

Deficits, Debt, and Trust Funds

In its recent *Mid-Session Review*, the Office of Management and Budget lowered its estimate of the 2006 fiscal year (FY) federal deficit to \$296 billion—down from the previous estimate of \$423 billion. On the other hand, looking at the change in total public debt outstanding, the U.S. government’s overall indebtedness is expected to increase by \$593 billion for FY 2006 (which ends on September 30th). In FY 2005, the deficit was \$318.6 billion although the public debt increased by \$553.7 billion.

In ordinary parlance, a debt represents an accumulation of deficits over time. When it comes to the federal budget, however, the issue is more complex. The difference between the federal deficit and the change in total public debt is primarily related to the treatment of the government’s trust funds. For example, in FY 2005 the Social Security trust fund for Old-Age and Survivors Insurance (OASI) increased by \$163.6 billion. Although it is considered an off-budget item, that revenue inflow is included as part of the government’s unified budget, offsetting the deficits that arise from other programs. However, the trust fund assets are, by law, invested in nonmarketable Treasury securities that represent additions to the total outstanding public debt.

The OASI trust fund is by far the largest of the government trust funds. If we also include the next four largest—Social Security disability insurance, Medicare hospital insurance, the military retirement fund, and the civil service retirement and disability fund—trust fund assets increased by approximately \$216 billion in FY 2005, accounting for more than 90 percent of the gap between the reported deficit and the increase in the public debt. (Other intra-governmental debt holdings and technical adjustments account for the remainder.)

The rationale for excluding trust fund accumulations from the reported deficit is that the Treasury securities held by the funds represent intra-governmental debt;

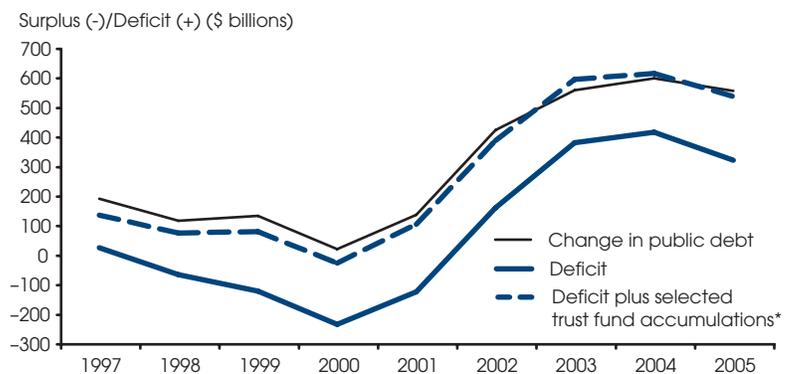
thus, according to this view, debt held directly by the public is a more meaningful representation of the government’s external liabilities. As of July 31, debt held by the public was \$4.8 trillion, representing 57 percent of the \$8.4 trillion total.

However, the trust funds exist in order to meet the future obligations of the federal government as the baby-boomer generation moves into retirement. In a very real sense, the trust fund balances *do* represent a debt owed to the public. From this perspective, the total outstanding debt is a more accurate measure of government liabilities and its growth over time is a more accurate measure of new borrowing than the reported deficit.

This perspective is reinforced by considering the ultimate disposition of the trust fund balances. When evolving demographic changes require the trust funds to be drawn down in order to make payments to retirees, the loans will be called in and will need to be repaid to the trust funds out of general revenues. This will require reducing other government spending, raising taxes, or borrowing more from the public.

—Michael R. Pakko

The Federal Deficit vs. the Change in Public Debt



NOTE: *Selected trust funds include OASI, Social Security Disability Insurance, Medicare insurance trust fund, the military retirement fund, and the civil service retirement and disability fund.

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Conventions used in this publication:

1. Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.
2. *Percent change* refers to simple percent changes. *Percent change from year ago* refers to the percent change from the same month or quarter during the previous year. *Compounded annual rate of change* shows what the growth rate would be over an entire year if the same simple percent change continued for four quarters or twelve months. The compounded annual rate of change of x between the previous quarter $t-1$ and the current quarter t is: $[(x_t/x_{t-1})^4 - 1] \times 100$. For monthly data replace 4 with 12.
3. All data with significant seasonal patterns are adjusted accordingly, unless labeled NSA.

We welcome your comments addressed to:

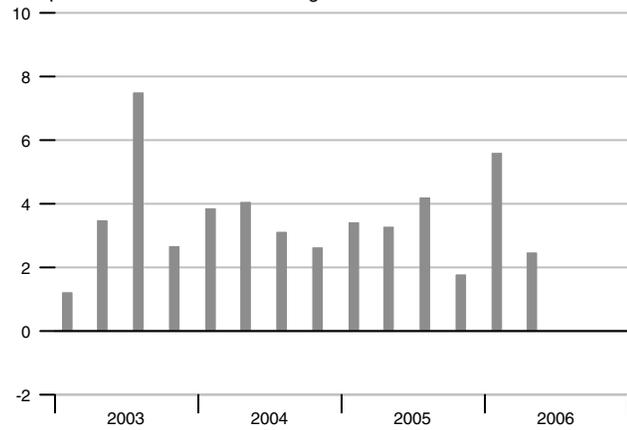
Editor, *National Economic Trends*
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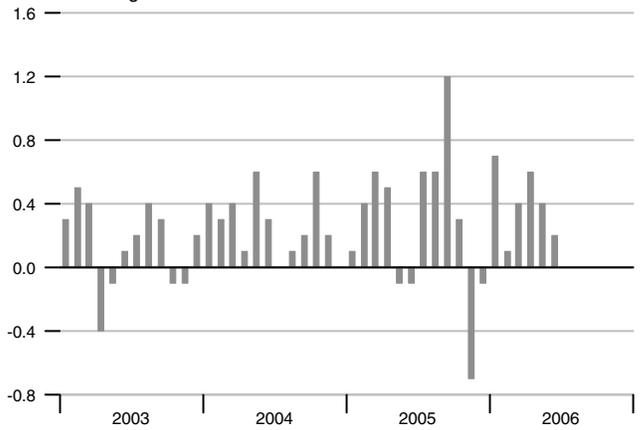
Real GDP Growth

