

## Barreling Down the Road to Recession?

The steady rise in oil prices since 2002 has evoked concern about possible negative effects on the economy.<sup>1</sup> Could current energy prices push the United States into recession? Many economists have studied this question—in particular, how oil shocks affect both economic growth and inflation.

When consumer demand shifts away from energy-intensive goods as a result of rising oil prices, output declines in the near term as industries' capital and labor adjust. Timothy Bresnahan and Valerie Ramey studied the effect of the oil shocks of the 1970s and early 1980s on the automobile industry. Specifically, they examined how changing demand from standard-sized vehicles to smaller, more fuel-efficient cars affected the economy. They found that capacity utilization—the ratio of total cars produced to potential cars produced without using overtime—fell from above 100 percent in 1973 to around 50 percent in 1975. Similarly, capacity utilization fell from 100 percent to around 40 percent in 1982.<sup>2</sup> Both instances followed sustained high levels of gasoline prices, which caused such a shift in consumer choices. Today's high gas prices may do the same. The National Automobile Dealers Association reported that year-to-date SUV sales were down 19 percent in July compared with the same time last year.

Steven Davis and John Haltiwanger examined the effect of oil price shocks on manufacturing employment between 1972 and 1988. They found that the sharp rise in oil prices in 1973-74 led to an 8 percent decline in employment after two years and total job reallocation (job destruction plus job creation) of 11 percent after four years. In the short term, job reallocation was higher in industries that may require more time to adjust labor and capital (e.g., apparel, rubber and plastics, furniture, primary metals, and transportation equipment).<sup>3</sup>

Steep increases in oil prices might also translate into inflation of prices for other goods by increasing the cost of production. Mark Hooker examined the effects that oil has on personal consumption expenditure inflation, excluding food and energy (core PCE inflation). He found that, before 1981, a doubling of the price of oil would lead to a 3-percentage-point increase in core PCE inflation.<sup>4</sup> The stance of monetary policy, however, ultimately dictates long-run inflation. Since 1981, the Fed has adopted a more anti-inflationary stance of monetary policy, potentially lessening economic disruption from oil price changes.<sup>5</sup> Indeed, Hooker found that, post-1981,

oil price increases have had statistically no effect on core PCE inflation.

Finally, can we expect a recession to occur as a result of current oil prices? James Hamilton believes that oil shocks affect economic growth only when, as a result of the higher prices, consumers' spending behavior changes.<sup>6</sup> As the accompanying chart shows, PCE growth has remained positive since the real price of oil began to rise. The negative PCE growth that accompanied the previous oil shocks has not yet occurred during the current run-up in oil prices. Thus, as of now, economic growth appears to be more resilient to the negative effects of rising oil prices than in the 1970s and early 1980s.

—Kristie M. Engemann and Michael T. Owyang

<sup>1</sup> During the first half of August, the spot price of West Texas Intermediate, Cushing, was around \$75 per barrel (*Wall Street Journal*).

<sup>2</sup> "Segment Shifts and Capacity Utilization in the U.S. Automobile Industry." *AEA Papers and Proceedings*, May 1993, 83(2), pp. 213-18.

<sup>3</sup> "Sectoral Job Creation and Destruction Responses to Oil Price Changes." *Journal of Monetary Economics*, December 2001, 48(3), pp. 465-512.

<sup>4</sup> "Are Oil Shocks Inflationary? Asymmetric and Nonlinear Specifications versus Changes in Regime." *Journal of Money, Credit, and Banking*, May 2002, 34(2), pp. 540-61.

<sup>5</sup> Herrera, Ana Maria and Pesavento, Elena. "Oil Price Shocks, Systematic Monetary Policy, and the 'Great Moderation'." Unpublished manuscript, June 2005.

<sup>6</sup> "Oil and the Macroeconomy." *Palgrave Dictionary of Economics*, August 2005.

**Personal Consumption Expenditures and Real Oil Price**



SOURCE: Recession dates (gray bars): National Bureau of Economic Research; personal consumption expenditures (SAAR, Billions of 2000\$): Bureau of Economic Analysis (growth rates are year-over-year percent change); Real oil price: Spot Oil Price of West Texas Intermediate Crude Oil (*Wall Street Journal*) divided by the seasonally adjusted consumer price index, all-items (Bureau of Labor Statistics) and multiplied by 100.

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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.

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## 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 ( $\pm 0.2$  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/](http://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 CCAAdj (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  $\%(C/H)$  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 (CCAAdj)** 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.

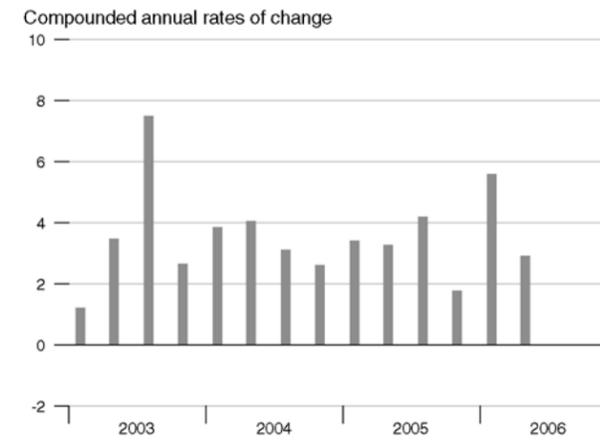
*The Survey Research Center, The University of Michigan*  
 Consumer sentiment index.

*The Conference Board*  
 Help-wanted advertising index.

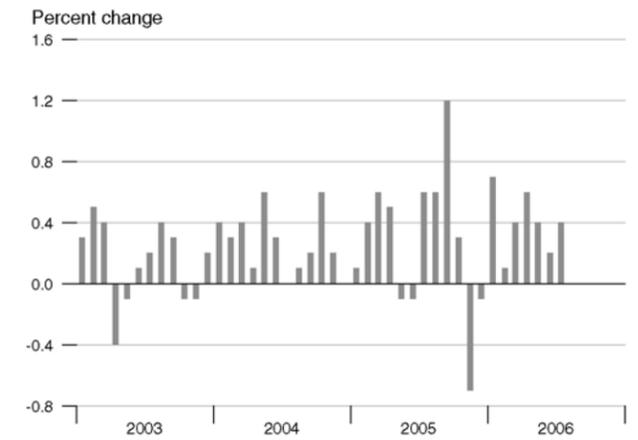
*Organization for Economic Cooperation and Development (OECD)*  
 GDP for major trading partners (not available on FRED).

	Consumer Price Index					Consumer Price Index less Food and Energy					Producer Price Index Finished Goods				
	Index	Percent change				Index	Percent change				Index	Percent change			
		Monthly/quarterly	Annual rate	Year ago	Year to date		Monthly/quarterly	Annual rate	Year ago	Year to date		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	159.3	-0.1	-0.4	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	4.3	4.4
2004	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	159.1	0.4	5.4	3.6
	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	11.1	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
	Jul	203.2	0.4	5.5	4.2	4.8	206.4	0.2	2.4	2.7	3.1	161.8	0.1	1.5	4.1

