

Joint Economic Committee WEEKLY ECONOMIC DIGEST

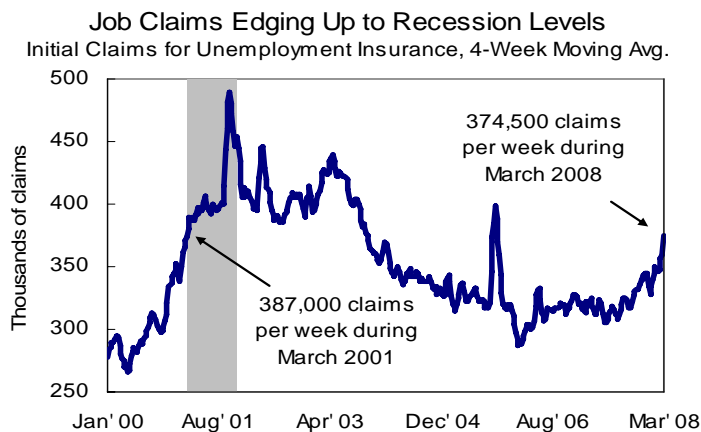
Senator Charles E. Schumer, Chairman
Congresswoman Carolyn B. Maloney, Vice Chair

April 7, 2008

ECONOMIC NEWS

Labor Markets Hit by Weakening Demand

Unemployment rate rose in March. According to the Bureau of Labor Statistics (BLS), the unemployment rate rose from 4.8 to 5.1 percent in March. Over the month, unemployment rates rose for adult men (to 4.6 percent), adult women (4.6 percent), Latinos (6.9 percent), and African Americans (9.0 percent), while the rate for teenagers (15.8 percent) was essentially unchanged. Moreover, the unemployment rate for workers without a high school education rose from 7.3 percent to 8.2 percent in March, while the unemployment rate for those with just a high school diploma rose from 4.7 percent to 5.1 percent. Initial jobless claims also rose last week to 407,000 and the previous week's report was revised upward by 3,000 claims to 369,000. The 4-week moving average was 374,500, an increase of 15,750 from the previous week's revised average of 358,750. (See Chart)



Note: The gray area indicates a period of recession as defined by the National Bureau of Economic Research.

Sources: U.S. Department of Labor and the National Bureau of Economic Research.

Nonfarm payroll employment fell by 80,000 jobs in March. Over the past 3 months, payroll employment has declined by 232,000. The BLS also revised February's nonfarm payroll numbers downward, showing an uptick in the number of jobs lost in February from 63,000 to 76,000.

Factory orders fell in February. Recent declines in factory orders will exacerbate current labor market weakness. The U.S. Census Bureau reported that new orders for manufactured goods in February decreased \$5.7 billion or 1.3 percent to \$424.4 billion. This followed a 2.3 percent January decrease. Shipments, down two of the last three months, decreased \$9.0 billion or 2.1 percent to \$423.0 billion. Unfilled orders, up thirty-three of the last thirty-four months, increased \$7.5 billion or 0.9 percent to \$822.4 billion. This was also at the highest level since the series was first stated on a NAICS basis in 1992 and followed a 0.8 percent January increase.

IN FOCUS

300,000 Jobs Lost in the Private Sector Since November Wages Lagging Behind Rising Prices