Compounded annual rates of change



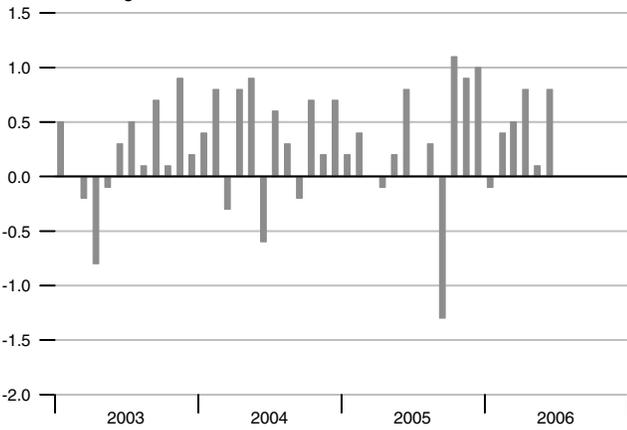
Consumer Price Index

Percent change



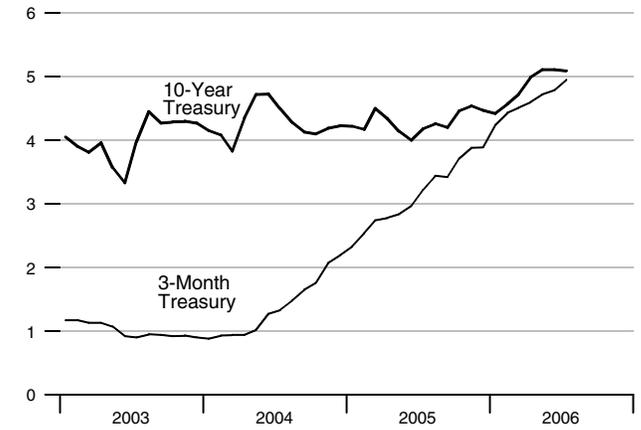
Industrial Production

Percent change



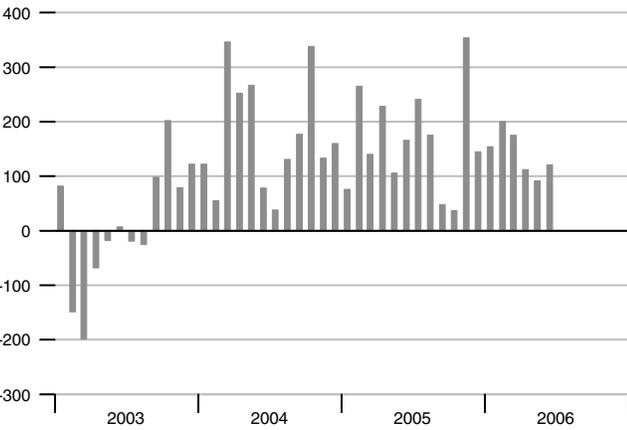
Interest Rates

Percent



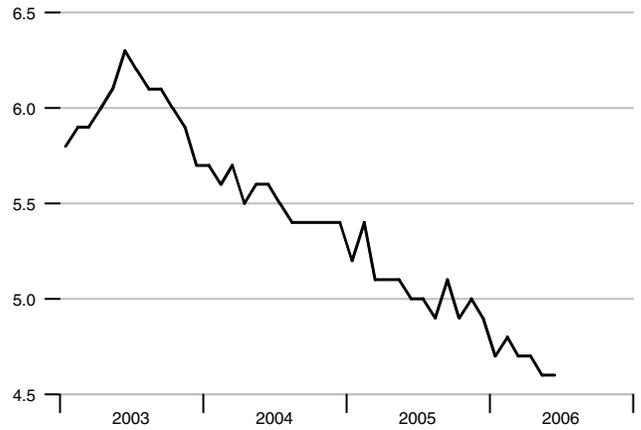
Change in Nonfarm Payrolls

Thousands



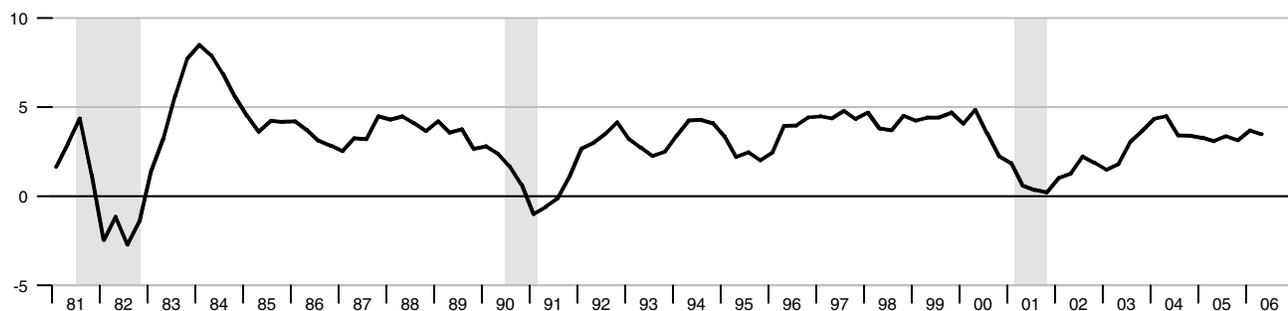
Unemployment Rate

Percent of labor force



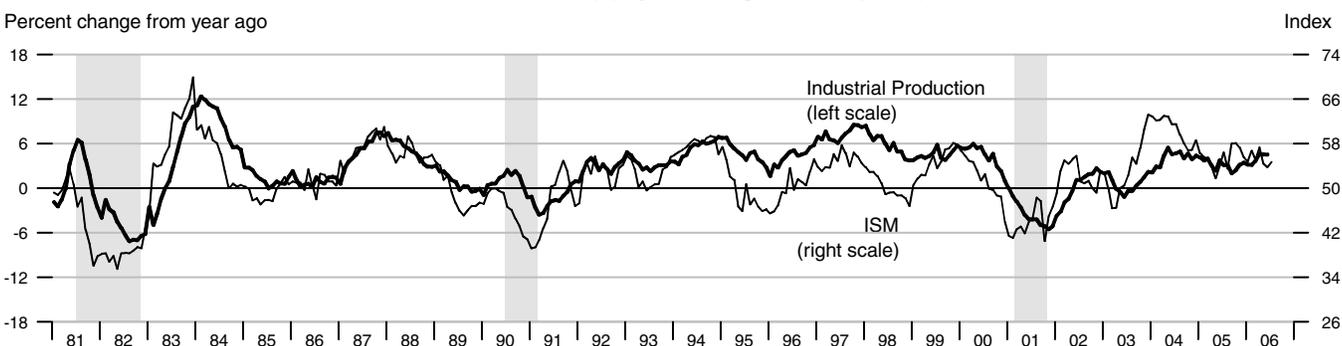
Real Gross Domestic Product

Percent change from year ago



Industrial Production and Institute for Supply Management (ISM) Indexes

Percent change from year ago



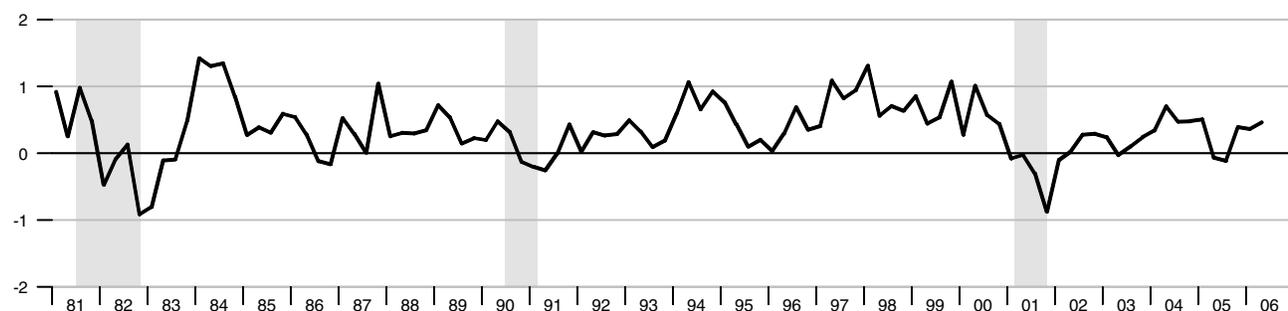
Aggregate Private Nonfarm Hours

Percent change from year ago

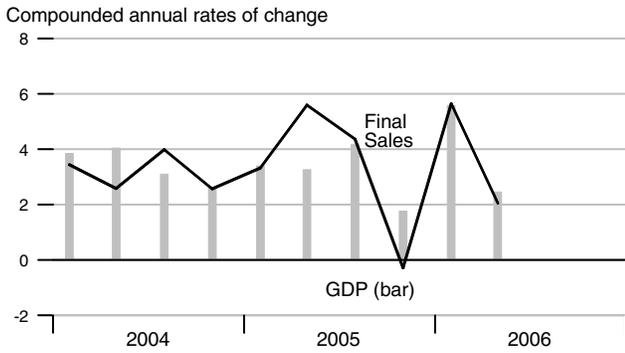


Real Change in Private Inventories

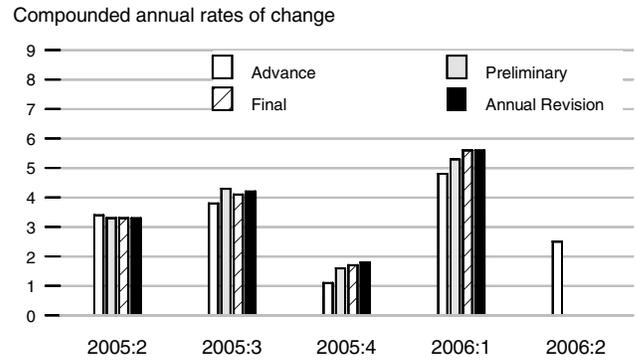
Percent of GDP



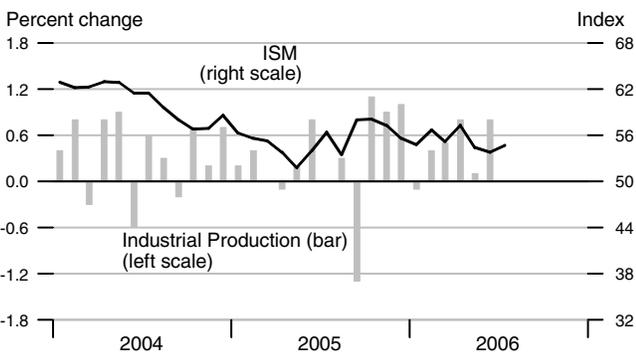
Real Final Sales and GDP



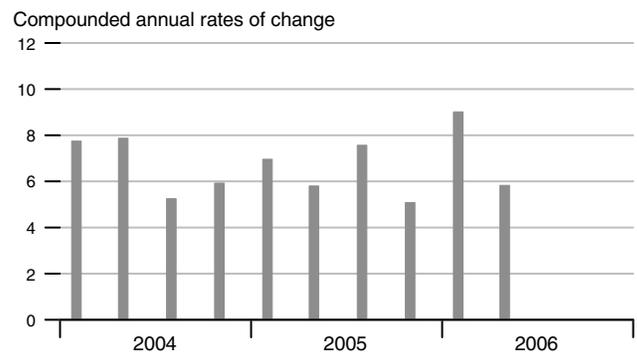
Real GDP Revisions



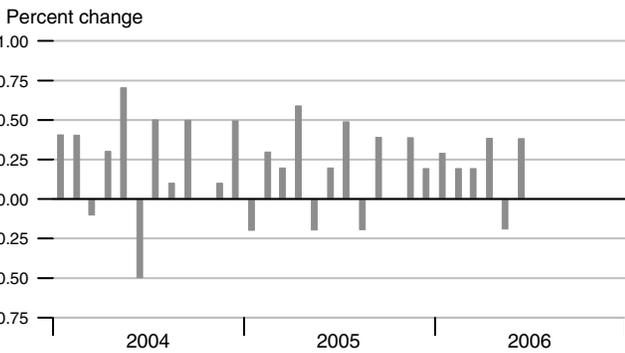
Industrial Production and ISM Index



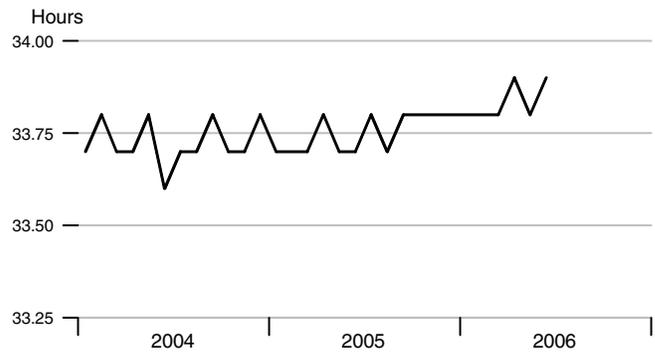
Nominal Gross Domestic Product



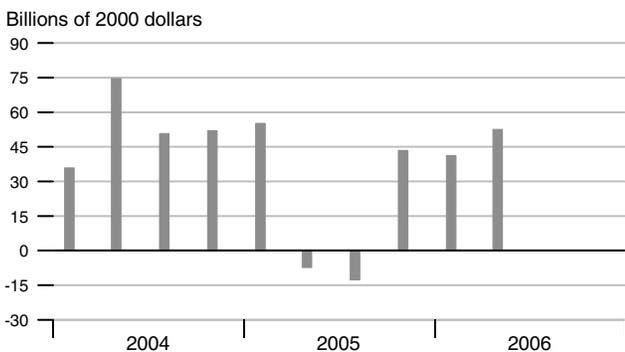
Aggregate Private Nonfarm Hours



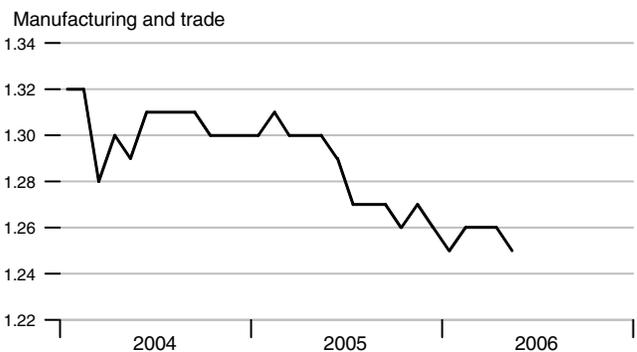
Average Weekly Private Nonfarm Hours



Real Change in Private Inventories

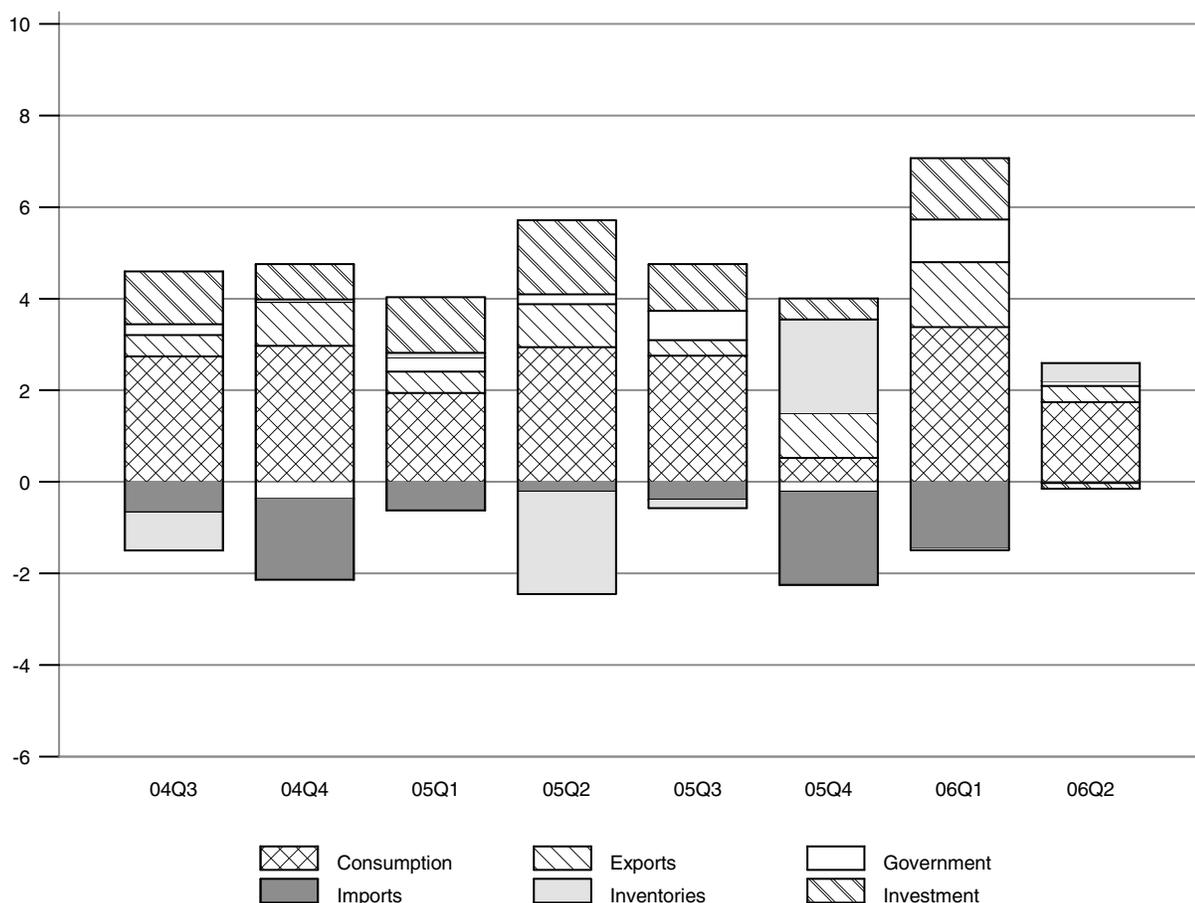


Inventory-Sales Ratio



Contribution of Components to Real GDP Growth

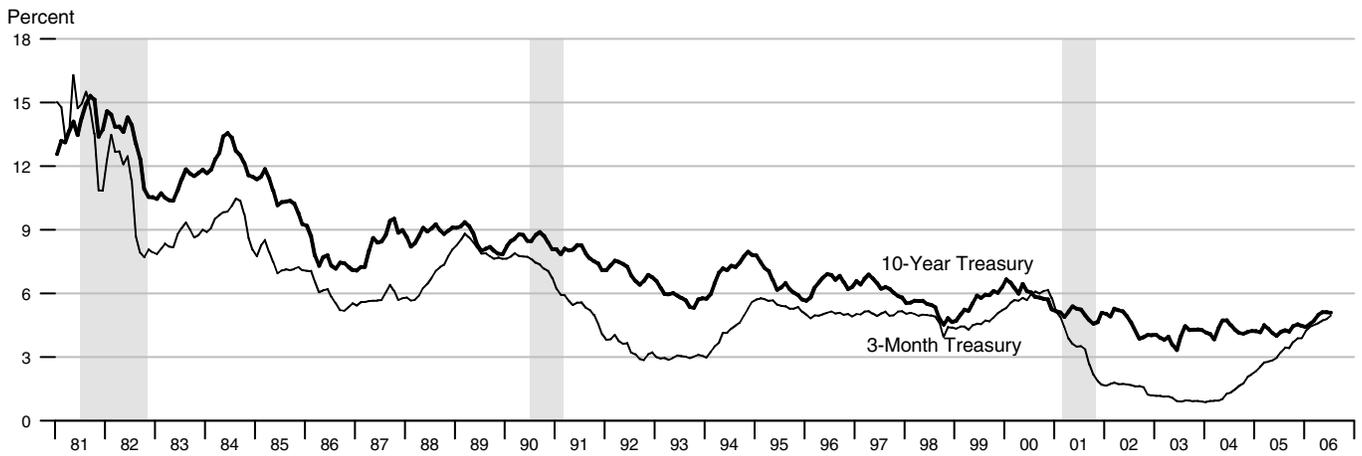
Percentage points at compounded annual rates



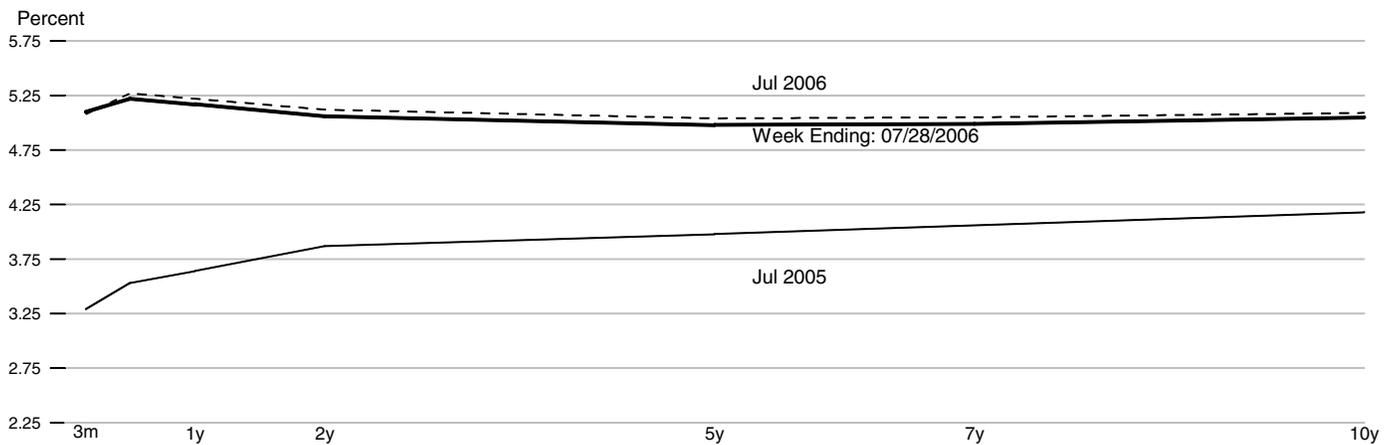
Contributions to Real GDP Growth Rate

	2004		2005				2006	
	3rd	4th	1st	2nd	3rd	4th	1st	2nd
Final Sales	3.94	2.56	3.31	5.49	4.36	-0.29	5.61	2.06
Consumption	2.74	2.97	1.94	2.94	2.76	0.53	3.38	1.74
Fixed Investment	1.16	0.77	1.22	1.62	1.02	0.46	1.34	-0.12
Nonresidential	0.97	0.81	0.59	0.51	0.59	0.52	1.36	0.28
Residential	0.18	-0.04	0.63	1.11	0.43	-0.06	-0.02	-0.40
Government	0.24	-0.37	0.31	0.21	0.64	-0.21	0.94	0.11
Federal	0.34	-0.38	0.23	0.03	0.66	-0.33	0.61	-0.24
State and Local	-0.10	0.01	0.08	0.18	-0.01	0.13	0.33	0.35
Net Exports	-0.20	-0.81	-0.16	0.72	-0.06	-1.07	-0.04	0.33
Exports	0.46	0.96	0.47	0.94	0.33	0.97	1.41	0.35
Imports	-0.66	-1.77	-0.63	-0.22	-0.39	-2.04	-1.46	-0.03
Change in Inventory	-0.84	0.05	0.09	-2.23	-0.18	2.05	-0.03	0.40
Residual	-0.01	-0.09	-0.01	0.08	0.01	-0.08	-0.10	-0.09
Real GDP Growth	3.10	2.61	3.40	3.26	4.18	1.76	5.58	2.46