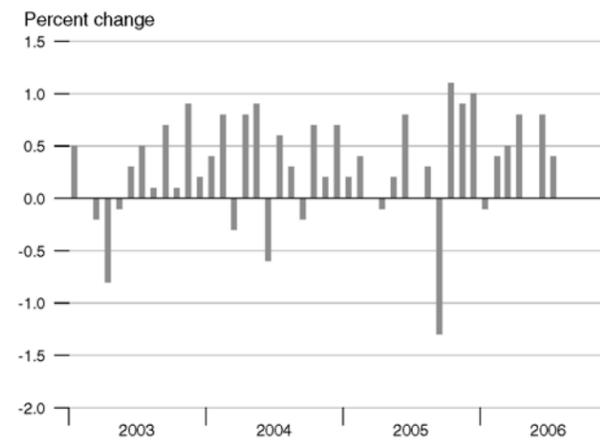
Real GDP Growth



Consumer Price Index



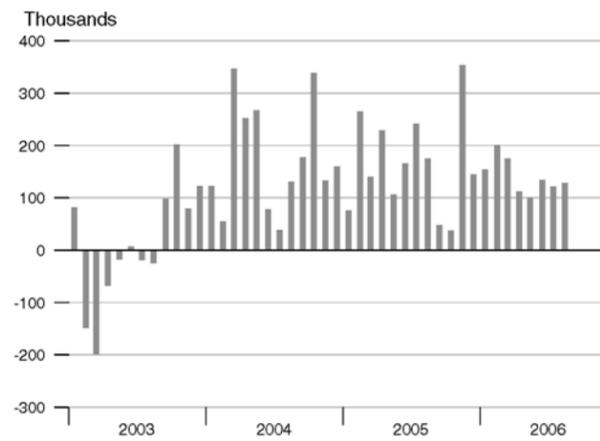
Industrial Production



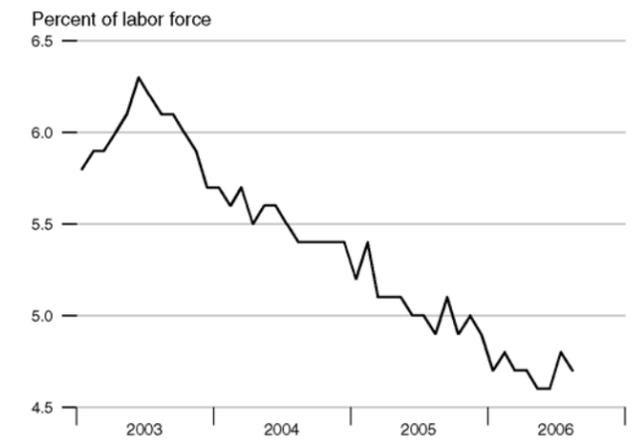
Interest Rates



Change in Nonfarm Payrolls

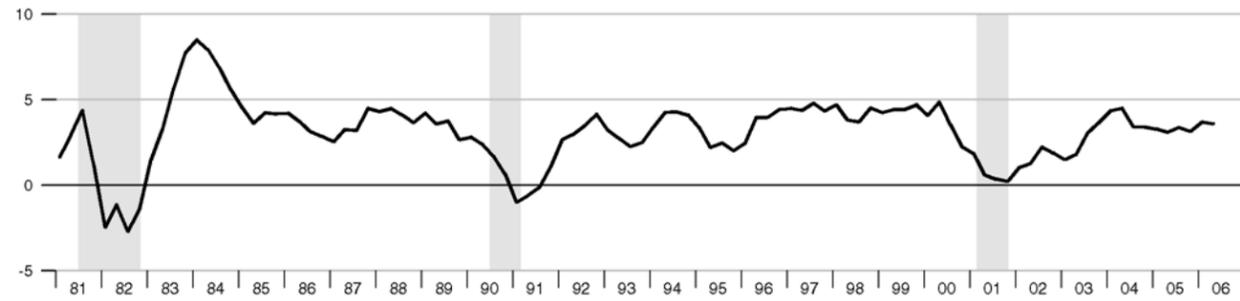


Unemployment Rate



**Real Gross Domestic Product**

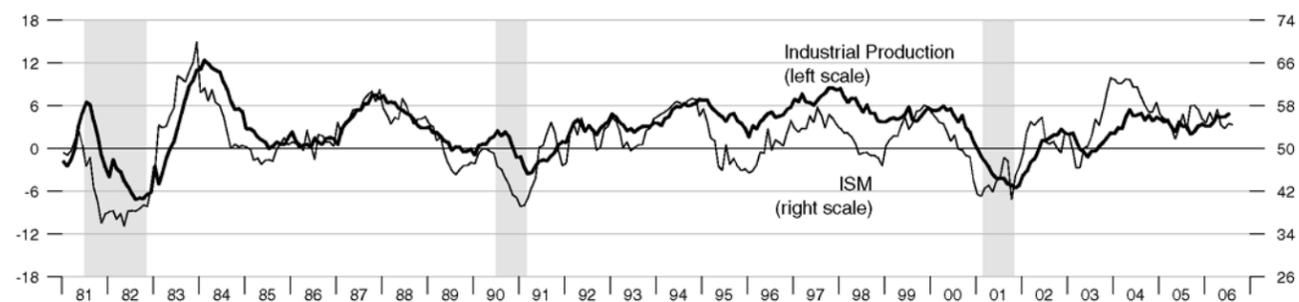
Percent change from year ago



**Industrial Production and Institute for Supply Management (ISM) Indexes**

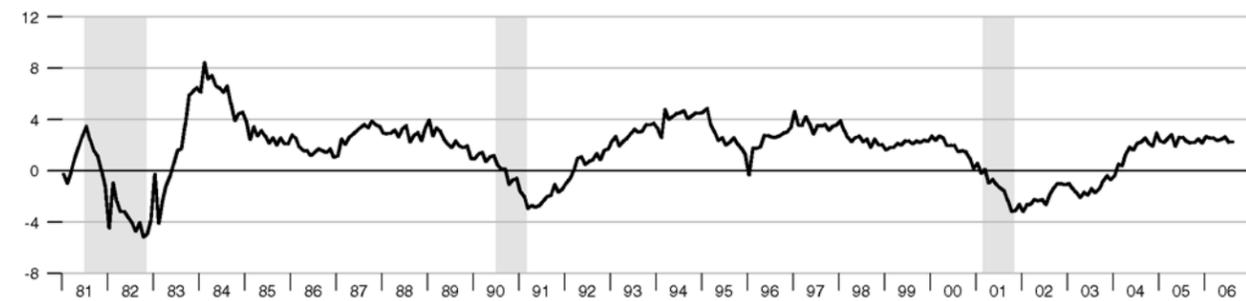
Percent change from year ago

Index



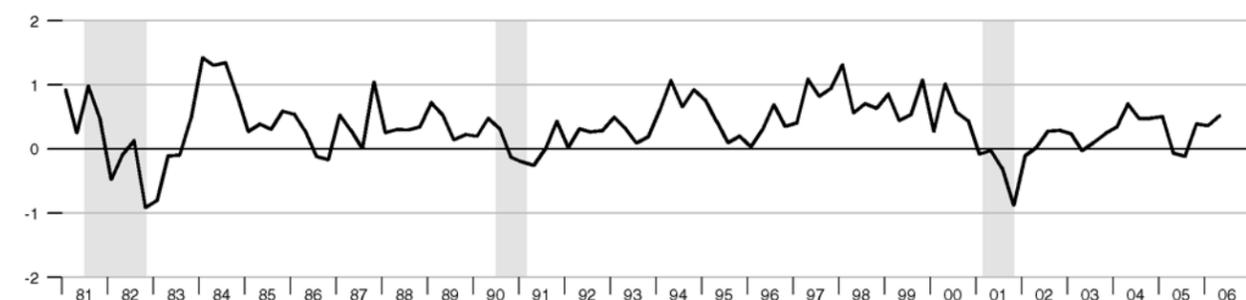
**Aggregate Private Nonfarm Hours**

Percent change from year ago



**Real Change in Private Inventories**

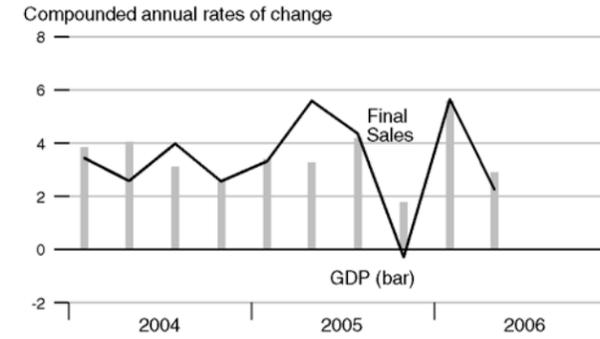
Percent of GDP



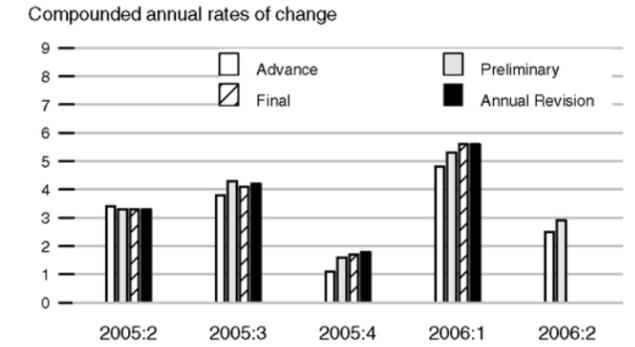
	Unempl. Rate	Retail and Food Services Sales			Industrial Production			Treasury Yields			
		Billions of dollars	Percent change		Index	Percent change		(Percent)			
			Monthly/quarterly	Annual rate	Year ago		Monthly/quarterly	Annual rate	Year ago	3-mo	10-yr
2001	4.7	3385.830			2.9	99.8784			-3.5	3.39	5.02
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	4112.464			7.2	108.0621			3.2	3.15	4.29
2004	1	938.788	2.0	8.3	6.1	103.1294	1.3	5.3	2.6	0.92	4.02
	2	947.407	0.9	3.7	6.2	104.4460	1.3	5.2	4.8	1.08	4.60
	3	964.134	1.8	7.3	5.1	105.1248	0.6	2.6	4.6	1.49	4.30
	4	986.658	2.3	9.7	7.2	106.2005	1.0	4.2	4.3	2.01	4.17
2005	1	998.909	1.2	5.1	6.4	107.2067	0.9	3.8	4.0	2.54	4.30
	2	1022.622	2.4	9.8	7.9	107.6359	0.4	1.6	3.1	2.86	4.16
	3	1042.790	2.0	8.1	8.2	108.0066	0.3	1.4	2.7	3.36	4.21
	4	1048.143	0.5	2.1	6.2	109.3991	1.3	5.3	3.0	3.83	4.49
2006	1	1081.608	3.2	13.4	8.3	110.7750	1.3	5.1	3.3	4.39	4.57
	2	1090.828	0.9	3.5	6.7	112.4574	1.5	6.2	4.5	4.70	5.07
2004	Aug	319.188	-0.2	-1.9	3.5	105.3165	0.3	3.7	4.9	1.48	4.28
	Sep	325.247	1.9	25.3	6.4	105.0624	-0.2	-2.9	4.0	1.65	4.13
	Oct	327.054	0.6	6.9	7.4	105.8234	0.7	9.0	4.7	1.76	4.10
	Nov	327.663	0.2	2.3	6.2	106.0348	0.2	2.4	3.9	2.07	4.19
Dec	331.941	1.3	16.8	8.1	106.7432	0.7	8.3	4.4	2.19	4.23	
2005	Jan	330.643	-0.4	-4.6	6.9	106.9478	0.2	2.3	4.2	2.33	4.22
	Feb	333.908	1.0	12.5	7.0	107.3608	0.4	4.7	3.7	2.54	4.17
	Mar	334.358	0.1	1.6	5.3	107.3115	-0.0	-0.5	4.0	2.74	4.50
	Apr	339.841	1.6	21.6	8.2	107.1838	-0.1	-1.4	3.1	2.78	4.34
	May	338.488	-0.4	-4.7	5.8	107.4337	0.2	2.8	2.4	2.84	4.14
	Jun	344.293	1.7	22.6	9.8	108.2903	0.8	10.0	3.7	2.97	4.00
	Jul	351.128	2.0	26.6	9.8	108.2725	-0.0	-0.2	3.1	3.22	4.18
	Aug	345.111	-1.7	-18.7	8.1	108.5868	0.3	3.5	3.1	3.44	4.26
	Sep	346.551	0.4	5.1	6.6	107.1604	-1.3	-14.7	2.0	3.42	4.20
	Oct	347.443	0.3	3.1	6.2	108.3814	1.1	14.6	2.4	3.71	4.46
	Nov	349.630	0.6	7.8	6.7	109.3877	0.9	11.7	3.2	3.88	4.54
	Dec	351.070	0.4	5.1	5.8	110.4282	1.0	12.0	3.5	3.89	4.47
2006	Jan	361.743	3.0	43.2	9.4	110.3486	-0.1	-0.9	3.2	4.24	4.42
	Feb	358.675	-0.8	-9.7	7.4	110.7354	0.4	4.3	3.1	4.43	4.57
	Mar	361.190	0.7	8.7	8.0	111.2410	0.5	5.6	3.7	4.51	4.72
	Apr	363.611	0.7	8.3	7.0	112.1048	0.8	9.7	4.6	4.60	4.99
	May	364.343	0.2	2.4	7.6	112.1594	0.0	0.6	4.4	4.72	5.11
	Jun	362.874	-0.4	-4.7	5.4	113.1081	0.8	10.6	4.4	4.79	5.11
	Jul	367.941	1.4	18.1	4.8	113.5293	0.4	4.6	4.9	4.95	5.09
	Aug	4.7								4.96	4.88