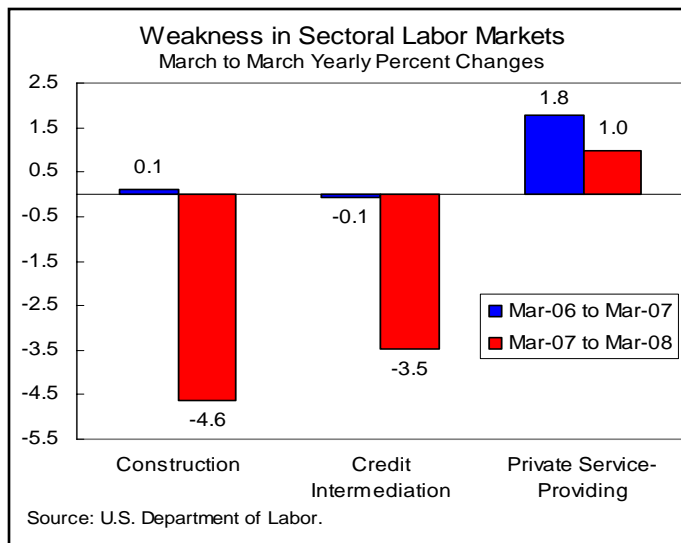
For months, the big economic news has been the sharp drop in home prices and the ensuing credit crunch. Conditions have deteriorated to the extent that Federal Reserve Chairman Ben Bernanke, in testimony before the JEC last week, said that a recession is now possible. He said it is now "likely that real gross domestic product (GDP) will not grow much, if at all, over the first half of 2008 and could even contract slightly." In recent months, the story has begun to shift; there are now clear signs of trouble in the labor market, with mounting job losses and falling inflation-adjusted wages.

The troubles in the labor market began in housing-related industries, which have seen sharp jobs losses since last summer. Construction lost 51,000 jobs in March, bringing losses since its most recent peak in September 2006 to 394,000. Credit intermediation, which includes mortgage brokers, has lost 120,000 jobs since it last peaked in October 2006. The manufacturing sector, which lost 48,000 jobs in March, has seen over 300,000 jobs vanish over the past year.

However, in recent months, job losses have spread to a wider array of industries, indicating that the economic downturn is no longer contained in housing-related sectors. (See Snapshot) In 2006, private service-providing industries, which includes the retail, transportation, financial

Continued on reverse...

SNAPSHOT



Joint Economic Committee WEEKLY ECONOMIC DIGEST

THE WEEK AHEAD

DAY	RELEASE
Monday, Apr 7	Consumer Credit (February 2008)
Wednesday, Apr 9	Wholesale Inventories (February 2008)
Thursday, Apr 10	Trade Balance (February 2008) Monthly Treasury Statement (March 2008)
Friday, Apr 11	Import and Export Prices (March 2008)

*Monday
Apr 7:
Consumer
Credit report
for February*

THE ECONOMY AT A GLANCE

KEY INDICATORS	MONTH			QUARTER			YEAR	
	Mar	Feb	Jan	2008 Q1	2007 Q4	2007 Q3	2007	2006
Real GDP Growth (%)	—	—	—	n.a.	0.6	4.9	2.2	2.9
Unemployment (% of labor force)	5.1	4.8	4.9	4.9	4.8	4.7	4.6	4.6
Labor Productivity Growth (%)	—	—	—	n.a.	1.9	6.3	1.8	1.0
Labor Compensation Growth (%)	—	—	—	n.a.	3.4	3.1	3.4	3.1
CPI-U Inflation (%)	n.a.	0.0	4.9	n.a.	5.0	2.8	2.9	3.2
Core CPI-U Inflation (%)	n.a.	0.0	3.7	n.a.	2.5	2.5	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)

services, and telecommunications sectors, added an average of over 150,000 jobs each month, but this slowed considerably in the latter half of 2007 and has now turned to job losses. Over the past three months, this sector shed 42,000 jobs. This is the first time job losses have occurred in the private service-providing sector since March 2003.

But job losses are only part of the story. As the downturn progresses, workers are finding that raises are harder to come by. For the past four months, inflation-adjusted hourly wages and weekly earnings have fallen sharply, each by about a one-percent yearly rate. Inflation-adjusted wages and weekly earnings are now both lower than they were over a year and a half ago.

The labor market slowdown comes on the heels of the weakest job recovery in over seventy years. Over the economic recoveries of the 1980s and 1990s, the economy added 231,000 and 203,200 jobs per month on average. However, over the 2000s recovery, the economy added half as many jobs (99,400) each month on average.

Wage growth has also been lackluster over the 2000s economic recovery. From the peak in 1989 through the next peak in 2000, real weekly full-time earnings grew by 7.4 percent, over seven times as much as they grew from the peak in 2000 through 2007, the likely peak year of the 2000's recovery.

Finally, median household income is nearly \$1000 lower than it was in 2000 and, given these trends in wages and employment, it may not recover to its pre-recession level.