Interest Rates



Treasury Yield Curve

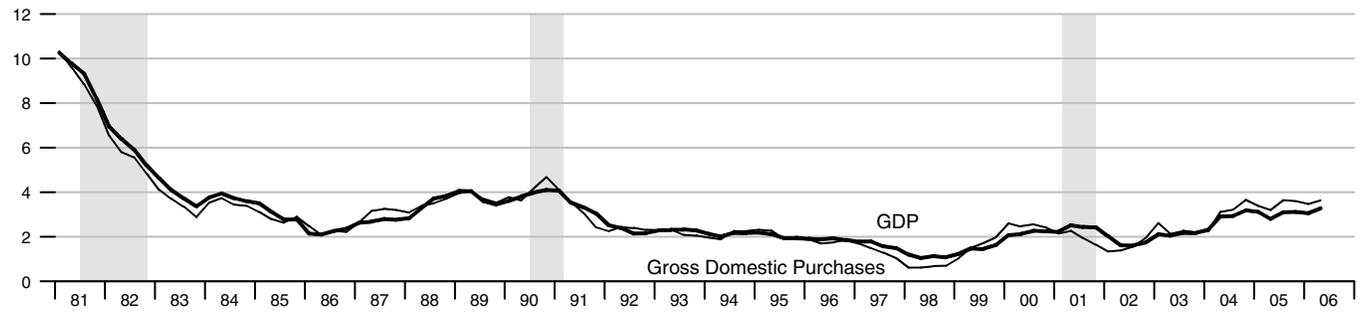


Standard and Poor's 500 Index with Reinvested Dividends



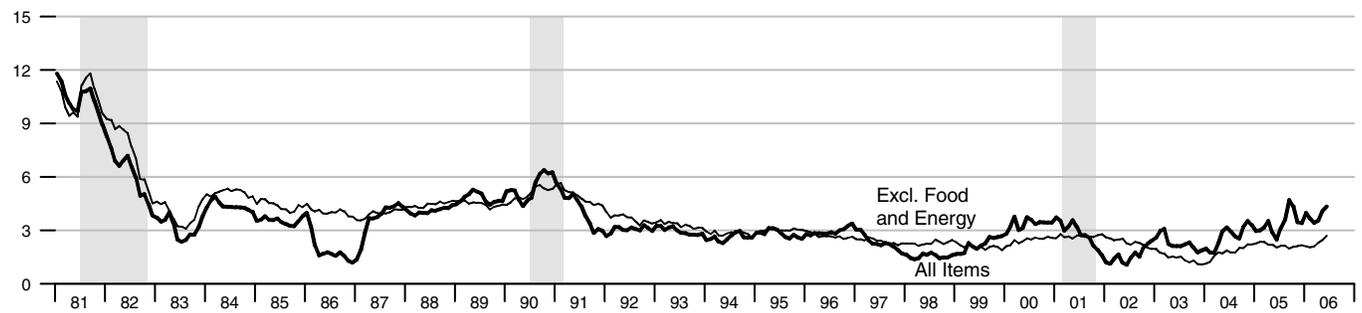
NIPA Chain Price Indexes

Percent change from year ago



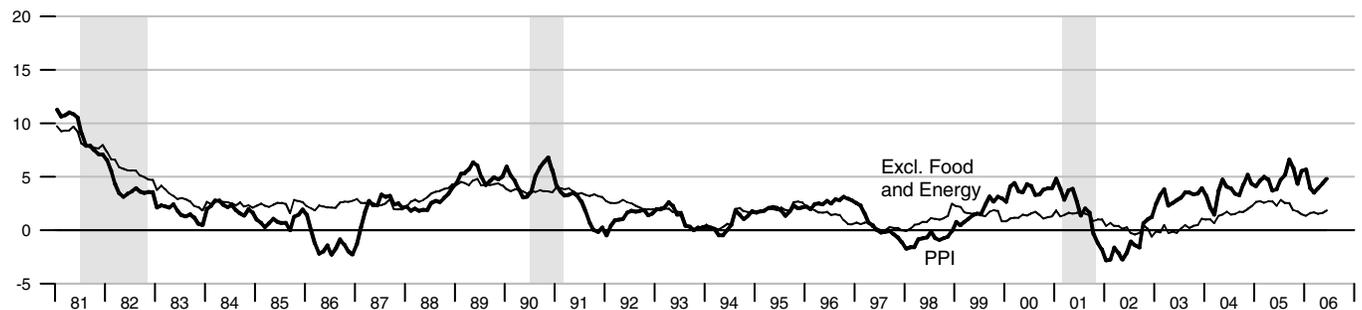
Consumer Price Index

Percent change from year ago



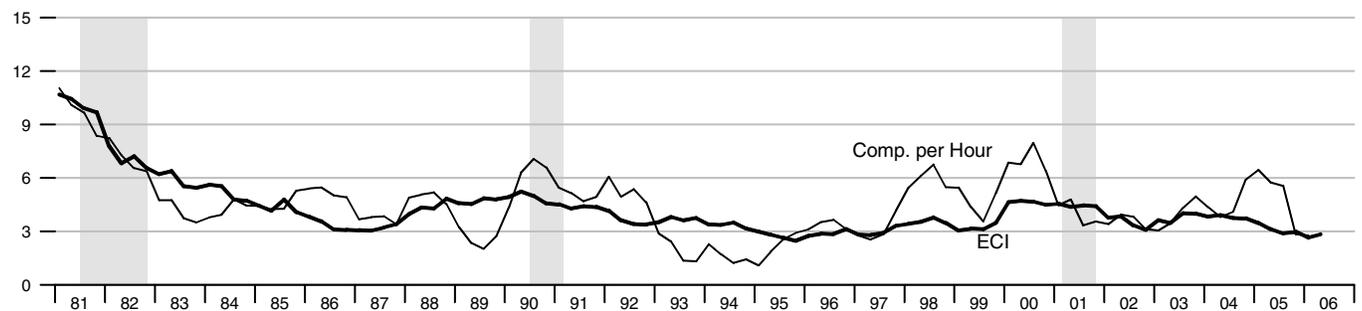
Producer Price Index, Finished Goods

Percent change from year ago

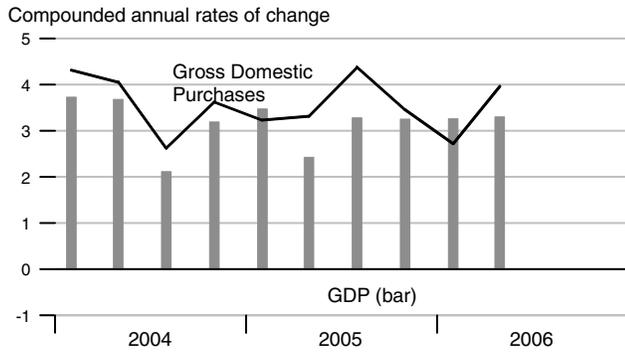


Employment Cost Index and Compensation per Hour

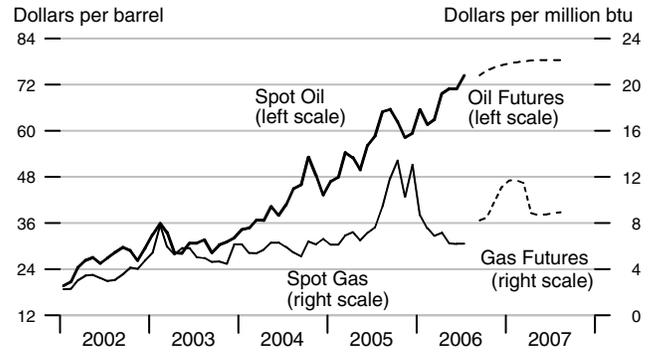
Percent change from year ago



NIPA Chain Price Indexes

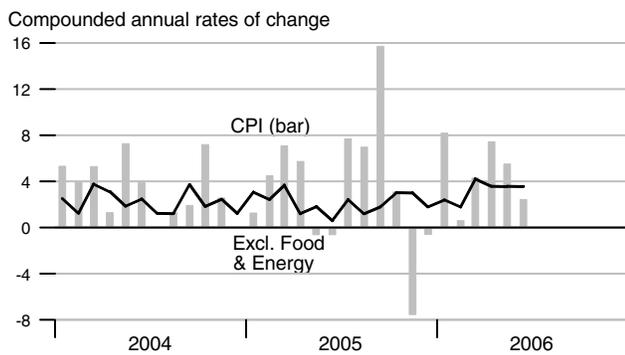


Oil & Natural Gas Prices: Spot & Futures

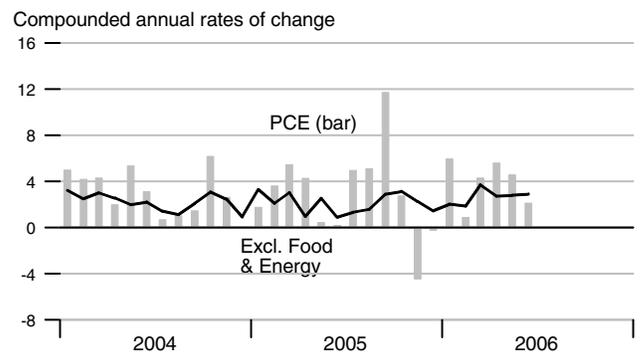


Note: Futures prices as of 07/31/2006.