	Household Survey Employment				Nonfarm Payroll Employment				Nonfarm Aggregate Hours			
	Thousands	Change	Percent change		Thousands	Change	Percent change		Index	Monthly rate	Percent change	
			Annual rate	Year ago			Annual rate	Year ago			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	130572	382	1.2	0.4	99.2	0.4	1.6	0.2
	2	138894	421	1.2	131277	705	2.2	1.1	99.9	0.7	2.7	1.6
	3	139548	654	1.9	131602	325	1.0	1.4	100.5	0.6	2.6	2.3
	4	140059	511	1.5	132244	642	2.0	1.6	101.1	0.6	2.4	2.3
2005	1	140373	314	0.9	132694	450	1.4	1.6	101.6	0.4	1.7	2.4
	2	141506	1132	3.3	133230	536	1.6	1.5	102.3	0.8	3.1	2.4
	3	142324	818	2.3	133750	520	1.6	1.6	102.9	0.6	2.2	2.4
	4	142672	348	1.0	134161	412	1.2	1.4	103.4	0.5	2.1	2.3
2006	1	143324	652	1.8	134722	560	1.7	1.5	104.2	0.7	3.0	2.6
	2	144009	685	1.9	135128	407	1.2	1.4	104.9	0.6	2.6	2.5
2004	Aug	139558	-33	-0.3	131587	131	1.2	1.4	100.4	0.1	1.2	2.2
	Sep	139495	-63	-0.5	131764	177	1.6	1.4	100.9	0.5	6.1	2.5
	Oct	139768	273	2.4	132102	338	3.1	1.5	100.9	0.0	0.0	2.1
	Nov	140276	508	4.4	132235	133	1.2	1.6	101.0	0.1	1.2	1.9
	Dec	140133	-143	-1.2	132395	160	1.5	1.6	101.5	0.5	6.1	2.9
2005	Jan	140234	101	0.9	132471	76	0.7	1.6	101.3	-0.2	-2.3	2.3
	Feb	140285	51	0.4	132736	265	2.4	1.7	101.6	0.3	3.6	2.2
	Mar	140601	316	2.7	132876	140	1.3	1.6	101.8	0.2	2.4	2.5
	Apr	141196	595	5.2	133104	228	2.1	1.5	102.4	0.6	7.3	2.8
	May	141571	375	3.2	133210	106	1.0	1.4	102.2	-0.2	-2.3	1.9
	Jun	141750	179	1.5	133376	166	1.5	1.5	102.4	0.2	2.4	2.6
	Jul	142111	361	3.1	133617	241	2.2	1.6	102.9	0.5	6.0	2.6
	Aug	142425	314	2.7	133792	175	1.6	1.7	102.7	-0.2	-2.3	2.3
	Sep	142435	10	0.1	133840	48	0.4	1.6	103.1	0.4	4.8	2.2
	Oct	142625	190	1.6	133877	37	0.3	1.3	103.1	0.0	0.0	2.2
2006	Jan	143074	295	2.5	134530	154	1.4	1.6	104.0	0.3	3.5	2.7
	Feb	143257	183	1.5	134730	200	1.8	1.5	104.2	0.2	2.3	2.6
	Mar	143641	384	3.3	134905	175	1.6	1.5	104.4	0.2	2.3	2.6
	Apr	143688	47	0.4	135017	112	1.0	1.4	104.8	0.4	4.7	2.3
	May	143976	288	2.4	135117	100	0.9	1.4	104.7	-0.1	-1.1	2.4
	Jun	144363	387	3.3	135251	134	1.2	1.4	105.1	0.4	4.7	2.6
	Jul	144329	-34	-0.3	135372	121	1.1	1.3	105.2	0.1	1.1	2.2
	Aug	144579	250	2.1	135500	128	1.1	1.3	105.0	-0.2	-2.3	2.2

