Michigan (12.3%) and Rhode Island (12.2%). Foreclosure rates for prime mortgages also increased. Nearly 1 in 100 prime mortgages in the 50 states are in the foreclosure process. The highest prime foreclosure rate occurred in Ohio (1.9%) followed by Indiana (1.8%), Florida (1.6%) and Michigan (1.6%).

**Weaknesses cut across sectors and regions.** The Federal Reserve's Summary of Commentary on Current Economic Conditions (Beige Book) showed weakness in most districts, suggesting that economic growth has slowed since the beginning of the year. Two-thirds of the districts cited softening or weakening in the pace of business activity, while the others referred to subdued, slow, or modest growth. Retail activity in most Districts was reported to be weak or softening, although tourism generally continued to expand.

## IN FOCUS

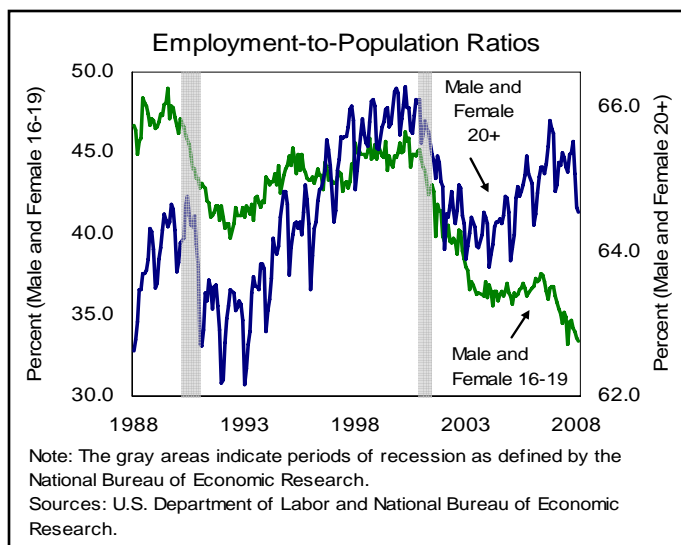
### Back-to-Back Months of Job Losses, First Time Since 2003

Last week, the Bureau of Labor Statistics (BLS) released data on the employment situation in February, showing a net loss of 63,000 jobs last month. BLS also revised January's employment report, showing an additional loss of 5,000 jobs from its previously reported loss of 17,000 jobs. Forecasters had predicted that payroll employment would actually rise by as much as 25,000 in February. January 2008 was the first time since 2003 that nonfarm payrolls showed negative growth.

This level of job loss is a sign of the weaknesses of the economy; typically in an economic expansion, the economy creates from 150,000 to over 200,000 jobs per month. Up until last month, job losses were concentrated in housing-related sectors. However, in February, the employment report showed widespread job losses as private, service-providing industries lost 12,000 jobs for the first time since early 2003. The effects of the housing collapse are being still felt throughout the labor market, with sharp job losses in construction and credit intermediation, which includes mortgage brokers. This month's job report showed employment in construction decreased by 39,000 in February, and has fallen by 331,000 since its most recent peak in September 2006. Credit intermediation employment continued to decline and has fallen by 116,000 since a peak in October 2006. Additionally, manufacturing employment continued to decline in February, losing 52,000 jobs, bringing losses over the past 12 months to 299,000.

*Continued on reverse...*

## SNAPSHOT



# Joint Economic Committee WEEKLY ECONOMIC DIGEST

## THE WEEK AHEAD

DAY	RELEASE
<b>Tuesday, Mar 11</b>	U.S. International Trade in Goods and Services (January 2008)
<b>Wednesday, Mar 12</b>	Monthly Treasury Statement (February 2008)
<b>Thursday, Mar 13</b>	Advance Monthly Sales for Retail and Food Services (February 2008)
<b>Friday, Mar 14</b>	Consumer Price Index (February 2008)

**Friday  
Mar 14th:  
CPI Inflation  
Indexes for  
February**

## THE ECONOMY AT A GLANCE

KEY INDICATORS	MONTH			QUARTER			YEAR	
	Feb	Jan	Dec	2007 Q4	2007 Q3	2007 Q2	2007	2006
Real GDP Growth (%)	—	—	—	0.6	4.9	3.8	2.2	2.9
Unemployment (% of labor force)	4.8	4.9	5.0	4.8	4.7	4.5	4.6	4.6
Labor Productivity Growth (%)	—	—	—	1.9	6.3	2.6	1.8	1.0
Labor Compensation Growth (%)	—	—	—	3.4	3.1	3.5	3.4	3.1
CPI-U Inflation (%)	n.a.	4.9	4.9	5.0	2.8	4.6	2.9	3.2
Core CPI-U Inflation (%)	n.a.	3.7	2.4	2.5	2.5	2.0	2.3	2.5

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor.

Notes: Except where otherwise noted, values in the table represent percent changes at seasonally adjusted annual rates. Productivity is output per hour worked in private nonfarm businesses. The Employment Cost Index is for civilian workers in government and business. Core CPI-U inflation is the percent change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The designation "n.a." denotes that data are not yet available.

## IN FOCUS (Continued)

Many people are out of work or are working part-time when they would like full-time employment. The percent of the U.S. population 20 years and older with a job—the employment-to-population ratio—hit a recent high of 65.83 percent over a year ago and has fallen since then to 64.56 percent. (See SNAPSHOT) During the 2000s economic expansion, the employment rate never fully recovered to its pre-recession peak of 66.30 percent. The employment-to-population ratio for individuals aged 16 to 19 shows a sharp downward trend from the recession of 2001 – most analysts do not believe that the low employment-to-population ratio in this age group can be explained by increases in schooling. Additionally, BLS reported that the number of persons who worked part time for economic reasons, 4.9 million in February, was up by 637,000 over the past 12 months. This category includes persons who indicated that they would like to work full time but were working part time because their hours had been cut back or they were unable to find full-time jobs.

This month's employment data comes on the heels of the stimulus package designed to forestall an economic downturn. An extension of Unemployment Insurance (UI) benefits to the long-term unemployed was blocked by the Republicans. This extension would have allowed unemployed workers to claim benefits for an additional 13 weeks—or 26 weeks in high unemployment states—beyond the current 26 weeks maximum. February's employment report showed that nearly one-in-five workers (17.5 percent), equal to 1.3 million people, had been unemployed for at least 26 weeks and were therefore no longer eligible for UI, if they were receiving it at all (less than 40 percent of the unemployed actually receive UI). Further, according to the Department of Labor, over a third of those on UI in the fourth quarter of 2007 exhausted their benefits, leaving nearly 650,000 unemployed workers without access to UI even though they have been unable to find a job.