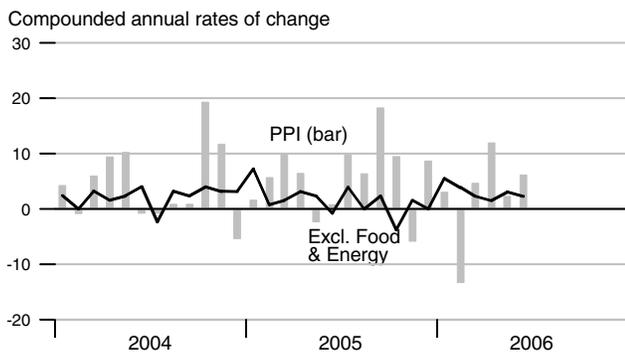
Consumer Price Index



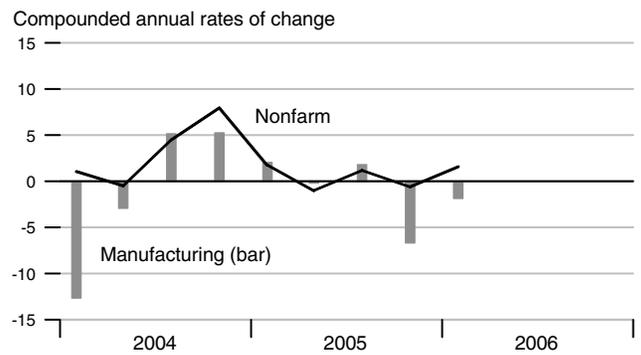
Consumption Chain Price Index



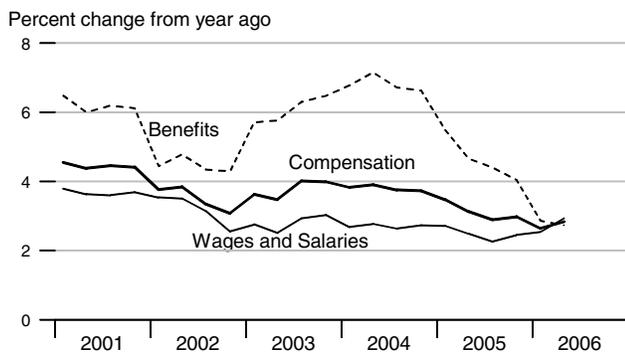
Producer Price Index, Finished Goods



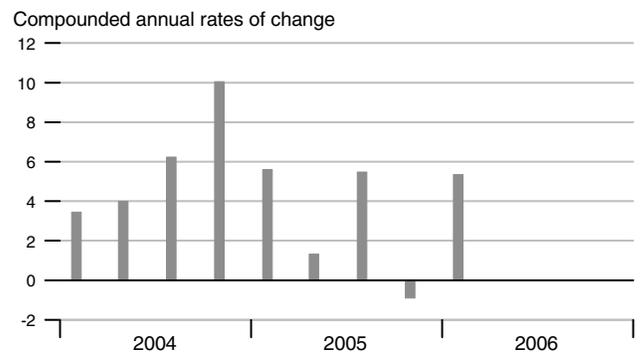
Unit Labor Cost



Employment Cost Index

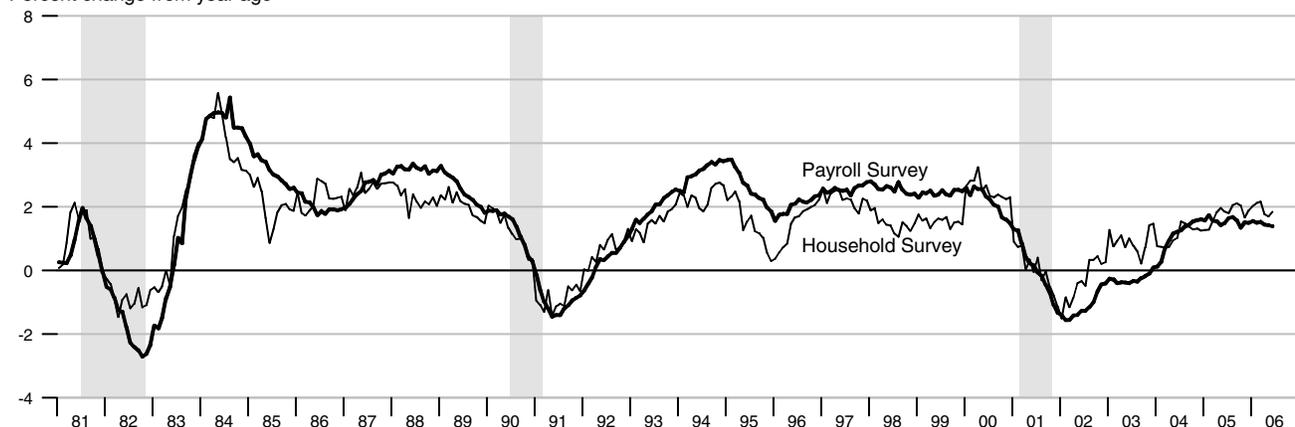


Compensation per Hour



Employment

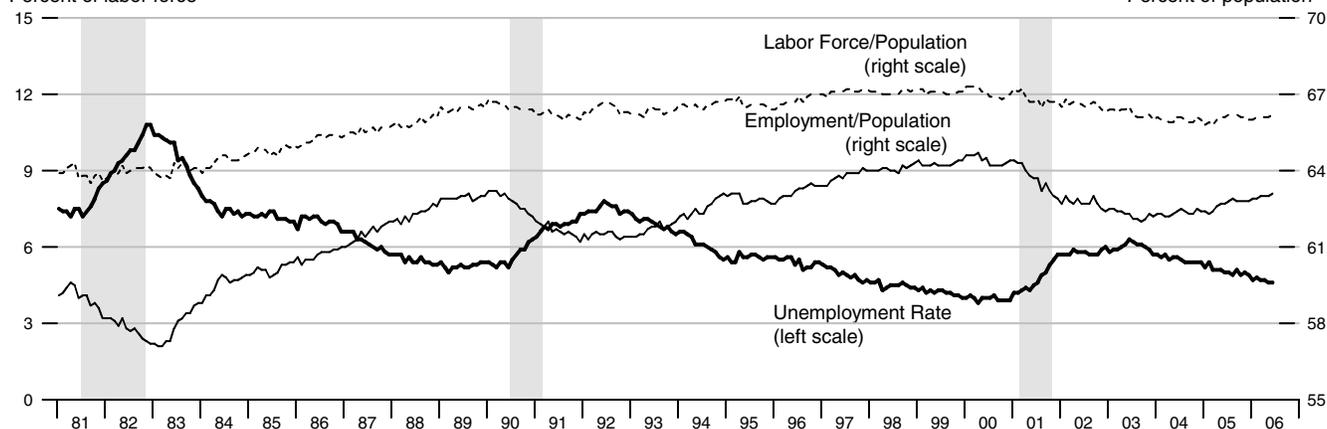
Percent change from year ago



Unemployment, Labor Force Participation, and Employment Rates

Percent of labor force

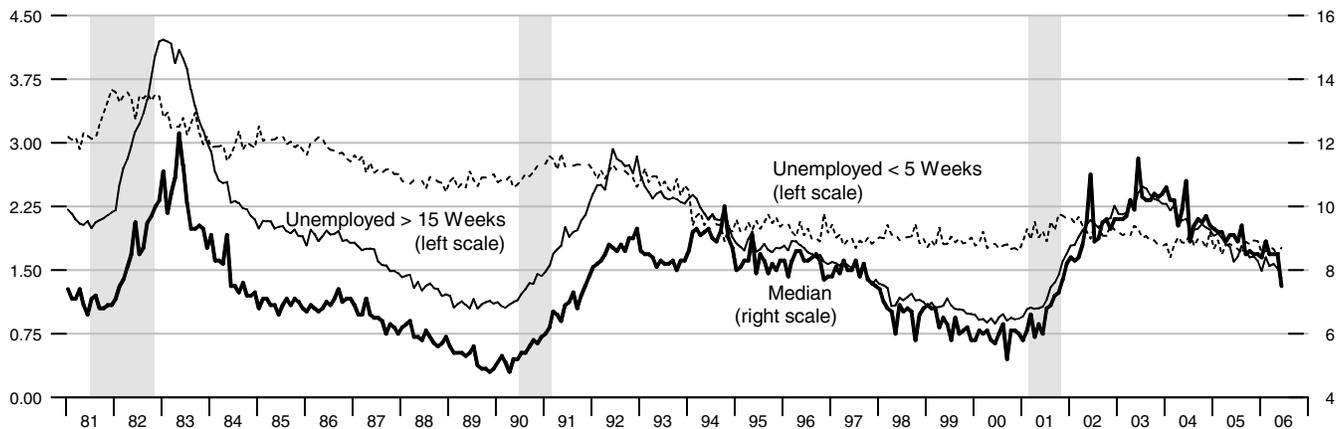
Percent of population



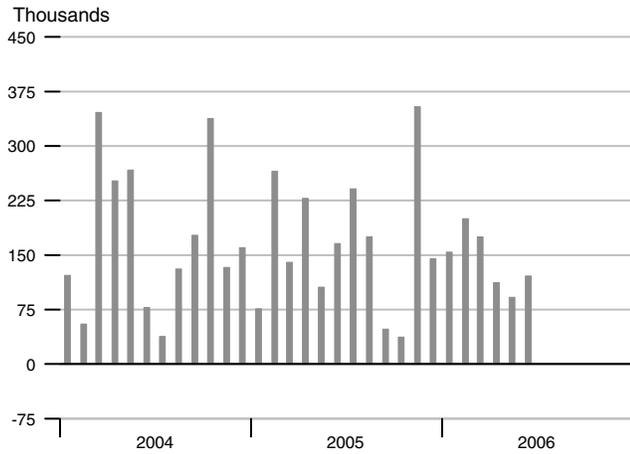
Duration of Unemployment

Percent of labor force

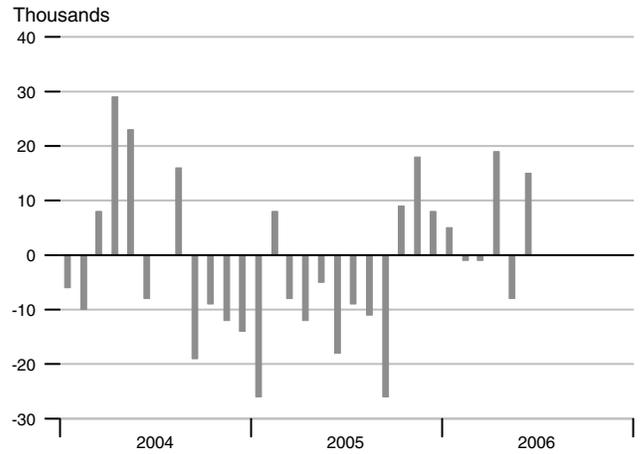
Weeks



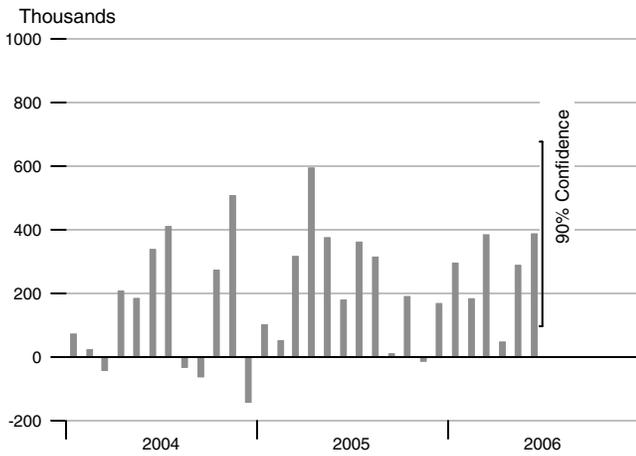
Change in Nonfarm Payrolls



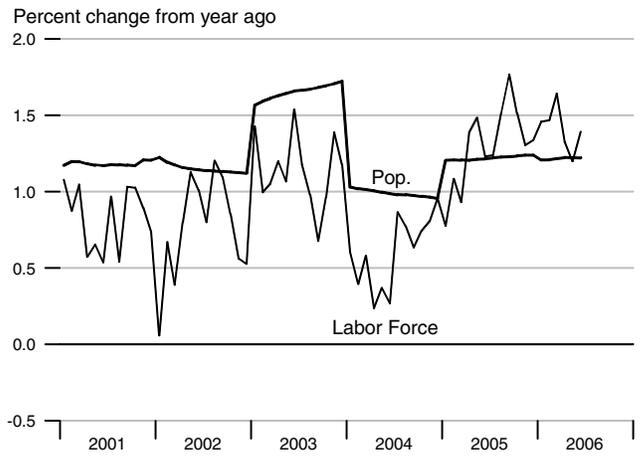
Change in Manufacturing Payrolls



Change in Household Employment



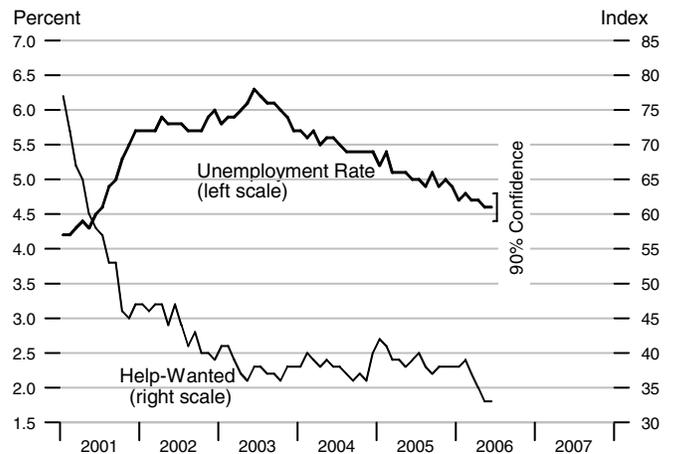
Labor Force and Population



Available Labor Supply and Components

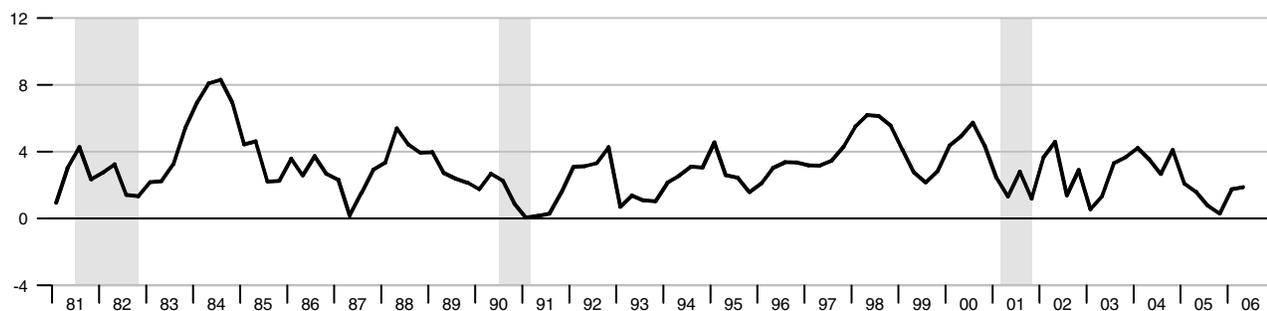


Unemployment Rate & Help-Wanted Index



Real Disposable Personal Income

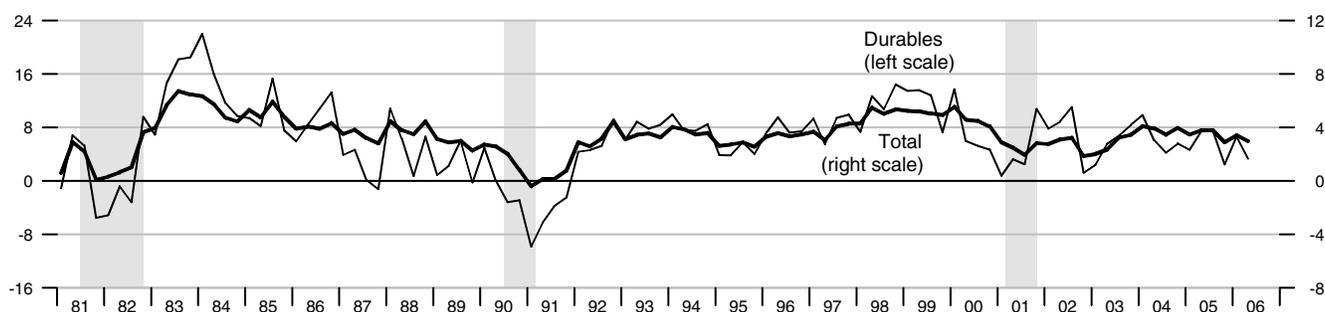
Percent change from year ago, quarterly data



Real Consumption

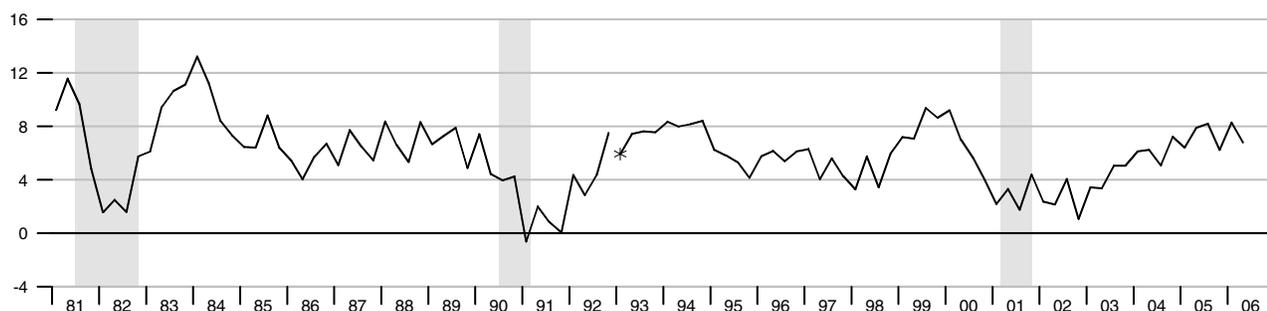
Percent change from year ago, quarterly data

Percent change from year ago, quarterly data



Retail and Food Services Sales

Percent change from year ago, quarterly average

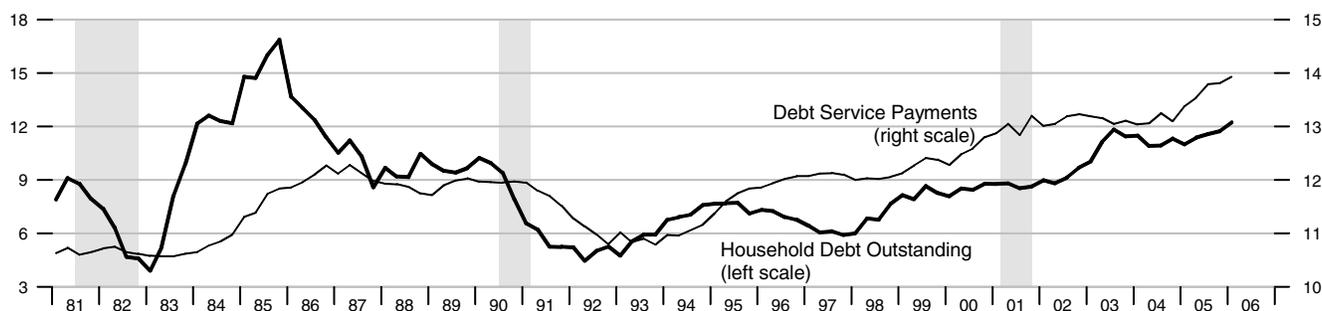


*Data from Jan. 1992 to the present are on a NAICS basis; data prior to Jan. 1992 are on an SIC basis and are not strictly comparable (see End Note).

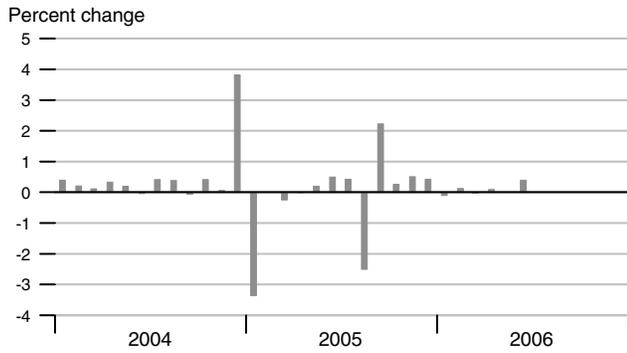
Debt Service Payments and Household Debt Outstanding

Percent change from year ago, quarterly data

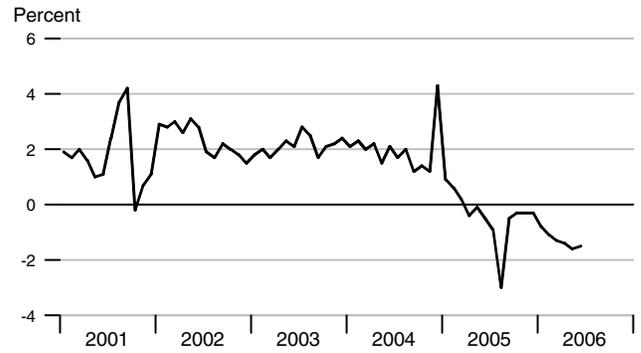
Percent of disposable personal income



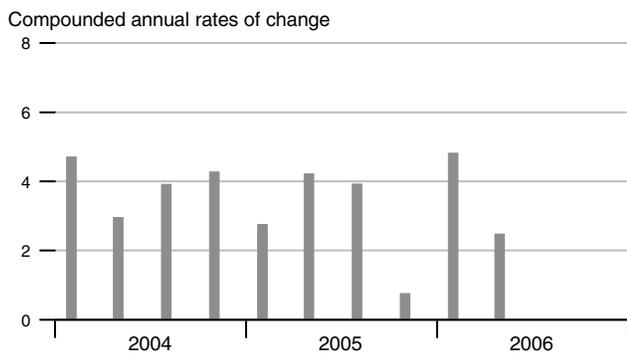
Real Disposable Personal Income



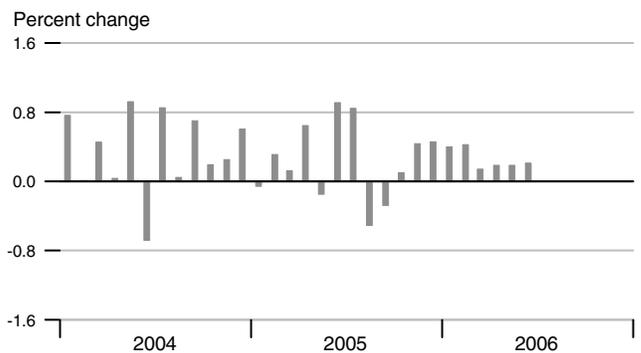
Personal Saving Rate



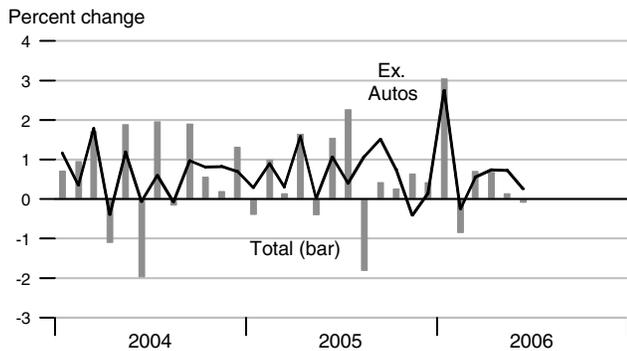
Real Consumption



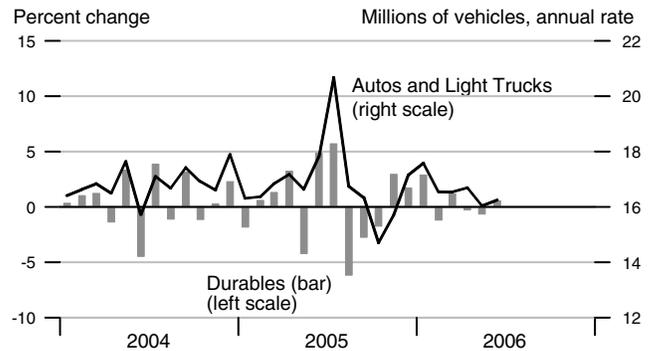
Real Consumption



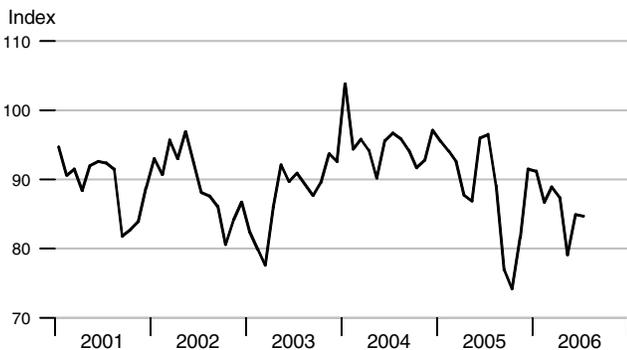
Retail & Food Services



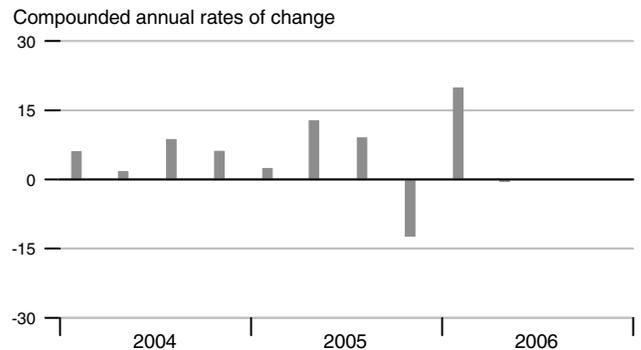
Real Durables Consumption & Vehicle Sales



Consumer Sentiment (U. of Michigan)

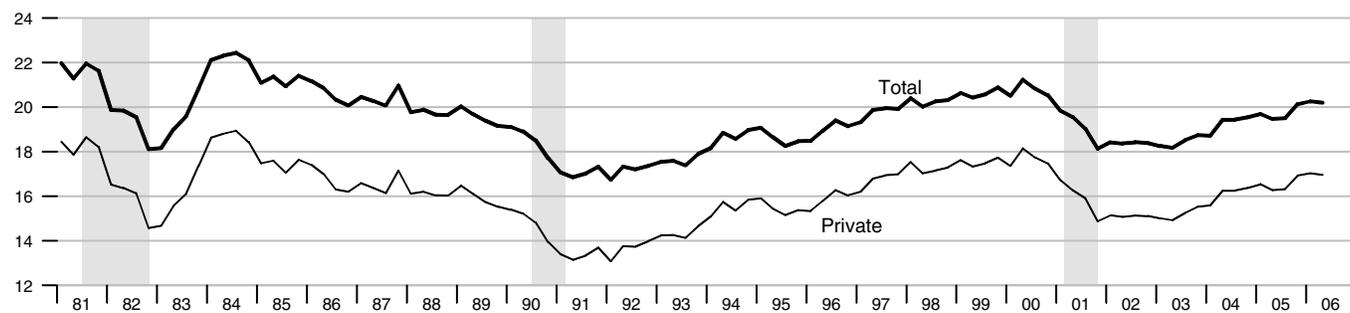


Real Durables Consumption



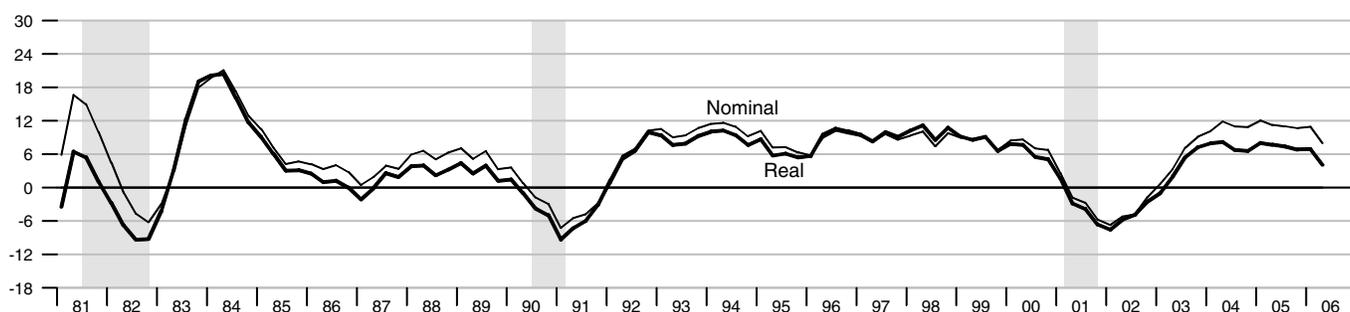
Investment

Percent of nominal GDP



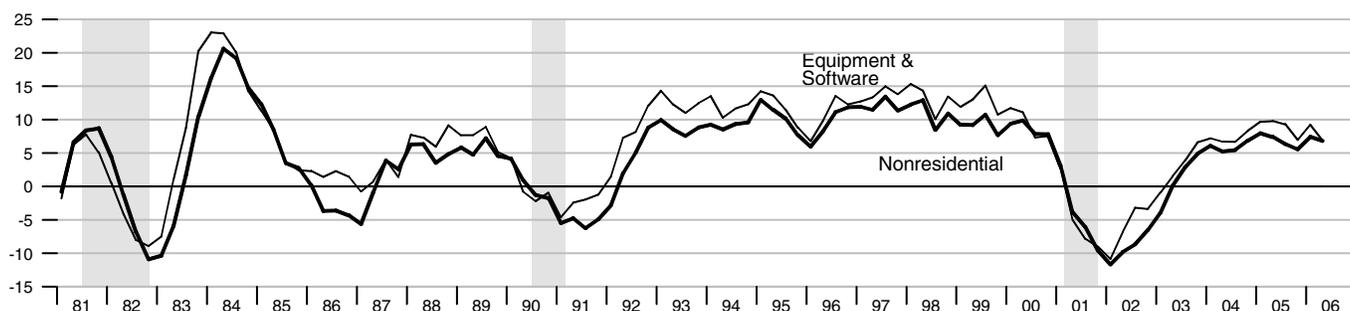
Private Fixed Investment

Percent change from year ago



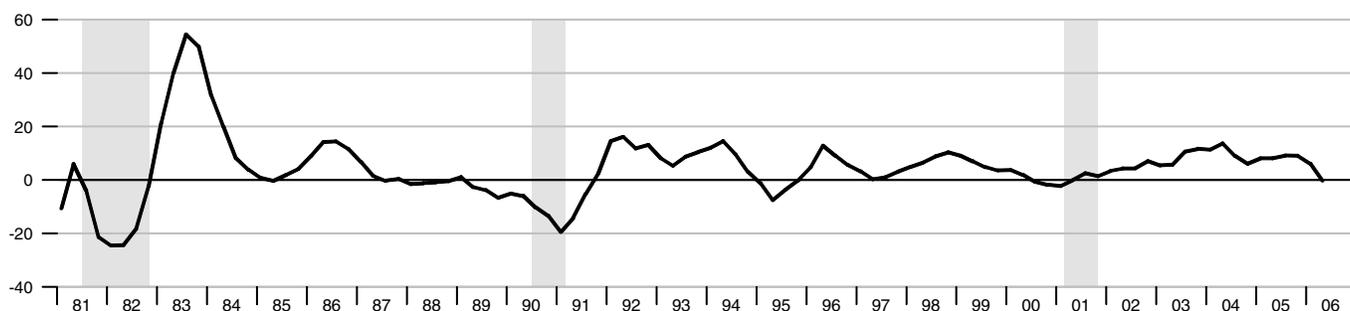
Real Nonresidential Fixed and Equipment & Software Investment