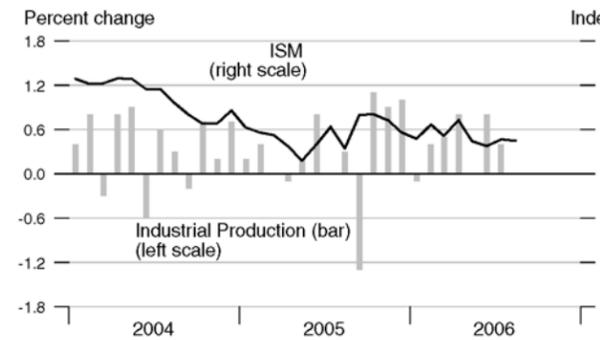
Real Final Sales and GDP



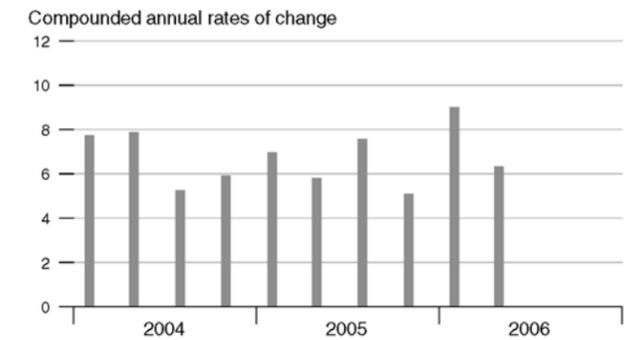
Real GDP Revisions



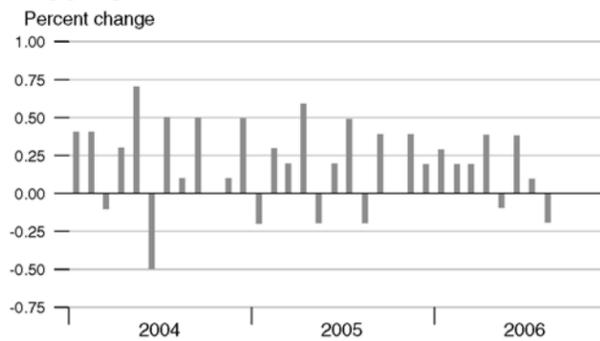
Industrial Production and ISM Index



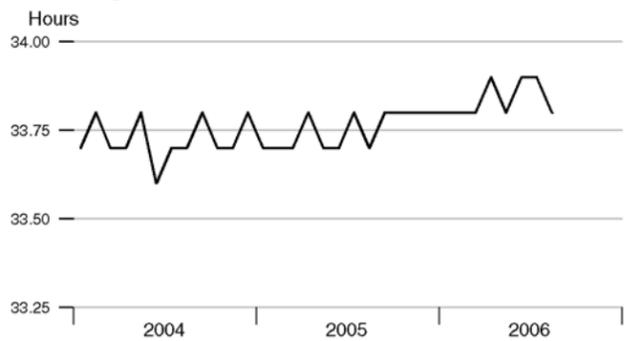
Nominal Gross Domestic Product



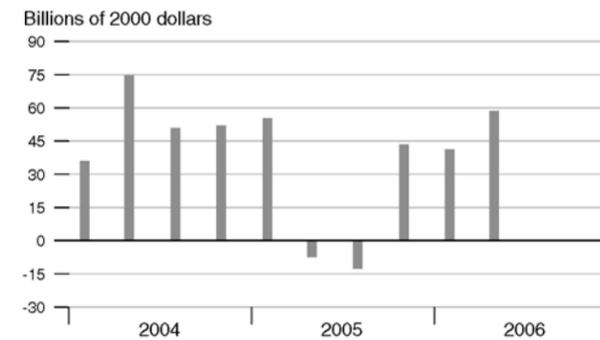
Aggregate Private Nonfarm Hours



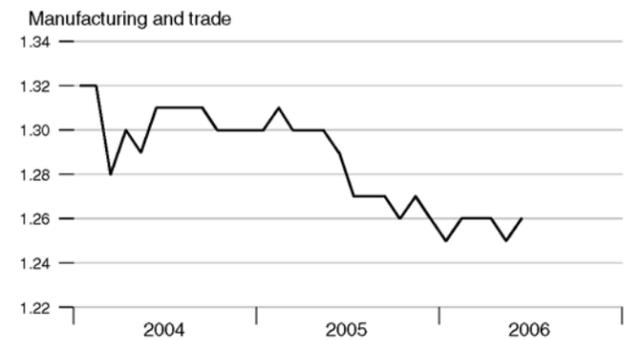
Average Weekly Private Nonfarm Hours



Real Change in Private Inventories



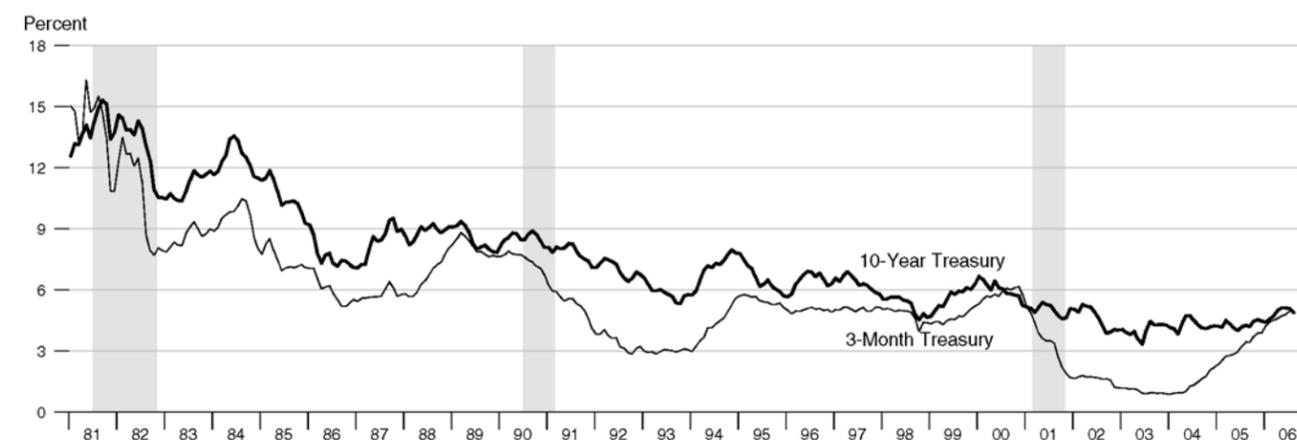
Inventory-Sales Ratio



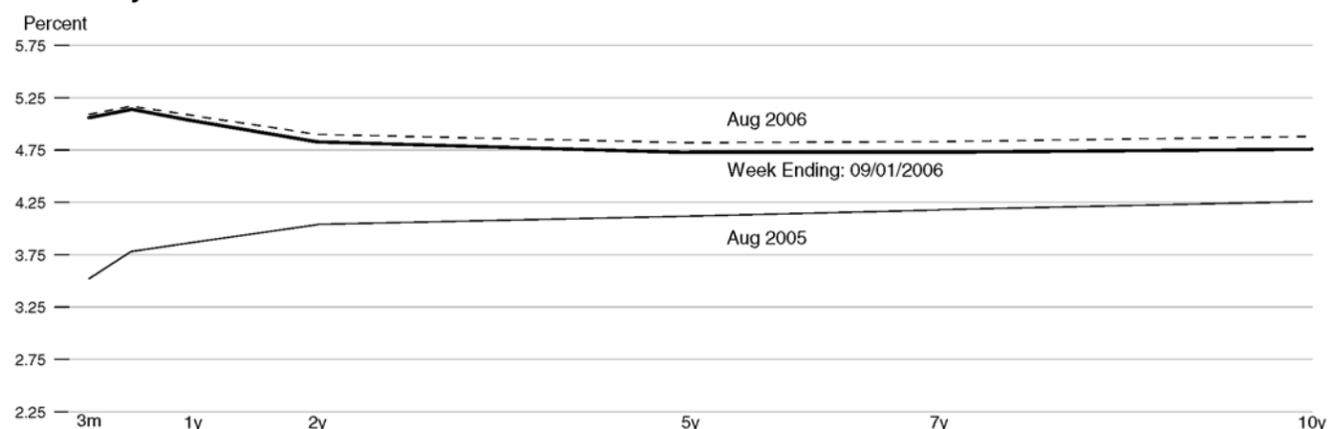


	Nominal GDP			Real GDP			Final Sales			Change in Private Inventories		
	Billions of \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$		
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago	Last qtr	Year/Year ago	
2002	10469.6	3.4		10048.846	1.6		10036.504	1.2		12.482		
2003	10960.8	4.7		10301.044	2.5		10285.104	2.5		14.282		
2004	11712.5	6.9		10703.539	3.9		10648.291	3.5		53.350		
2005	12455.8	6.3		11048.606	3.2		11025.241	3.5		19.646		
2003 1	10705.6	4.4	3.6	10126.007	1.2	1.5	10100.923	1.3	1.1	24.282	21.106	
2	10831.8	4.8	3.9	10212.691	3.5	1.8	10213.657	4.5	1.8	-2.654	19.780	
3	11086.1	9.7	5.3	10398.723	7.5	3.1	10385.929	6.9	3.2	10.534	15.411	
4	11219.5	4.9	5.9	10466.951	2.7	3.7	10440.002	2.1	3.7	24.968	14.283	
2004 1	11430.9	7.8	6.8	10566.298	3.9	4.3	10528.725	3.4	4.2	35.889	17.184	
2	11649.3	7.9	7.5	10671.536	4.0	4.5	10596.073	2.6	3.7	74.725	36.529	
3	11799.4	5.3	6.4	10753.312	3.1	3.4	10700.119	4.0	3.0	50.764	46.587	
4	11970.3	5.9	6.7	10822.914	2.6	3.4	10768.247	2.6	3.1	52.023	53.350	
2005 1	12173.2	7.0	6.5	10913.819	3.4	3.3	10856.482	3.3	3.1	55.154	58.167	
2	12346.1	5.8	6.0	11001.779	3.3	3.1	11005.329	5.6	3.9	-7.396	37.636	
3	12573.5	7.6	6.6	11115.067	4.2	3.4	11123.529	4.4	4.0	-12.653	21.782	
4	12730.5	5.1	6.4	11163.759	1.8	3.1	11115.525	-0.3	3.2	43.481	19.647	
2006 1	13008.4	9.0	6.9	11316.413	5.6	3.7	11268.960	5.6	3.8	41.206	16.160	
2	13209.7	6.3	7.0	11397.599	2.9	3.6	11332.501	2.3	3.0	58.673	32.677	
	Consumption			Durables Consumption			Private Fixed Investment			Nonresidential Fixed Investment		
	Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2002	7099.261	2.7		964.784	7.1		1544.608	-5.2		1071.522	-9.2	
2003	7295.309	2.8		1020.572	5.8		1596.874	3.4		1081.810	1.0	
2004	7577.083	3.9		1085.658	6.4		1713.899	7.3		1145.767	5.9	
2005	7841.199	3.5		1145.340	5.5		1841.971	7.5		1223.770	6.8	
2003 1	7184.918	2.1	2.0	971.423	0.4	2.4	1536.297	-0.4	-1.0	1047.546	-2.6	-3.9
2	7249.279	3.6	2.3	1009.841	16.8	5.5	1575.585	10.6	1.9	1074.467	10.7	0.1
3	7352.864	5.8	3.2	1049.623	16.7	6.7	1626.743	13.6	5.4	1098.751	9.4	2.9
4	7394.311	2.3	3.4	1051.384	0.7	8.3	1648.855	5.5	7.2	1106.476	2.8	4.9
2004 1	7479.833	4.7	4.1	1066.985	6.1	9.8	1658.006	2.2	7.9	1111.232	1.7	6.1
2	7534.355	2.9	3.9	1071.439	1.7	6.1	1704.412	11.7	8.2	1130.711	7.2	5.2
3	7607.073	3.9	3.5	1093.938	8.7	4.2	1736.078	7.6	6.7	1158.840	10.3	5.5
4	7687.069	4.3	4.0	1110.263	6.1	5.6	1757.132	4.9	6.6	1182.298	8.3	6.9
2005 1	7739.367	2.7	3.5	1116.781	2.4	4.7	1790.628	7.8	8.0	1199.670	6.0	8.0
2	7819.768	4.2	3.8	1150.805	12.8	7.4	1835.776	10.5	7.7	1214.837	5.2	7.4
3	7895.316	3.9	3.8	1175.910	9.0	7.5	1864.201	6.3	7.4	1232.382	5.9	6.3
4	7910.210	0.8	2.9	1137.855	-12.3	2.5	1877.280	2.8	6.8	1248.190	5.2	5.6
2006 1	8003.753	4.8	3.4	1190.466	19.8	6.6	1914.587	8.2	6.9	1288.823	13.7	7.4
2	8054.837	2.6	3.0	1191.804	0.5	3.6	1910.171	-0.9	4.1	1303.657	4.7	7.3

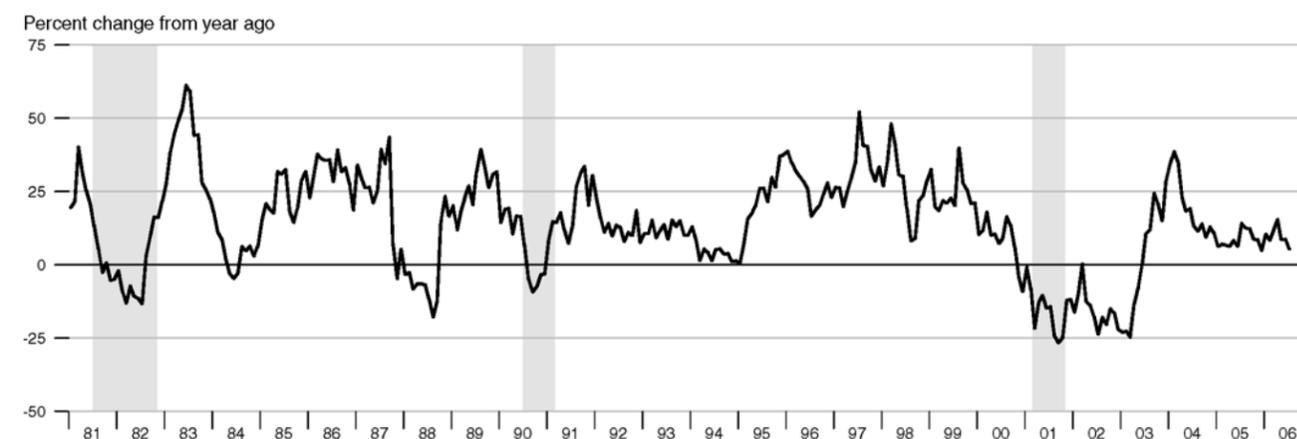
Interest Rates



Treasury Yield Curve

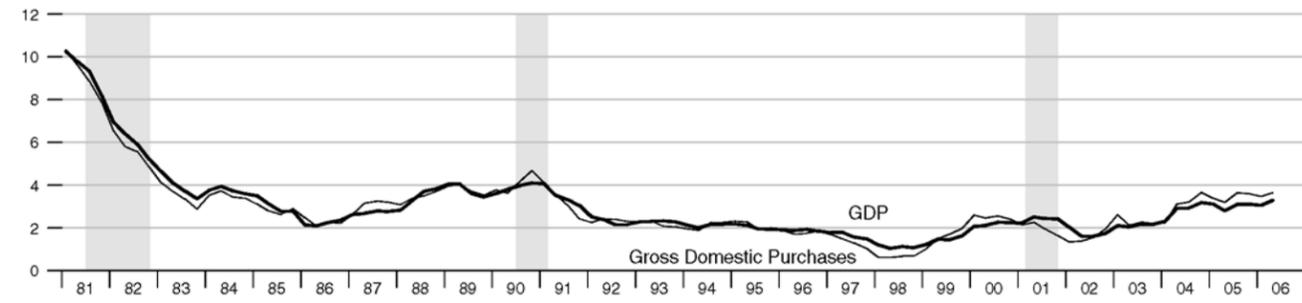


Standard and Poor's 500 Index with Reinvested Dividends



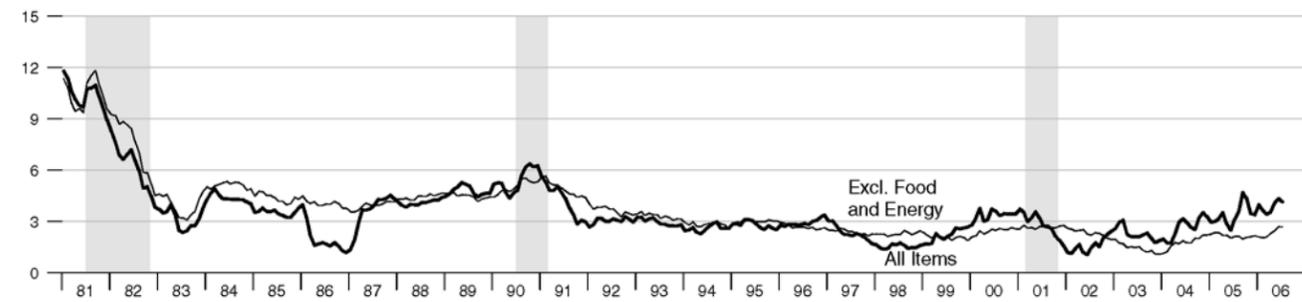
**NIPA Chain Price Indexes**

Percent change from year ago



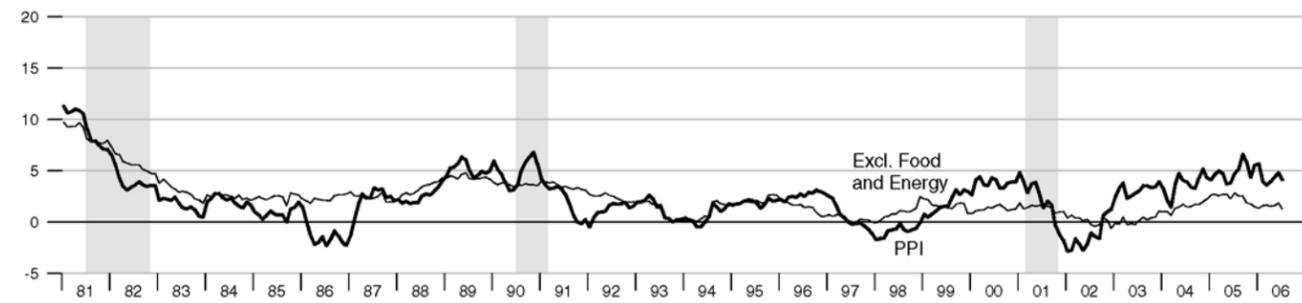
**Consumer Price Index**

Percent change from year ago



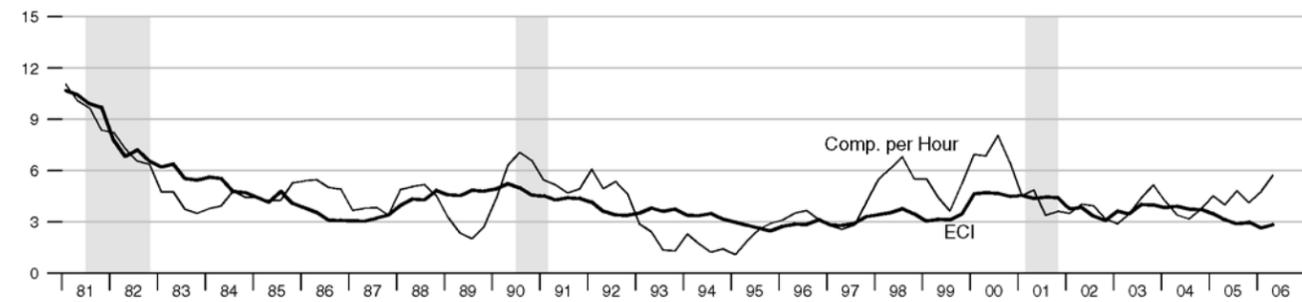
**Producer Price Index, Finished Goods**

Percent change from year ago



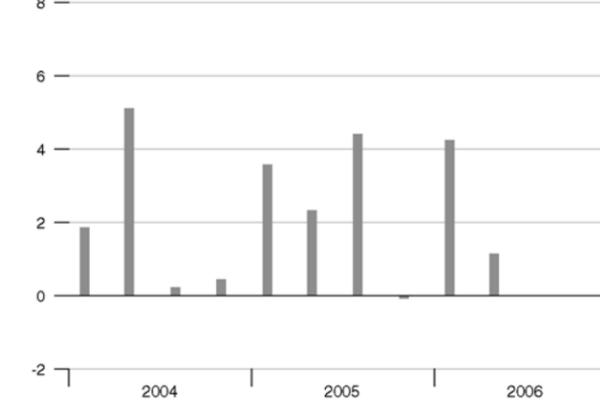
**Employment Cost Index and Compensation per Hour**