Percent change from year ago

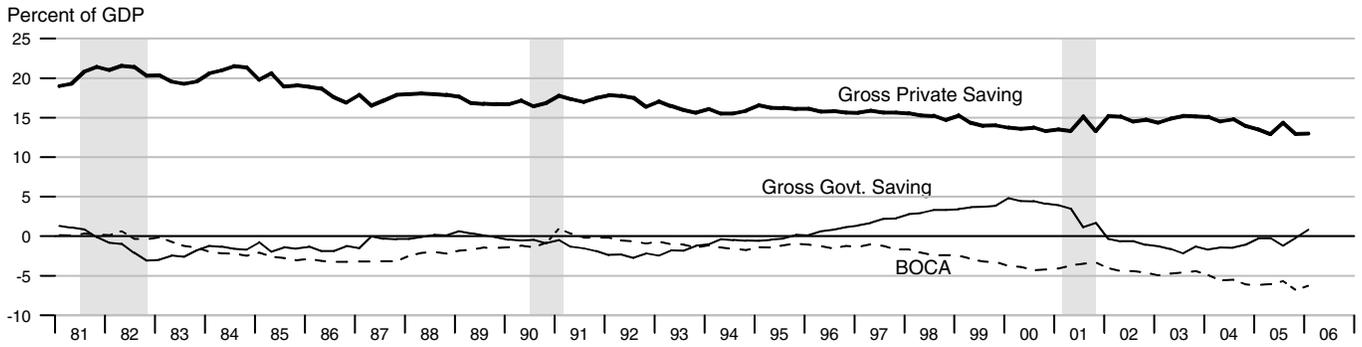


Real Residential Fixed Investment

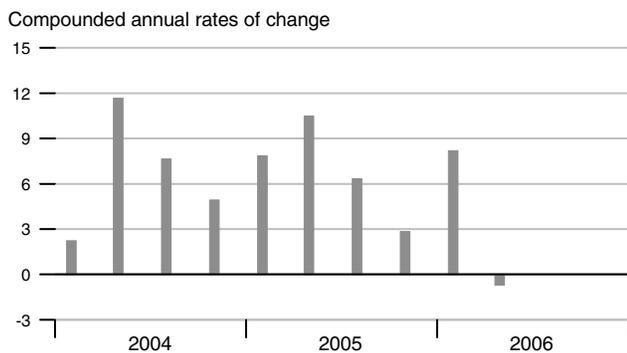
Percent change from year ago



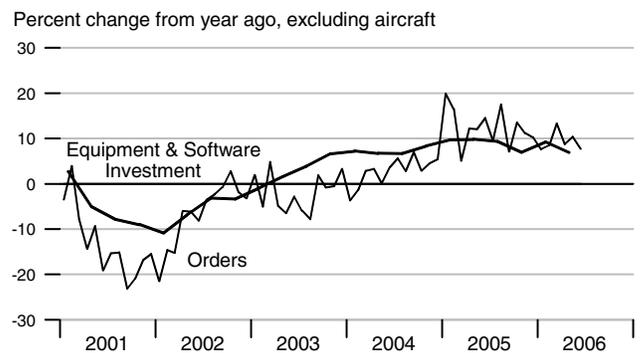
Gross Saving Rates and Balance on Current Account (NIPA)



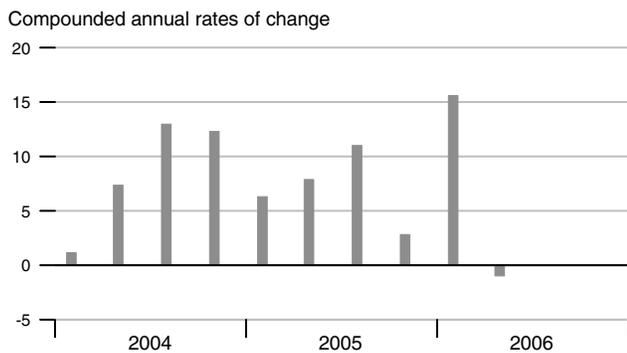
Real Private Fixed Investment



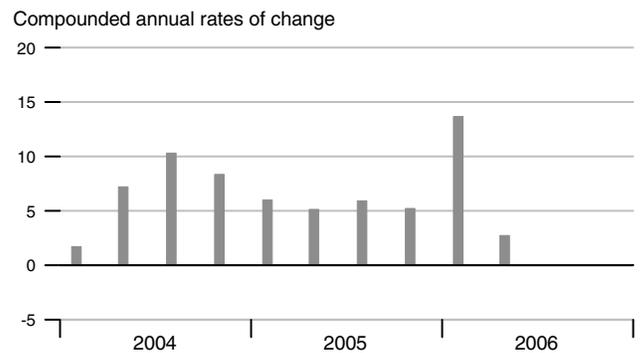
Nondefense Capital Goods Orders



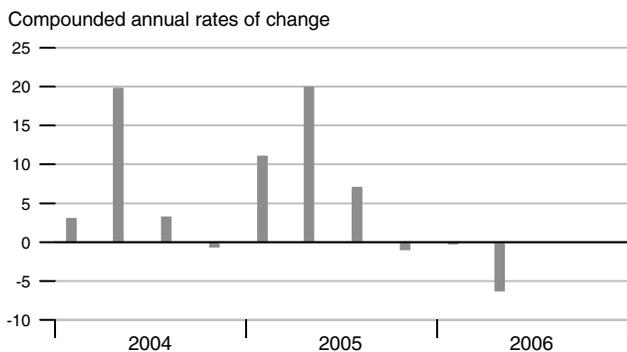
Real Equipment & Software Investment



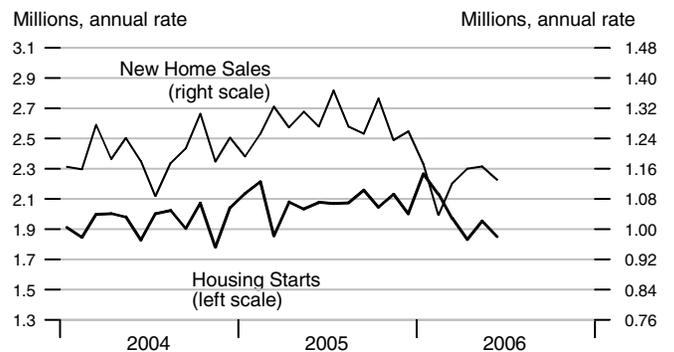
Real Nonresidential Fixed Investment



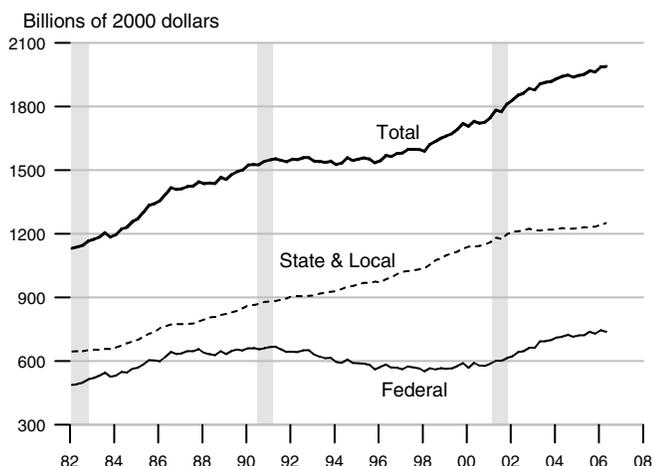
Real Residential Fixed Investment



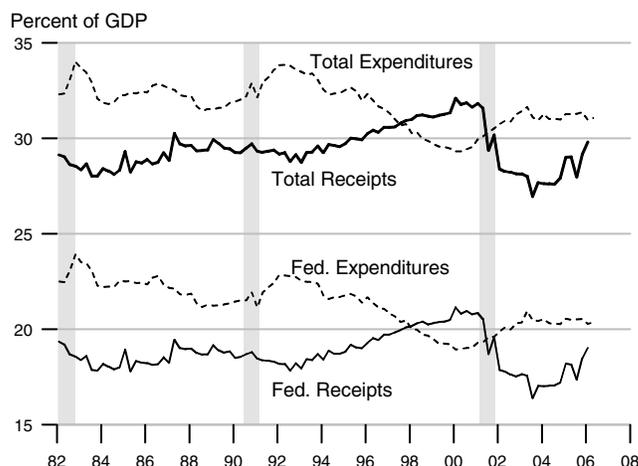
Housing Starts and New Home Sales



Govt. Consumption and Investment



Govt. Current Receipts and Expenditures



Government Budgets

Billions of dollars

National Income Accounts

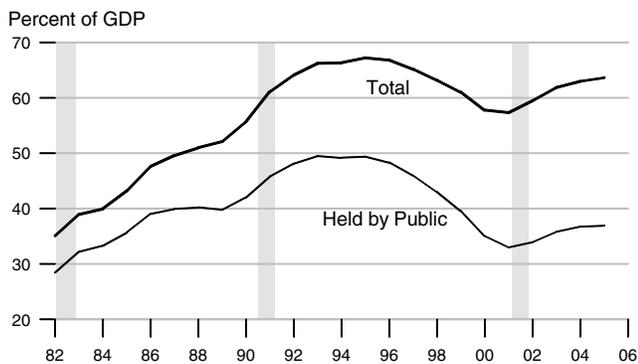
Calendar Years

Unified Budget

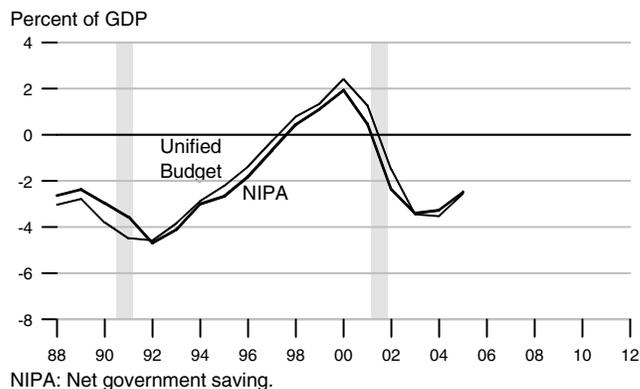
Fiscal Years

	State and Local			Federal			Federal		
	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Outlays	Surplus or Deficit (-)
1991	789.2	793.3	-4.1	1101.3	1315.0	-213.7	1055.1	1324.3	-269.2
1992	845.7	845.0	0.7	1147.2	1444.6	-297.4	1091.3	1381.6	-290.3
1993	886.9	886.0	0.9	1222.5	1496.0	-273.5	1154.5	1409.5	-255.1
1994	942.9	932.4	10.5	1320.8	1533.1	-212.3	1258.7	1461.9	-203.2
1995	990.2	978.2	12.0	1406.5	1603.5	-197.0	1351.9	1515.9	-164.0
1996	1043.3	1017.5	25.8	1524.0	1665.8	-141.8	1453.2	1560.6	-107.4
1997	1097.4	1058.3	39.1	1653.1	1708.9	-55.8	1579.4	1601.3	-21.9
1998	1163.2	1111.2	52.0	1773.8	1734.9	38.9	1722.0	1652.7	69.3
1999	1236.7	1186.3	50.4	1891.2	1787.6	103.6	1827.6	1702.0	125.6
2000	1319.5	1269.5	50.0	2053.8	1864.4	189.4	2025.5	1789.2	236.2
2001	1373.0	1368.2	4.8	2016.2	1969.5	46.7	1991.4	1863.2	128.2
2002	1410.1	1444.3	-34.2	1853.2	2101.1	-247.9	1853.4	2011.2	-157.8
2003	1494.2	1514.5	-20.3	1879.9	2252.1	-372.2	1782.5	2160.1	-377.6
2004	1592.6	1605.5	-12.9	2001.0	2383.0	-382.0	1880.3	2293.0	-412.7
2005	1700.6	1703.9	-3.3	2246.8	2555.9	-309.1	2153.9	2472.2	-318.3
2004Q2	1582.9	1596.5	-13.6	1985.6	2366.3	-380.7	549.9	575.6	-25.7
2004Q3	1590.9	1613.2	-22.3	2013.0	2393.6	-380.6	479.5	565.4	-85.9
2004Q4	1643.6	1644.5	-0.9	2059.9	2425.6	-365.7	487.2	605.2	-118.1
2005Q1	1672.2	1661.2	11.0	2214.5	2502.0	-287.5	451.8	628.4	-176.6
2005Q2	1702.9	1690.5	12.4	2240.3	2529.9	-289.6	665.2	619.9	45.2
2005Q3	1697.8	1717.2	-19.4	2182.4	2578.5	-396.1	549.2	618.2	-69.0
2005Q4	1729.6	1746.8	-17.2	2349.8	2613.3	-263.5	530.2	649.5	-119.3
2006Q1	1755.4	1742.7	12.7	2473.2	2637.9	-164.7	507.4	691.1	-183.7
2006Q2		1769.8			2685.6		772.1	675.6	96.5

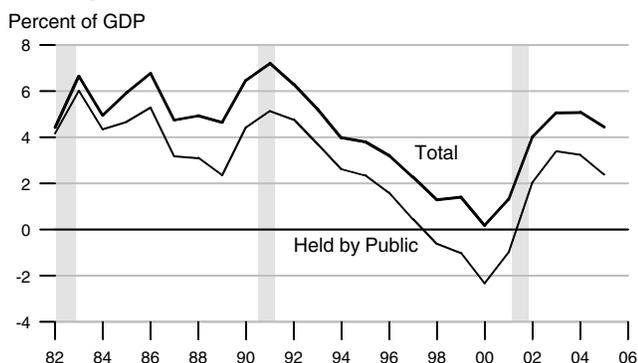
Federal Debt



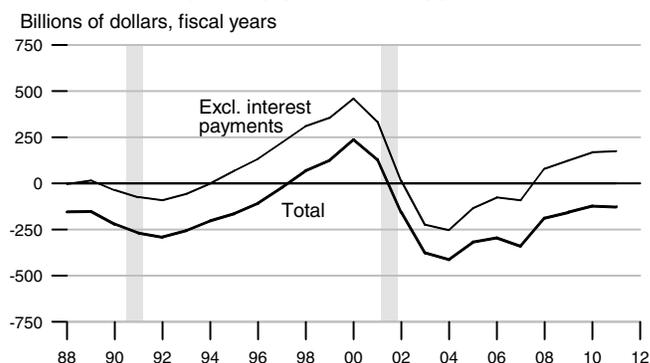
Federal Surplus (+) / Deficit (-)