Percent change from year ago



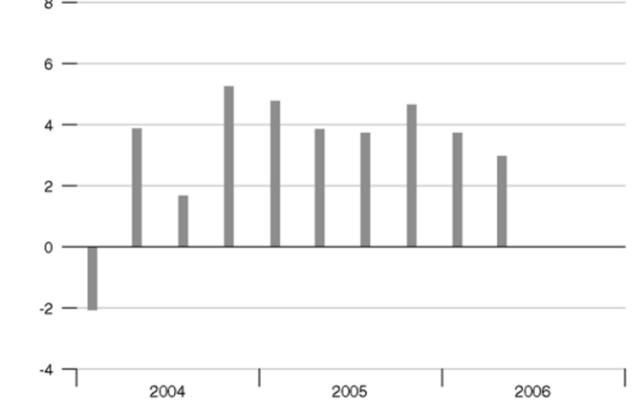
**Nonfarm Output per Hour**

Compounded annual rates of change

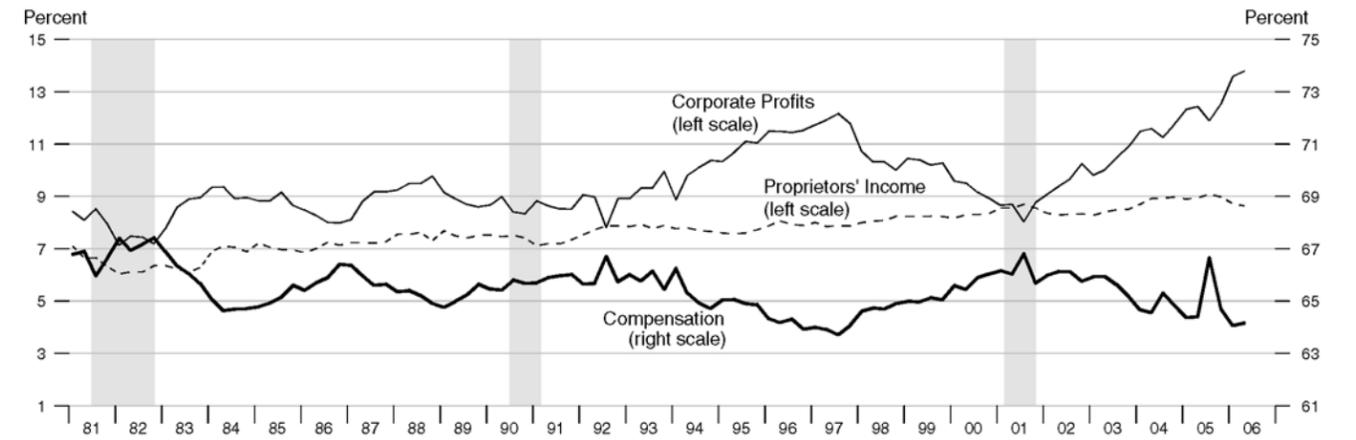


**Manufacturing Output per Hour**

Compounded annual rates of change

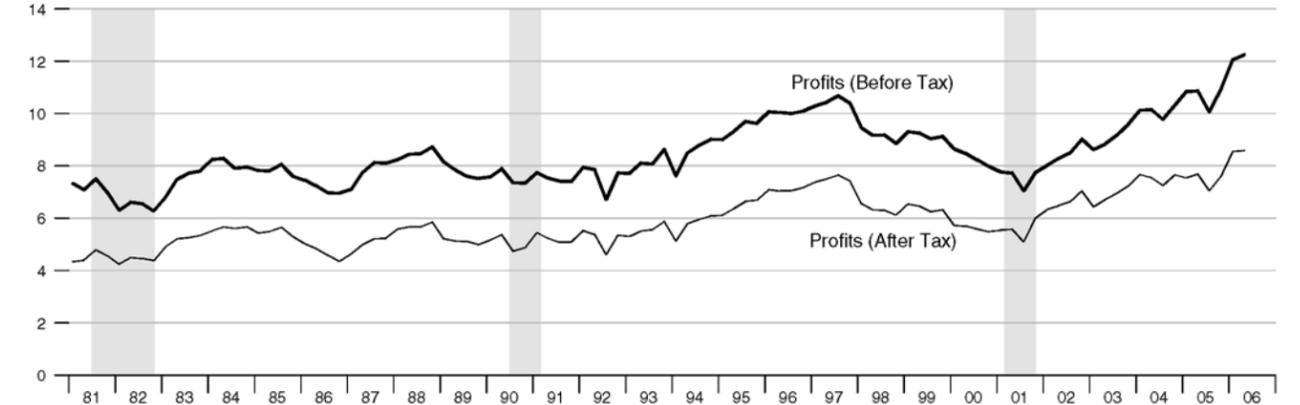


**Selected Component Shares of National Income**

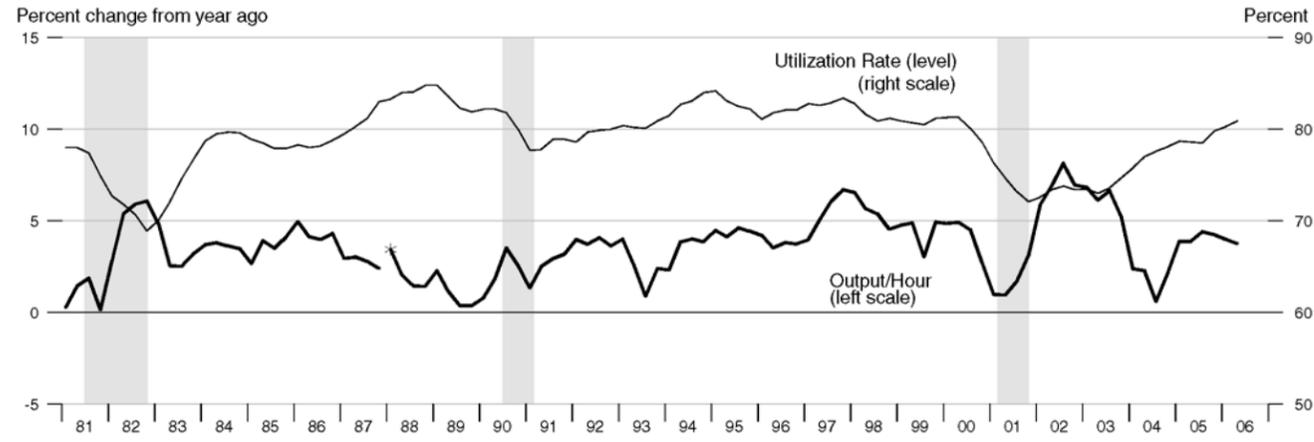


**Corporate Profits**

Percent of GDP

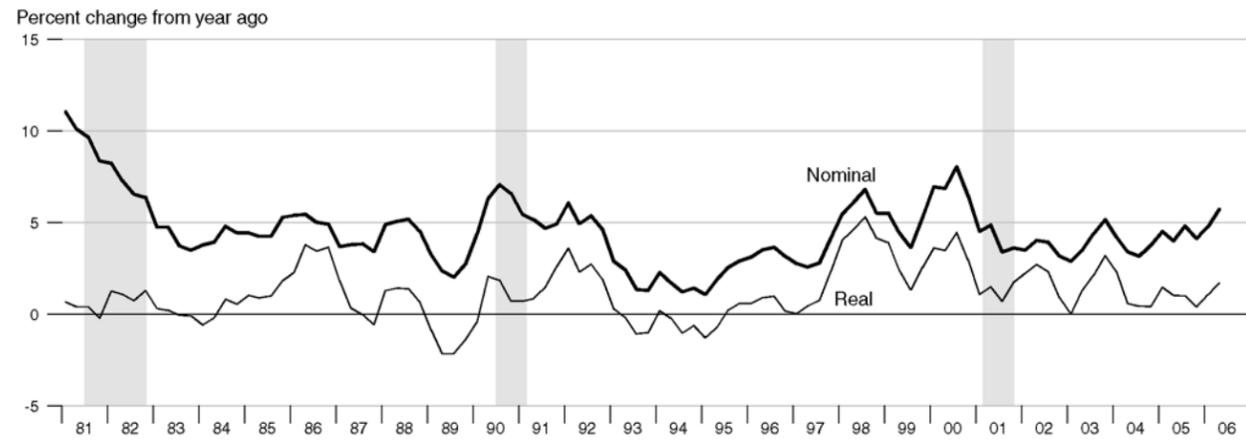


**Output per Hour and Capacity Utilization, Manufacturing**

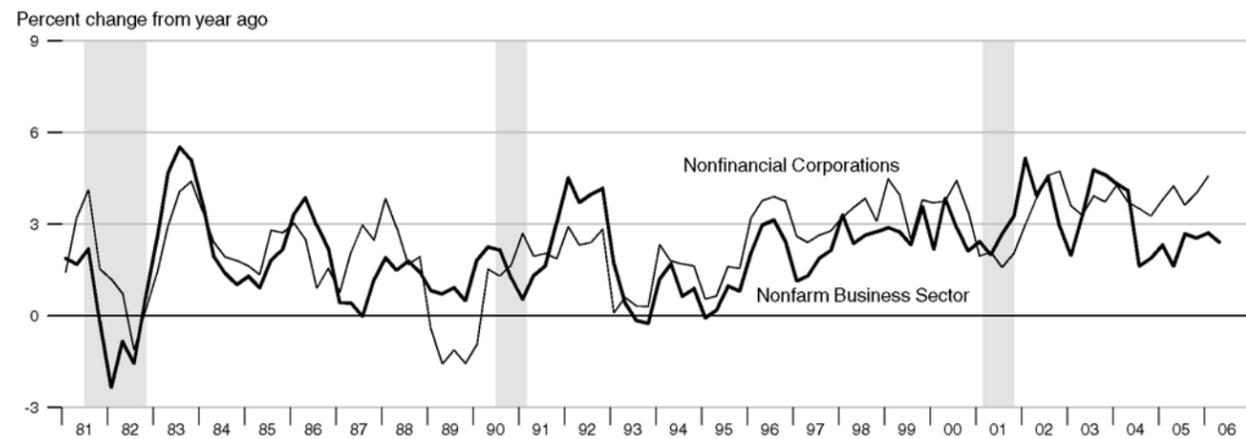


\*Data from 1987 to the present are on a NAICS basis; data prior to 1987 are on an SIC basis and are not strictly comparable (see End Note).

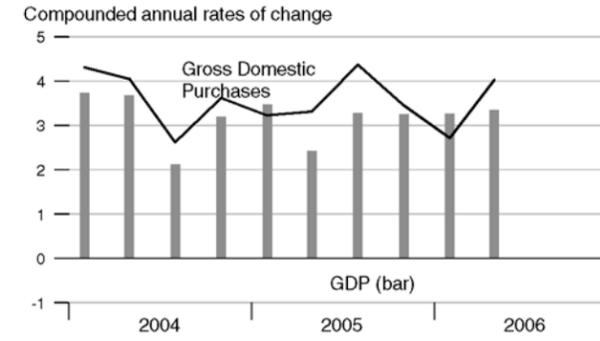
**Nonfarm Compensation per Hour**



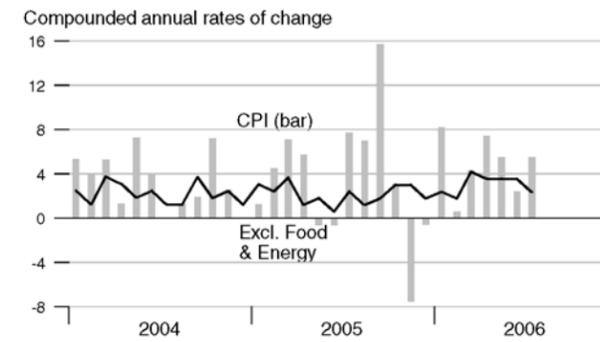
**Output per Hour, Nonfarm Business and Nonfinancial Corporations**



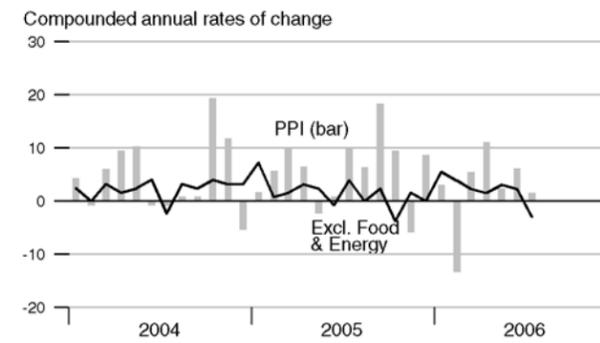
**NIPA Chain Price Indexes**



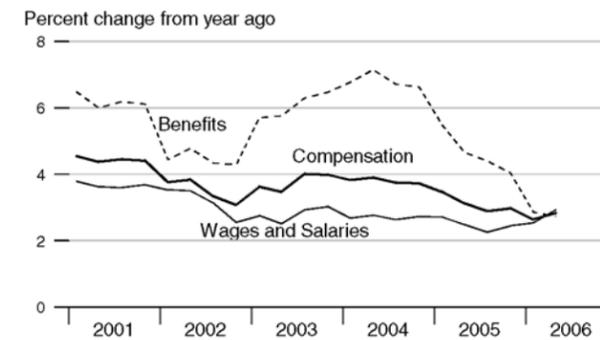
**Consumer Price Index**



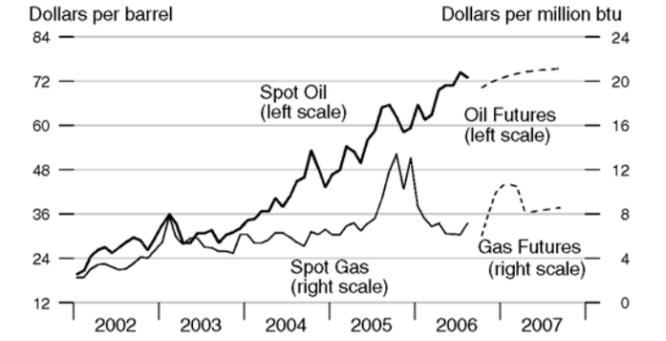
**Producer Price Index, Finished Goods**



**Employment Cost Index**

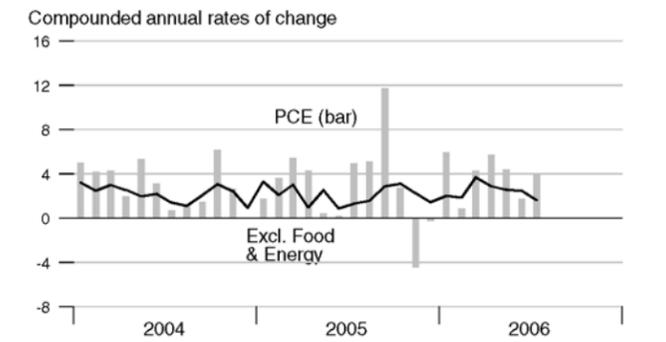


**Oil & Natural Gas Prices: Spot & Futures**

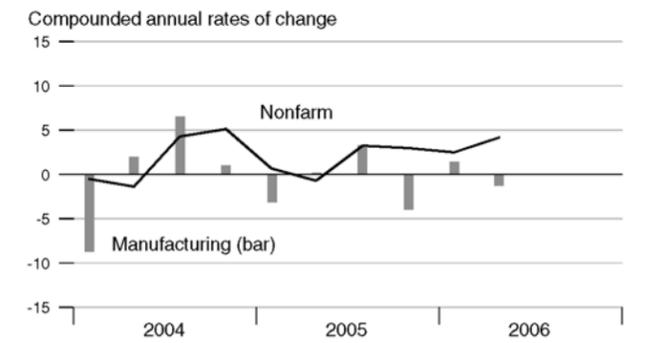


Note: Futures prices as of 08/31/2006.

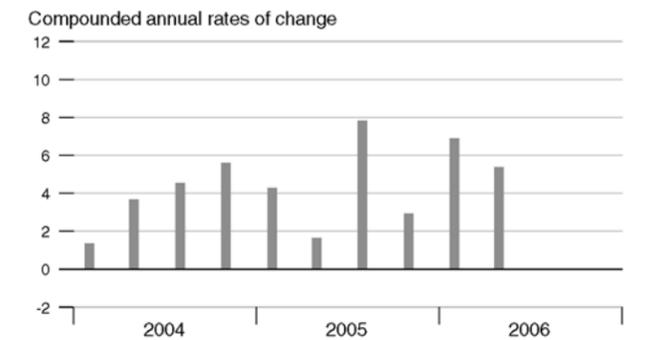
**Consumption Chain Price Index**



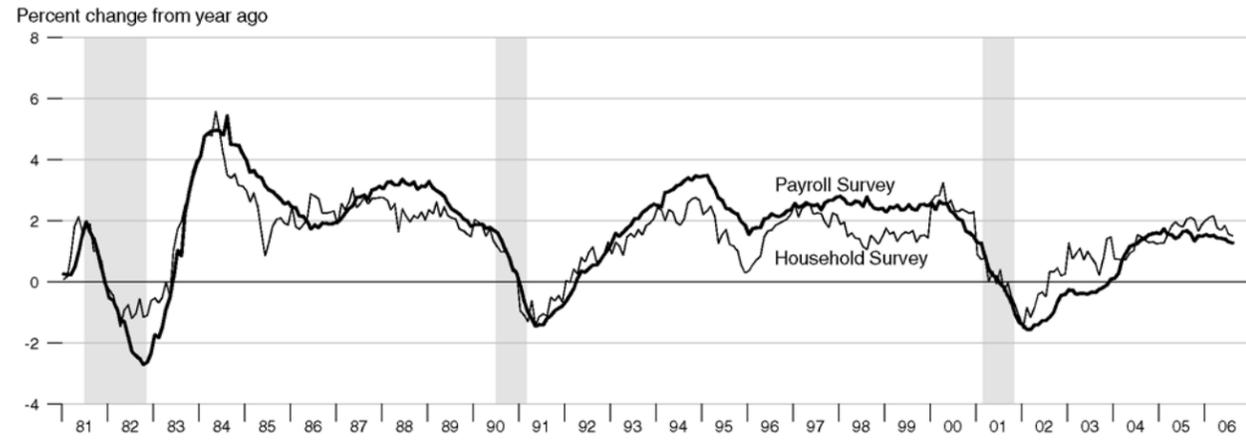
**Unit Labor Cost**



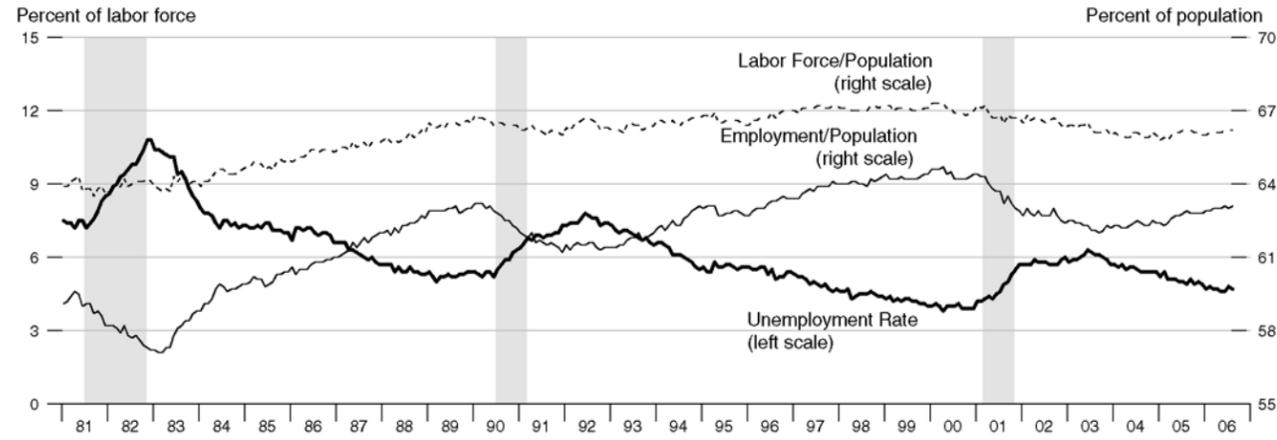
**Compensation per Hour**



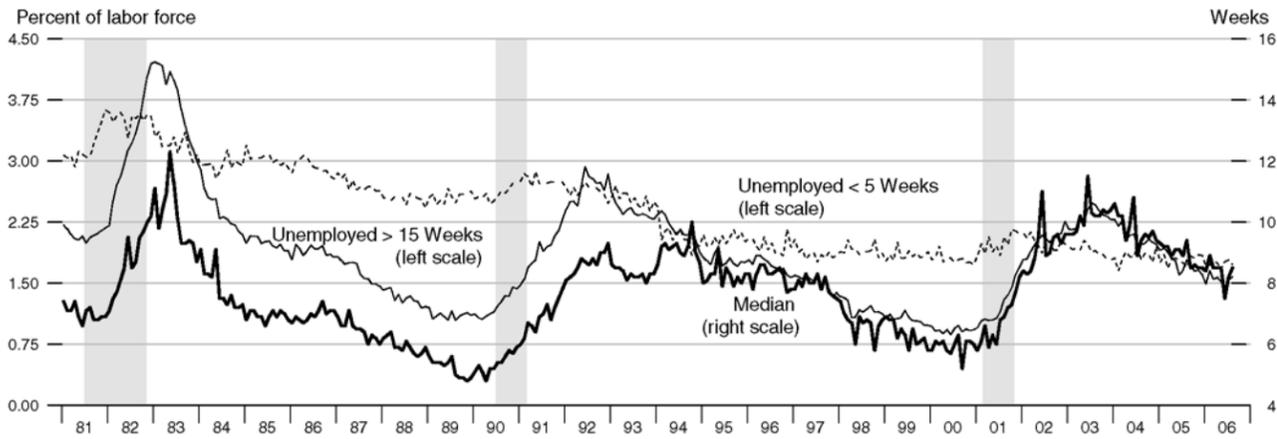
**Employment**



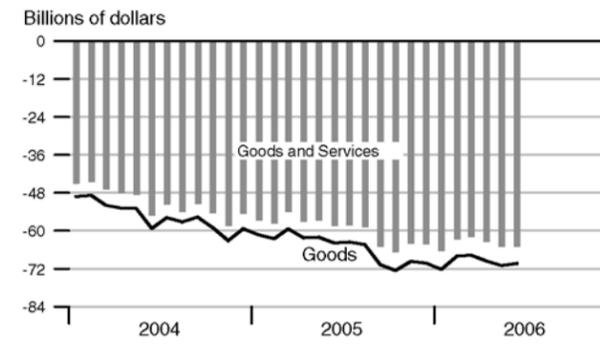
**Unemployment, Labor Force Participation, and Employment Rates**