Change in Federal Debt



Federal Surplus (+) / Deficit (-), Unified Basis

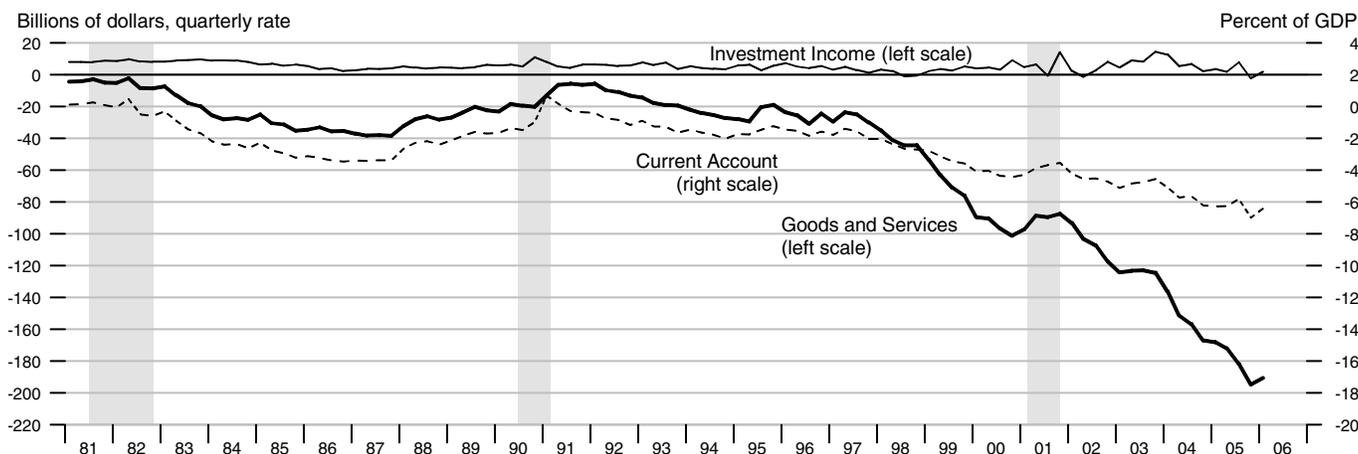


Federal Government Debt

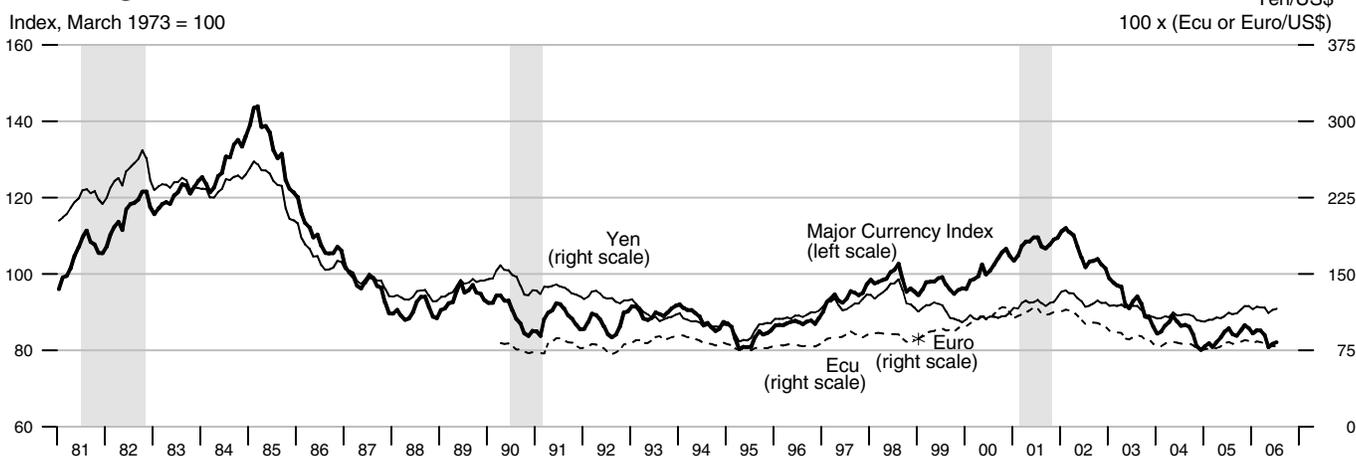
Billions of dollars, end of month or fiscal year
Excludes Agency-issued debt

	Total Public Debt	Held by Agencies and Trusts	Held by Public		Held by Private Investors	
			Total	Federal Reserve Banks	Total	Foreign and International
2003	6783.2	2859.3	3923.9	656.1	3268.0	1454.2
2004	7379.1	3075.7	4303.4	700.3	3607.0	1798.7
2005	7932.7	3331.3	4601.4	733.4	3864.9	1933.4
2003						
March	6460.8	2750.0	3710.8	641.5	3069.9	1286.5
June	6670.1	2853.8	3816.3	652.1	3164.7	1382.8
September	6783.2	2859.3	3923.9	656.1	3268.0	1454.2
December	6998.0	2954.5	4044.1	666.7	3377.9	1533.0
2004						
March	7131.1	2954.4	4176.7	674.1	3502.8	1677.1
June	7274.3	3055.6	4218.7	687.4	3531.5	1739.6
September	7379.1	3075.7	4303.4	700.3	3607.0	1798.7
December	7596.1	3189.8	4406.4	717.8	3667.1	1863.4
2005						
March	7776.9	3204.5	4572.4	715.0	3855.4	1956.9
June	7836.5	3308.9	4527.6	721.9	3803.0	1879.6
September	7932.7	3331.3	4601.4	733.4	3864.9	1933.4
December	8170.4	3455.8	4714.6	732.9	3970.6	2041.1
2006						
March	8371.1	3198.4	4872.8	755.2	4114.0	2089.2

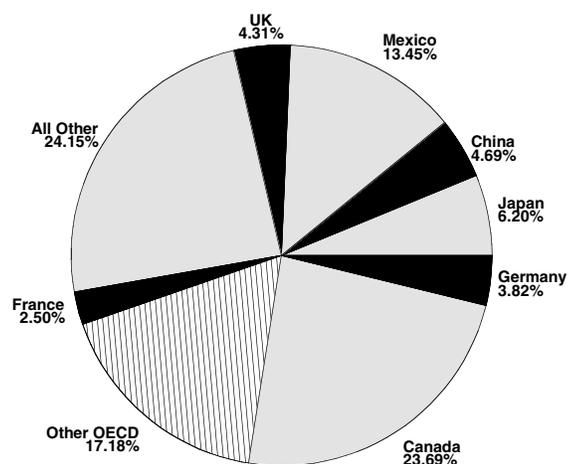
Current Account, Trade and Investment Income Balances



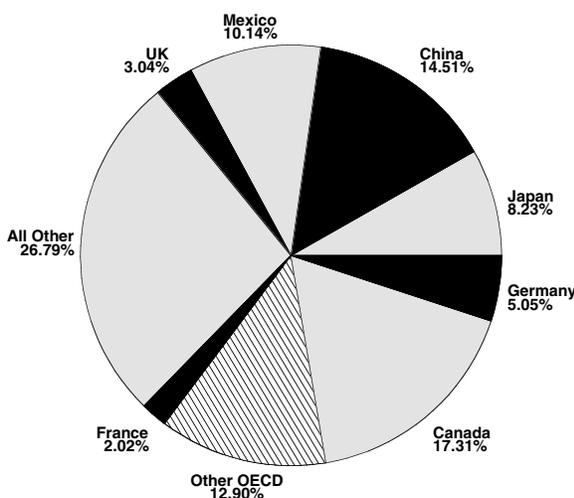
Exchange Rates



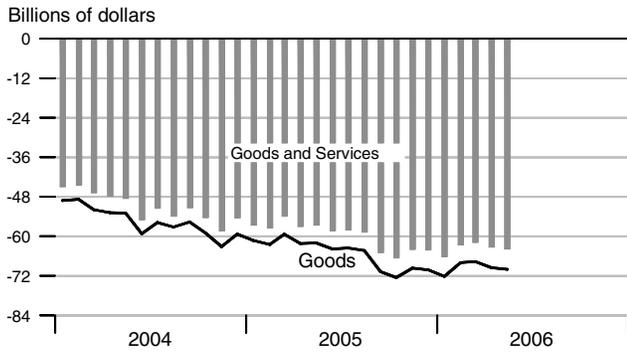
Goods Export Shares, 2005



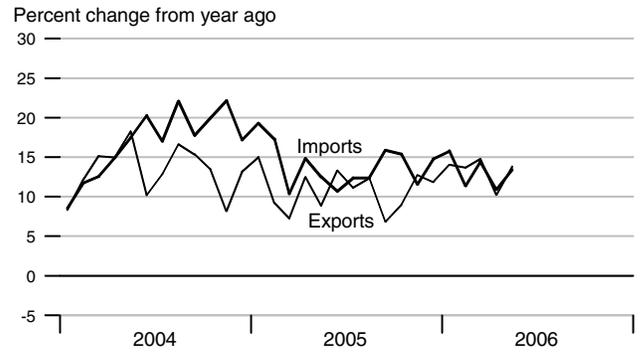
Goods Import Shares, 2005



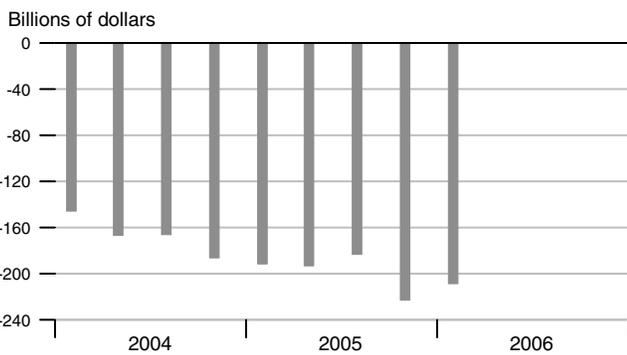
Trade Balance



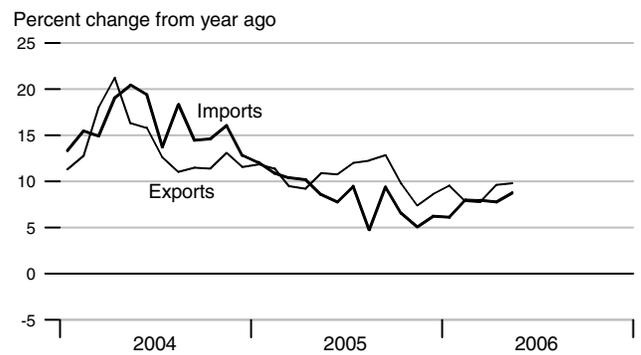
Goods Trade



Current Account Balance



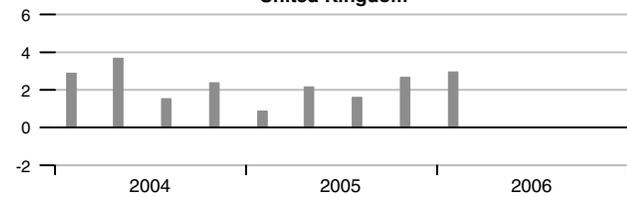
Services Trade



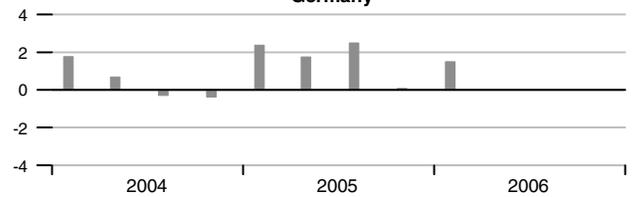
Real GDP Growth of Major Trading Partners

Compounded annual rates of change

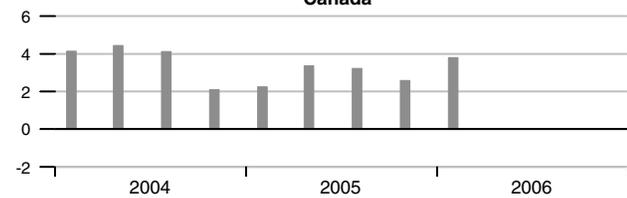
United Kingdom



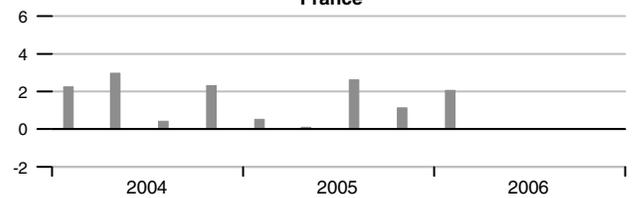
Germany



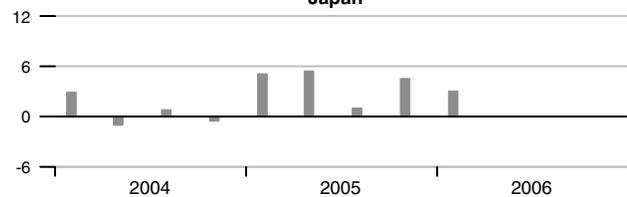
Canada



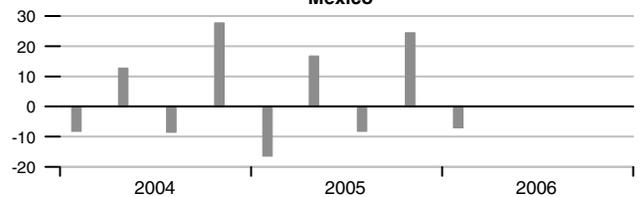
France



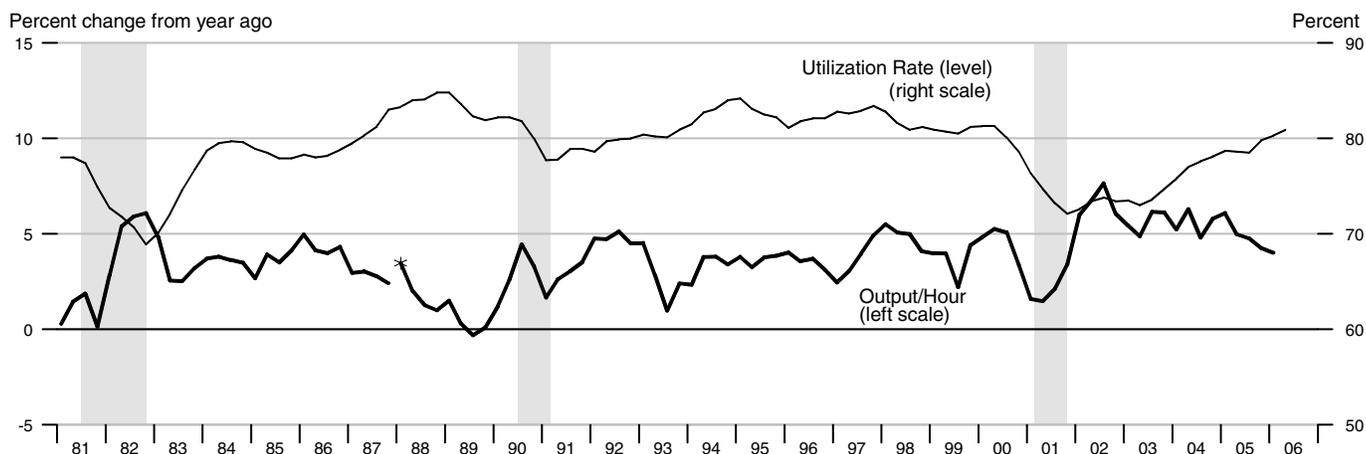
Japan



Mexico

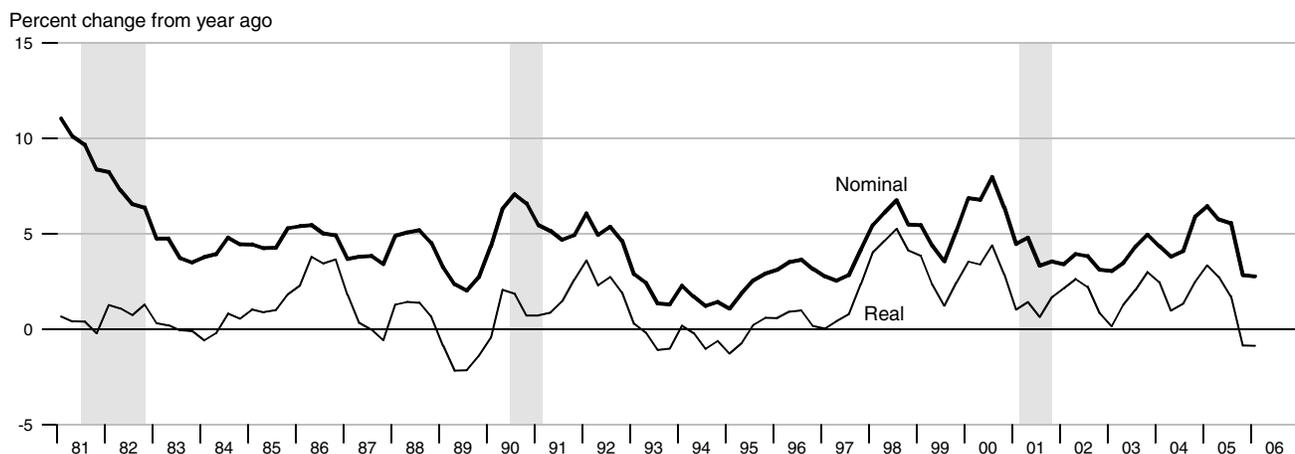


Output per Hour and Capacity Utilization, Manufacturing

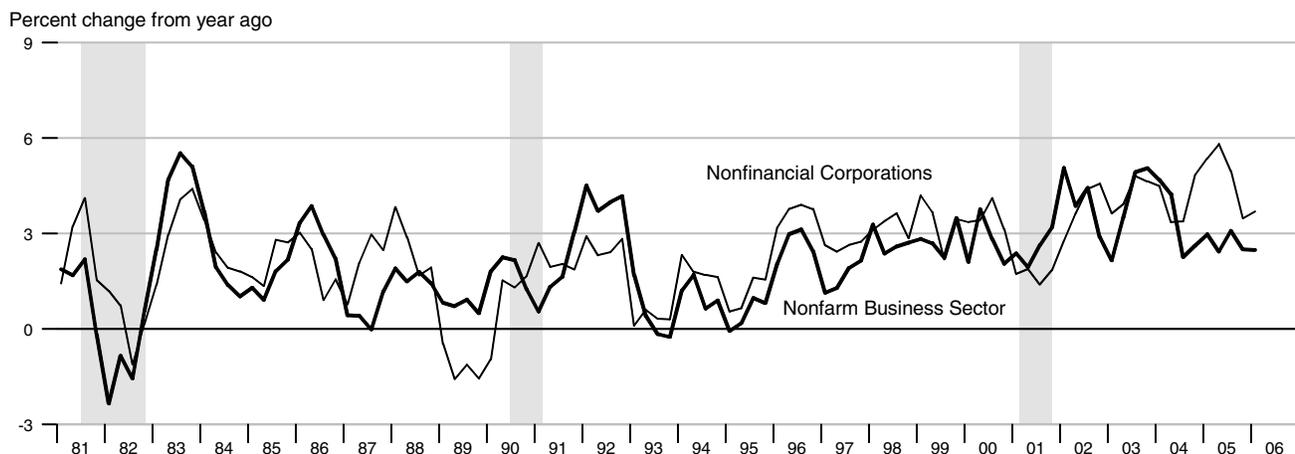


*Data from 1987 to the present are on a NAICS basis; data prior to 1987 are on an SIC basis and are not strictly comparable (see End Note).

Nonfarm Compensation per Hour

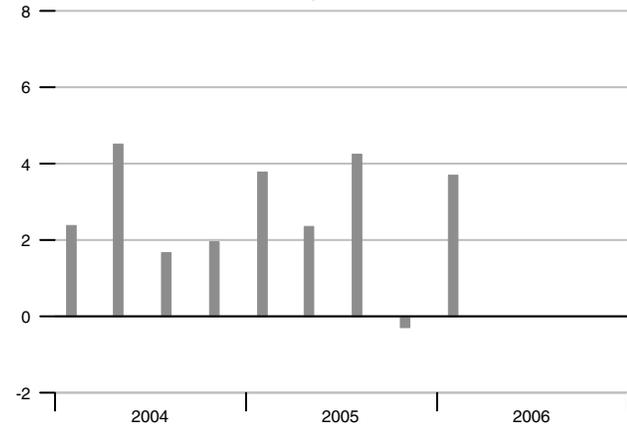


Output per Hour, Nonfarm Business and Nonfinancial Corporations



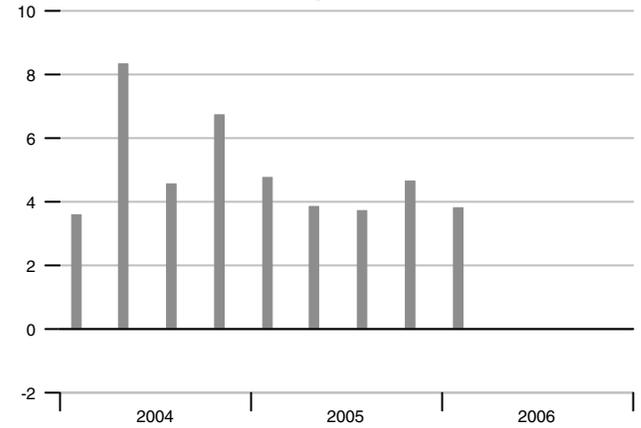
Nonfarm Output per Hour

Compounded annual rates of change

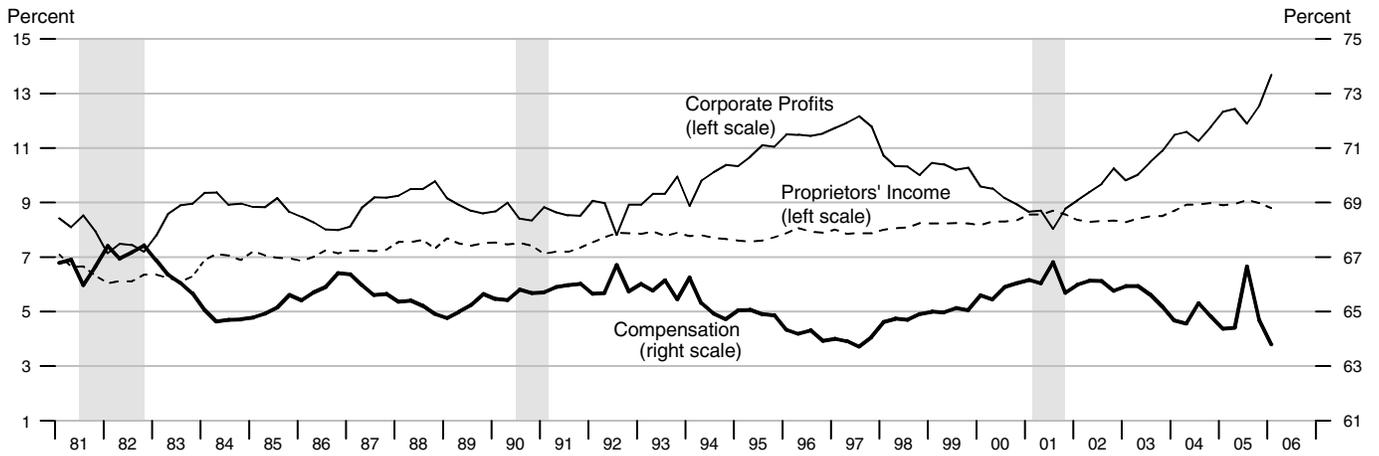


Manufacturing Output per Hour

Compounded annual rates of change

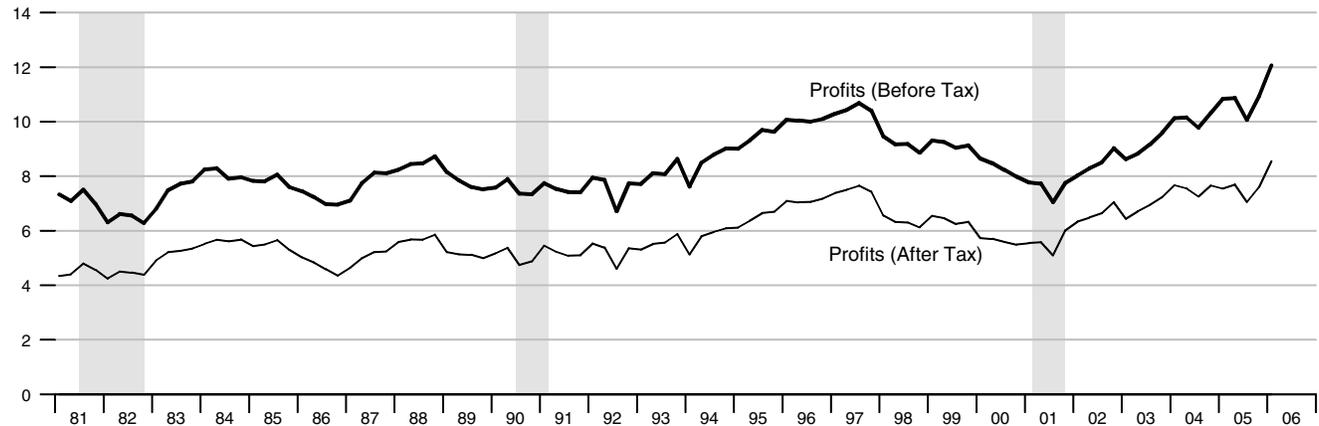


Selected Component Shares of National Income



Corporate Profits

Percent of GDP



	GDP Chain Price Index			Employment Cost Index			ECI: Wages			ECI: Benefits		
	Index	Percent change		Index	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2002	104.193		1.7	89.3		3.5	91.6		3.2	83.7		4.5
2003	106.409		2.1	92.7		3.8	94.2		2.8	88.8		6.1
2004	109.429		2.8	96.2		3.8	96.8		2.7	94.8		6.8
2005	112.744		3.0	99.2		3.1	99.2		2.5	99.2		4.6
2003 1	105.742	3.1	2.1	91.4	5.4	3.6	93.2	4.0	2.8	87.0	9.7	5.7
2	106.076	1.3	2.1	92.2	3.5	3.5	93.8	2.6	2.5	88.1	5.2	5.8
3	106.616	2.1	2.2	93.2	4.4	4.0	94.7	3.9	2.9	89.4	6.0	6.3
4	107.204	2.2	2.2	93.8	2.6	4.0	95.1	1.7	3.0	90.5	5.0	6.5
2004 1	108.190	3.7	2.3	94.9	4.8	3.8	95.7	2.5	2.7	92.9	11.0	6.8
2	109.172	3.7	2.9	95.8	3.8	3.9	96.4	3.0	2.8	94.4	6.6	7.2
3	109.744	2.1	2.9	96.7	3.8	3.8	97.2	3.4	2.6	95.4	4.3	6.7
4	110.610	3.2	3.2	97.3	2.5	3.7	97.7	2.1	2.7	96.5	4.7	6.6
2005 1	111.558	3.5	3.1	98.2	3.8	3.5	98.3	2.5	2.7	98.0	6.4	5.5
2	112.229	2.4	2.8	98.8	2.5	3.1	98.8	2.1	2.5	98.8	3.3	4.7
3	113.139	3.3	3.1	99.5	2.9	2.9	99.4	2.5	2.3	99.6	3.3	4.4
4	114.048	3.3	3.1	100.2	2.8	3.0	100.1	2.8	2.5	100.4	3.3	4.0
2006 1	114.967	3.3	3.1	100.8	2.4	2.6	100.8	2.8	2.5	100.8	1.6	2.9
2	115.905	3.3	3.3	101.6	3.2	2.8	101.7	3.6	2.9	101.5	2.8	2.7
	Exports			Imports			Nonfarm Output per Hour			Nonfarm Compensation per Hour		
	Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2002	1013.293		-2.3	1484.629		3.4	123.134		4.1	144.160		3.6
2003	1026.109		1.3	1545.017		4.1	127.960		3.9	149.869		4.0
2004	1120.411		9.2	1711.321		10.8	132.357		3.4	156.692		4.6
2005	1196.098		6.8	1815.288		6.1	135.988		2.7	164.717		5.1
2003 1	1003.295	-5.3	1.1	1510.514	-5.0	5.3	124.976	3.8	2.2	147.021	5.9	3.1
2	999.020	-1.7	-1.9	1525.906	4.1	3.3	126.903	6.3	3.5	149.243	6.2	3.5
3	1026.252	11.4	0.1	1540.015	3.8	2.8	129.893	9.8	4.9	151.088	5.0	4.3
4	1075.847	20.8	5.8	1603.649	17.6	4.8	130.062	0.5	5.0	152.123	2.8	5.0
2004 1	1094.769	7.2	9.1	1643.229	10.2	8.8	130.828	2.4	4.7	153.416	3.4	4.3
2	1111.279	6.2	11.2	1705.196	16.0	11.7	132.280	4.5	4.2	154.927	4.0	3.8
3	1124.314	4.8	9.6	1723.688	4.4	11.9	132.829	1.7	2.3	157.285	6.2	4.1
4	1151.282	9.9	7.0	1773.140	12.0	10.6	133.472	2.0	2.6	161.096	10.0	5.9
2005 1	1164.537	4.7	6.4	1790.938	4.1	9.0	134.715	3.8	3.0	163.307	5.6	6.4
2	1190.968	9.4	7.2	1797.107	1.4	5.4	135.500	2.4	2.4	163.843	1.3	5.8
3	1200.462	3.2	6.8	1808.101	2.5	4.9	136.915	4.2	3.1	166.040	5.5	5.6
4	1228.428	9.6	6.7	1865.021	13.2	5.2	136.814	-0.3	2.5	165.666	-0.9	2.8
2006 1	1269.308	14.0	9.0	1905.885	9.1	6.4	138.062	3.7	2.5	167.837	5.3	2.8
2	1279.580	3.3	7.4	1906.667	0.2	6.1						

		Household Survey Employment				Nonfarm Payroll Employment				Nonfarm Aggregate Hours			
		Thousands	Change	Percent change		Thousands	Change	Percent change		Index	Percent change		
				Annual rate	Year ago			Annual rate	Year ago		Monthly rate	Annual rate	Year ago
2001		136939	39		0.0	131832	40		0.0	102.0			-1.4
2002		136480	-459		-0.3	130342	-1490		-1.1	100.0			-2.0
2003		137731	1251		0.9	129993	-349		-0.3	98.6			-1.4
2004		139244	1513		1.1	131424	1431		1.1	100.2			1.6
2005		141719	2475		1.8	133459	2035		1.5	102.6			2.4
2004	1	138473	193	0.6	0.7	130572	382	1.2	0.4	99.2	0.4	1.6	0.2
	2	138894	421	1.2	0.9	131277	705	2.2	1.1	99.9	0.7	2.7	1.6
	3	139548	654	1.9	1.5	131602	325	1.0	1.4	100.5	0.6	2.6	2.3
	4	140059	511	1.5	1.3	132244	642	2.0	1.6	101.1	0.6	2.4	2.3
2005	1	140373	314	0.9	1.4	132694	450	1.4	1.6	101.6	0.4	1.7	2.4
	2	141506	1132	3.3	1.9	133230	536	1.6	1.5	102.3	0.8	3.1	2.4
	3	142324	818	2.3	2.0	133750	520	1.6	1.6	102.9	0.6	2.2	2.4
	4	142672	348	1.0	1.9	134161	412	1.2	1.4	103.4	0.5	2.1	2.3
2006	1	143324	652	1.8	2.1	134722	560	1.7	1.5	104.2	0.7	3.0	2.6
	2	144009	685	1.9	1.8	135119	397	1.2	1.4	104.8	0.6	2.3	2.4
2004	Jun	139181	338	3.0	1.0	131418	78	0.7	1.2	99.8	-0.5	-5.8	1.6
	Jul	139591	410	3.6	1.5	131456	38	0.3	1.3	100.3	0.5	6.2	2.1
	Aug	139558	-33	-0.3	1.5	131587	131	1.2	1.4	100.4	0.1	1.2	2.2
	Sep	139495	-63	-0.5	1.4	131764	177	1.6	1.4	100.9	0.5	6.1	2.5
	Oct	139768	273	2.4	1.3	132102	338	3.1	1.5	100.9	0.0	0.0	2.1
	Nov	140276	508	4.4	1.3	132235	133	1.2	1.6	101.0	0.1	1.2	1.9
	Dec	140133	-143	-1.2	1.3	132395	160	1.5	1.6	101.5	0.5	6.1	2.9
2005	Jan	140234	101	0.9	1.3	132471	76	0.7	1.6	101.3	-0.2	-2.3	2.3
	Feb	140285	51	0.4	1.3	132736	265	2.4	1.7	101.6	0.3	3.6	2.2
	Mar	140601	316	2.7	1.6	132876	140	1.3	1.6	101.8	0.2	2.4	2.5
	Apr	141196	595	5.2	1.8	133104	228	2.1	1.5	102.4	0.6	7.3	2.8
	May	141571	375	3.2	2.0	133210	106	1.0	1.4	102.2	-0.2	-2.3	1.9
	Jun	141750	179	1.5	1.8	133376	166	1.5	1.5	102.4	0.2	2.4	2.6
	Jul	142111	361	3.1	1.8	133617	241	2.2	1.6	102.9	0.5	6.0	2.6
	Aug	142425	314	2.7	2.1	133792	175	1.6	1.7	102.7	-0.2	-2.3	2.3
	Sep	142435	10	0.1	2.1	133840	48	0.4	1.6	103.1	0.4	4.8	2.2
	Oct	142625	190	1.6	2.0	133877	37	0.3	1.3	103.1	0.0	0.0	2.2
	Nov	142611	-14	-0.1	1.7	134231	354	3.2	1.5	103.5	0.4	4.8	2.5
	Dec	142779	168	1.4	1.9	134376	145	1.3	1.5	103.7	0.2	2.3	2.2
2006	Jan	143074	295	2.5	2.0	134530	154	1.4	1.6	104.0	0.3	3.5	2.7
	Feb	143257	183	1.5	2.1	134730	200	1.8	1.5	104.2	0.2	2.3	2.6
	Mar	143641	384	3.3	2.2	134905	175	1.6	1.5	104.4	0.2	2.3	2.6
	Apr	143688	47	0.4	1.8	135017	112	1.0	1.4	104.8	0.4	4.7	2.3
	May	143976	288	2.4	1.7	135109	92	0.8	1.4	104.6	-0.2	-2.3	2.3
	Jun	144363	387	3.3	1.8	135230	121	1.1	1.4	105.0	0.4	4.7	2.5

		Unempl. Rate	Retail and Food Services Sales				Industrial Production				Treasury Yields	
			Billions of dollars	Percent change			Index	Percent change			(Percent)	
				Monthly/ quarterly	Annual rate	Year ago		Monthly/ quarterly	Annual rate	Year ago	3-mo	10-yr
2001		4.7	3385.830			2.9	99.8784			-3.5	3.39	5.02
2002		5.8	3467.083			2.4	100.0000			0.1	1.60	4.61
2003		6.0	3614.287			4.2	100.6244			0.6	1.01	4.02
2004		5.5	3836.987			6.2	104.7252			4.1	1.37	4.27
2005		5.1	4112.189			7.2	108.0621			3.2	3.15	4.29
2004	1	5.7	938.788	2.0	8.3	6.1	103.1294	1.3	5.3	2.6	0.92	4.02
	2	5.6	947.407	0.9	3.7	6.2	104.4460	1.3	5.2	4.8	1.08	4.60
	3	5.4	964.134	1.8	7.3	5.1	105.1248	0.6	2.6	4.6	1.49	4.30
	4	5.4	986.658	2.3	9.7	7.2	106.2005	1.0	4.2	4.3	2.01	4.17
2005	1	5.2	998.909	1.2	5.1	6.4	107.2067	0.9	3.8	4.0	2.54	4.30
	2	5.1	1022.021	2.3	9.6	7.9	107.6359	0.4	1.6	3.1	2.86	4.16
	3	5.0	1043.116	2.1	8.5	8.2	108.0066	0.3	1.4	2.7	3.36	4.21
	4	4.9	1048.143	0.5	1.9	6.2	109.3991	1.3	5.3	3.0	3.83	4.49
2006	1	4.7	1081.608	3.2	13.4	8.3	110.7750	1.3	5.1	3.3	4.39	4.57
	2	4.6	1091.521	0.9	3.7	6.8	112.5617	1.6	6.6	4.6	4.70	5.07
2004	Jul	5.5	319.699	2.0	26.1	5.3	104.9954	0.6	7.3	4.7	1.33	4.50
	Aug	5.4	319.188	-0.2	-1.9	3.5	105.3165	0.3	3.7	4.9	1.48	4.28
	Sep	5.4	325.247	1.9	25.3	6.4	105.0624	-0.2	-2.9	4.0	1.65	4.13
	Oct	5.4	327.054	0.6	6.9	7.4	105.8234	0.7	9.0	4.7	1.76	4.10
	Nov	5.4	327.663	0.2	2.3	6.2	106.0348	0.2	2.4	3.9	2.07	4.19
	Dec	5.4	331.941	1.3	16.8	8.1	106.7432	0.7	8.3	4.4	2.19	4.23
2005	Jan	5.2	330.643	-0.4	-4.6	6.9	106.9478	0.2	2.3	4.2	2.33	4.22
	Feb	5.4	333.908	1.0	12.5	7.0	107.3608	0.4	4.7	3.7	2.54	4.17
	Mar	5.1	334.358	0.1	1.6	5.3	107.3115	-0.0	-0.5	4.0	2.74	4.50
	Apr	5.1	339.841	1.6	21.6	8.2	107.1838	-0.1	-1.4	3.1	2.78	4.34
	May	5.1	338.488	-0.4	-4.7	5.8	107.4337	0.2	2.8	2.4	2.84	4.14
	Jun	5.0	343.692	1.5	20.1	9.6	108.2903	0.8	10.0	3.7	2.97	4.00
	Jul	5.0	351.454	2.3	30.7	9.9	108.2725	-0.0	-0.2	3.1	3.22	4.18
	Aug	4.9	345.111	-1.8	-19.6	8.1	108.5868	0.3	3.5	3.1	3.44	4.26
	Sep	5.1	346.551	0.4	5.1	6.6	107.1604	-1.3	-14.7	2.0	3.42	4.20
	Oct	4.9	347.443	0.3	3.1	6.2	108.3814	1.1	14.6	2.4	3.71	4.46
	Nov	5.0	349.630	0.6	7.8	6.7	109.3877	0.9	11.7	3.2	3.88	4.54
	Dec	4.9	351.070	0.4	5.1	5.8	110.4282	1.0	12.0	3.5	3.89	4.47
2006	Jan	4.7	361.743	3.0	43.2	9.4	110.3486	-0.1	-0.9	3.2	4.24	4.42
	Feb	4.8	358.675	-0.8	-9.7	7.4	110.7354	0.4	4.3	3.1	4.43	4.57
	Mar	4.7	361.190	0.7	8.7	8.0	111.2410	0.5	5.6	3.7	4.51	4.72
	Apr	4.7	363.611	0.7	8.3	7.0	112.1539	0.8	10.3	4.6	4.60	4.99
	May	4.6	364.104	0.1	1.6	7.6	112.3215	0.1	1.8	4.5	4.72	5.11
	Jun	4.6	363.806	-0.1	-1.0	5.9	113.2096	0.8	9.9	4.5	4.79	5.11
	Jul										4.95	5.09

		Consumer Price Index					Consumer Price Index less Food and Energy					Producer Price Index Finished Goods			
		Percent change					Percent change					Percent change			
	Index	Monthly/ quarterly	Annual rate	Year ago	Year to date	Index	Monthly/ quarterly	Annual rate	Year ago	Year to date	Index	Monthly/ quarterly	Annual rate	Year ago	
2001		177.0			2.8	186.1			2.7		140.7			1.9	
2002		179.9			1.6	190.5			2.3		138.9			-1.3	
2003		184.0			2.3	193.2			1.4		143.3			3.2	
2004		188.9			2.7	196.6			1.8		148.5			3.6	
2005		195.3			3.4	200.9			2.2		155.7			4.9	
2004	1	186.6	0.9	3.7	1.8	3.7	194.9	0.4	1.8	1.3	1.8	145.9	0.7	2.9	2.3
	2	188.4	1.0	4.1	2.8	3.9	196.2	0.7	2.7	1.8	2.2	148.2	1.6	6.5	4.1
	3	189.4	0.5	2.1	2.7	3.3	197.1	0.5	1.8	1.8	2.1	148.5	0.2	0.9	3.5
	4	191.1	0.9	3.5	3.3	3.3	198.2	0.6	2.3	2.1	2.1	151.5	2.0	8.3	4.6
2005	1	192.2	0.6	2.5	3.0	2.5	199.5	0.6	2.5	2.3	2.5	152.6	0.7	2.8	4.6
	2	194.0	0.9	3.7	3.0	3.1	200.4	0.5	2.0	2.1	2.2	154.2	1.1	4.4	4.1
	3	196.6	1.4	5.5	3.8	3.9	201.2	0.4	1.6	2.1	2.0	156.7	1.6	6.5	5.5
	4	198.2	0.8	3.2	3.7	3.7	202.4	0.6	2.4	2.1	2.1	159.4	1.8	7.3	5.2
2006	1	199.3	0.6	2.2	3.7	2.2	203.6	0.6	2.4	2.1	2.4	159.2	-0.1	-0.5	4.4
	2	201.7	1.2	5.0	4.0	3.6	205.4	0.9	3.5	2.5	3.0	161.0	1.1	4.4	4.4
2004	Jun	189.2	0.3	3.9	3.2	4.5	196.6	0.2	2.5	1.9	2.5	148.5	-0.1	-0.8	4.1
	Jul	189.2	0.0	0.0	2.9	3.8	196.8	0.1	1.2	1.8	2.3	148.4	-0.1	-0.8	3.9
	Aug	189.4	0.1	1.3	2.7	3.5	197.0	0.1	1.2	1.8	2.2	148.5	0.1	0.8	3.4
	Sep	189.7	0.2	1.9	2.5	3.3	197.6	0.3	3.7	2.0	2.3	148.6	0.1	0.8	3.3
	Oct	190.8	0.6	7.2	3.2	3.7	197.9	0.2	1.8	2.0	2.3	150.8	1.5	19.3	4.3
	Nov	191.2	0.2	2.5	3.5	3.6	198.3	0.2	2.5	2.2	2.3	152.2	0.9	11.7	5.2
	Dec	191.2	0.0	0.0	3.3	3.3	198.5	0.1	1.2	2.2	2.2	151.5	-0.5	-5.4	4.3
2005	Jan	191.4	0.1	1.3	3.0	1.3	199.0	0.3	3.1	2.3	3.1	151.7	0.1	1.6	4.1
	Feb	192.1	0.4	4.5	3.0	2.9	199.4	0.2	2.4	2.4	2.8	152.4	0.5	5.7	4.7
	Mar	193.2	0.6	7.1	3.2	4.3	200.0	0.3	3.7	2.4	3.1	153.6	0.8	9.9	5.0
	Apr	194.1	0.5	5.7	3.5	4.6	200.2	0.1	1.2	2.2	2.6	154.4	0.5	6.4	4.7
	May	194.0	-0.1	-0.6	2.9	3.6	200.5	0.1	1.8	2.2	2.4	154.1	-0.2	-2.3	3.7
	Jun	193.9	-0.1	-0.6	2.5	2.8	200.6	0.0	0.6	2.0	2.1	154.2	0.1	0.8	3.8
	Jul	195.1	0.6	7.7	3.1	3.5	201.0	0.2	2.4	2.1	2.2	155.4	0.8	9.7	4.7
	Aug	196.2	0.6	7.0	3.6	3.9	201.2	0.1	1.2	2.1	2.0	156.2	0.5	6.4	5.2
	Sep	198.6	1.2	15.7	4.7	5.2	201.5	0.1	1.8	2.0	2.0	158.4	1.4	18.3	6.6
	Oct	199.1	0.3	3.1	4.4	5.0	202.0	0.2	3.0	2.1	2.1	159.6	0.8	9.5	5.8
	Nov	197.8	-0.7	-7.6	3.5	3.8	202.5	0.2	3.0	2.1	2.2	158.8	-0.5	-5.9	4.3
	Dec	197.7	-0.1	-0.6	3.4	3.4	202.8	0.1	1.8	2.2	2.2	159.9	0.7	8.6	5.5
2006	Jan	199.0	0.7	8.2	4.0	8.2	203.2	0.2	2.4	2.1	2.4	160.3	0.3	3.0	5.7
	Feb	199.1	0.1	0.6	3.6	4.3	203.5	0.1	1.8	2.1	2.1	158.4	-1.2	-13.3	3.9
	Mar	199.8	0.4	4.3	3.4	4.3	204.2	0.3	4.2	2.1	2.8	159.0	0.4	4.6	3.5
	Apr	201.0	0.6	7.5	3.6	5.1	204.8	0.3	3.6	2.3	3.0	160.5	0.9	11.9	4.0
	May	201.9	0.4	5.5	4.1	5.2	205.4	0.3	3.6	2.4	3.1	160.8	0.2	2.3	4.3
	Jun	202.3	0.2	2.4	4.3	4.7	206.0	0.3	3.6	2.7	3.2	161.6	0.5	6.1	4.8

Notes

Pages 4, 5: **Final Sales** is gross domestic product (GDP) minus change in private inventories. **Advance, Preliminary, and Final GDP Growth Rates** are released during the first, second, and third months of the following quarter. Changes result from incorporation of more complete information. Real GDP is measured in 2000 dollars. The **ISM** (formerly Purchasing Managers') **Index** is a weighted average of diffusion indexes for new orders, production, supplier deliveries, inventories, and employment. **Aggregate and Average Weekly Hours** are paid hours of production and nonsupervisory employees. The **Inventory-Sales Ratio** uses nominal (current-dollar) inventory and sales data.

Page 6: For information on how to calculate the **Contribution** of a component to the overall GDP growth rate, see the October 1999 issue of the Survey of Current Business, p. 16. The sign is changed for **Imports**.

Page 7: Ten-year **Treasury Yields** are adjusted to constant maturity; three-month yields are secondary market averages. All rates used in the yield curves are adjusted to constant maturity. The 30-year constant maturity series was discontinued by the Treasury Department as of Feb. 18, 2002. **Standard and Poor's 500 Index with Reinvested Dividends** shows the total return: capital gains plus dividends.

Pages 8, 9: **Oil** (West Texas intermediate) and **Natural Gas** (Henry Hub) spot and futures **prices** are listed in the *Wall Street Journal*. Spot prices are monthly averages of daily prices; futures prices are usually taken from the last trading day of the month. **Consumer Price Index** is for all urban consumers. The **Consumption Chain Price Index** is the index associated with the personal consumption expenditures component of GDP. The **Employment Cost Index (ECI)** covers private nonfarm employers. **ECI Compensation** refers to a fixed sample of jobs, while **Compensation per Hour** covers all workers in the nonfarm business sector in a given quarter. In both cases, compensation is wages and salaries plus benefits.

Pages 10, 11: Effective with the May 2003 **Employment Situation**, the establishment survey data for employment, hours, and earnings have been converted from the 1987 SIC system to the 2002 NAICS system. All published NAICS-based labor series have been revised back to at least 1990. For more information see <http://www.bls.gov/ces/>. **Nonfarm Payroll Employment** is counted in a survey of about 400,000 establishments (Current Employment Survey). It excludes self-employed individuals and workers in private households, but double-counts individuals with more than one job. The **Household Survey** (Current Population Survey) of about 60,000 households provides estimates of civilian employment, unemployment rate, labor force participation rate, and employment-population ratio. **Population** is civilian, noninstitutional, 16 years and over. The 90 percent confidence intervals for the unemployment rate (± 0.2 percentage points) and change in household survey employment ($\pm 290,000$) measure uncertainty due to sample size. Because the household survey was changed in January 1994, data prior to this date are not strictly comparable. The Bureau of Labor Statistics announced several revisions to the Household Survey on Feb. 7, 2003, with the release of the January 2003 data. For more information, see www.bls.gov/cps/.

Page 13: The **Michigan Consumer Sentiment Index** shows changes in a summary measure of consumers' answers to five questions about their current and expected financial situation, expectations about future economic conditions, and attitudes about making large purchases. The survey is based on a representative sample of U.S. households.

Page 15: **Gross Private Saving** is the sum of personal saving, undistributed corporate profits with IVA and CCAdj (see notes for pp. 18-19), and private wage accruals less disbursements. **Gross Government Saving** is net government saving (surplus/deficit) plus consumption of fixed capital. **Balance on Current Account (NIPA)** is net capital transfer payments to the rest of the world plus net lending or net borrowing (international trade and income flows).

Pages 16, 17: **Government Consumption and Investment** is current expenditures on goods and services, including capital consumption (depreciation) and gross investment, as reported in the NIPAs. The **Unified Federal Budget Surplus/Deficit** differs from **NIPA Basis** in four main ways: (1) NIPA excludes

transactions involving existing assets; (2) NIPA outlays exclude government investment and include consumption of government capital, while unified budget outlays do the reverse; (3) NIPA accounts exclude Puerto Rico and U.S. territories; and (4) various timing issues are handled differently. **Outlays and Receipts** are from the NIPAs, except as noted. Since 1977, the federal **Fiscal Year** starts on October 1. Excluded agency debt was 0.6 percent of federal debt at the end of fiscal 1997. **Federal Debt Held by the Public** includes holdings of the Federal Reserve System and excludes holdings of the social security and other federal trust funds. Federal grants in aid to state and local governments appear in both state and local receipts and federal outlays.

Pages 18, 19: The **Trade Balance** (shown on a balance of payments basis) is the difference between exports and imports of goods (merchandise) and services. It is nearly identical in concept to the **Net Exports** component of GDP, but differs slightly in accounting details. The **Investment Income Balance** equals income received from U.S.-owned assets in other countries minus income paid on foreign-owned assets in the U.S. The investment income balance is nearly identical in concept to the difference between gross national product and gross domestic product, but differs in accounting details. The **Current Account Balance** is the trade balance plus the balance on investment income plus net unilateral transfers to the U.S. from other countries.

Pages 20, 21: **Output per Hour (Y/H)**, **Unit Labor Cost (C/Y)**, and **Compensation per Hour (C/H)** are indexes which approximately obey the following relationship: $\%(Y/H) + \%(C/Y) = \%(C/H)$ with $\%()$ meaning percent changes. Unit labor cost is shown on page 9. **Real Compensation per Hour** uses the CPI to adjust for the effects of inflation. Nonfarm business accounted for about 76 percent of the value of GDP in 1996, while nonfinancial corporations accounted for about 54 percent. **Inventory Valuation Adjustments (IVA)** remove the effect of changes in the value of existing inventories from corporate profits and proprietors' income. (This change in value does not correspond to current production and therefore is not part of GDP). **Capital Consumption Adjustments (CCAdj)** increase profits and proprietors' income by the difference between estimates of economic depreciation and depreciation allowed by the tax code. Components of national income not shown are rental income of persons and net interest.

NOTE: Most measures of economic activity are now based on the 2002 North American Industry Classification System (NAICS), which replaces the 1987 Standard Industry Classification (SIC) system.

Sources

Bureau of Economic Analysis (BEA), U.S. Dept. of Commerce

National income and product accounts, international trade and investment data (except by country), auto and light truck sales.

Census Bureau, U.S. Dept. of Commerce

Inventory-sales ratios, retail sales, capital goods orders, housing starts, exports and imports by country.

Bureau of Labor Statistics (BLS), U.S. Dept. of Labor

All employment-related data, employment cost index, consumer and producer price indexes, unit labor cost, output per hour, compensation per hour, multifactor productivity.

United States Department of Treasury

Unified budget receipts, outlays, deficit, debt.

Federal Reserve Board

Index of industrial production, treasury yields, exchange rates, capacity utilization, household debt.

The Survey Research Center, The University of Michigan

Consumer sentiment index.

The Conference Board

Help-wanted advertising index.

Organization for Economic Cooperation and Development (OECD)

GDP for major trading partners (not available on FRED).