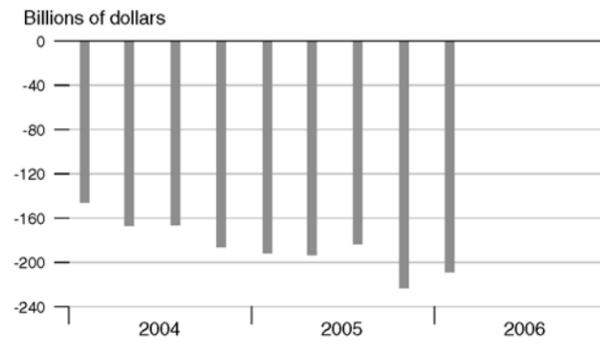
**Duration of Unemployment**



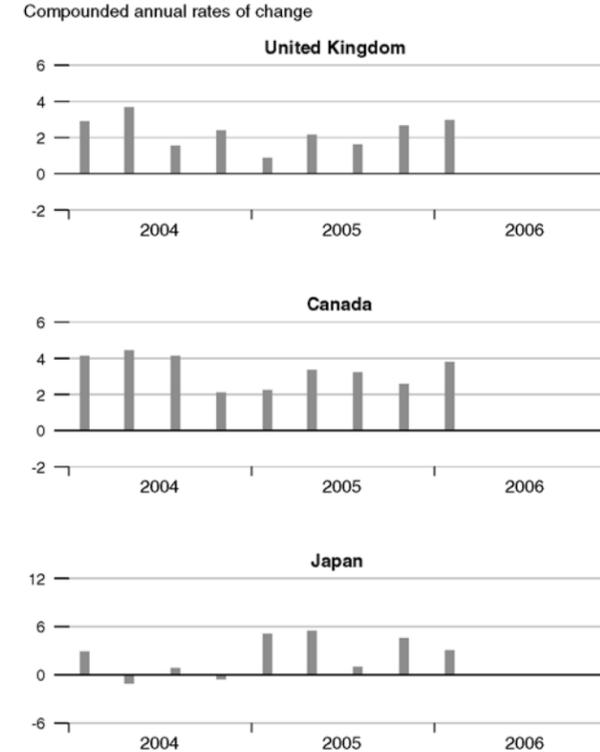
**Trade Balance**



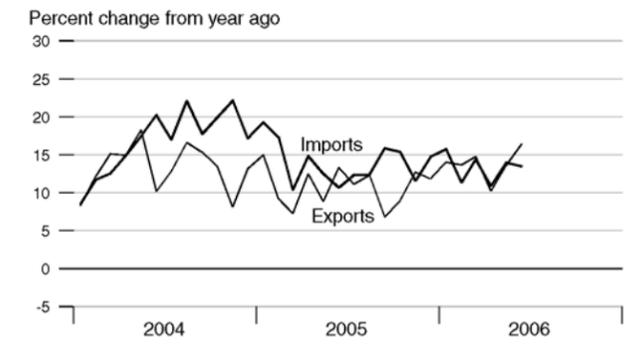
**Current Account Balance**



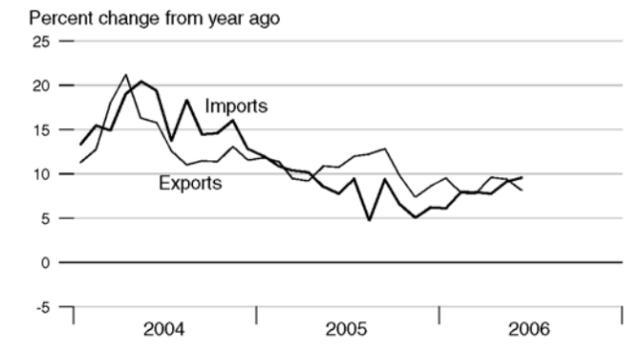
**Real GDP Growth of Major Trading Partners**



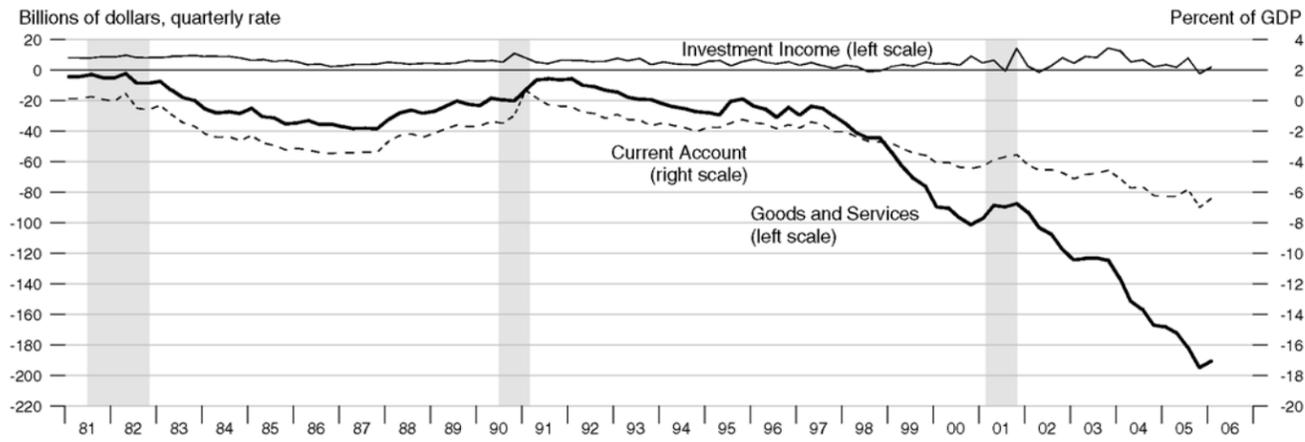
**Goods Trade**



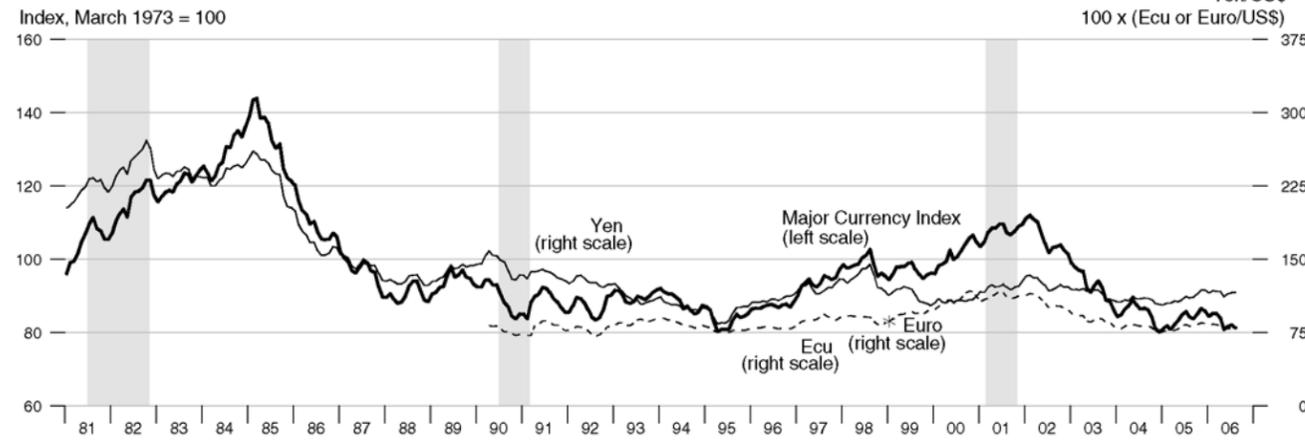
**Services Trade**



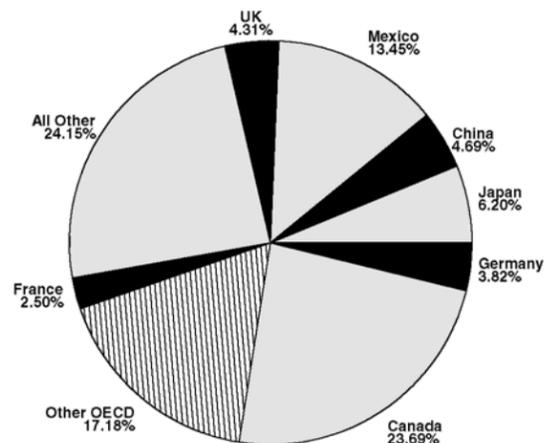
**Current Account, Trade and Investment Income Balances**



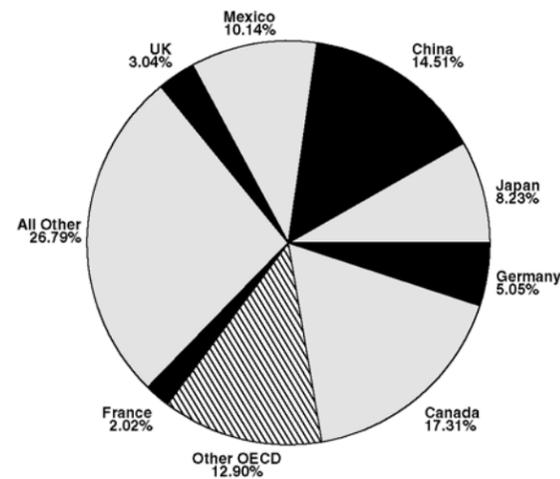
**Exchange Rates**



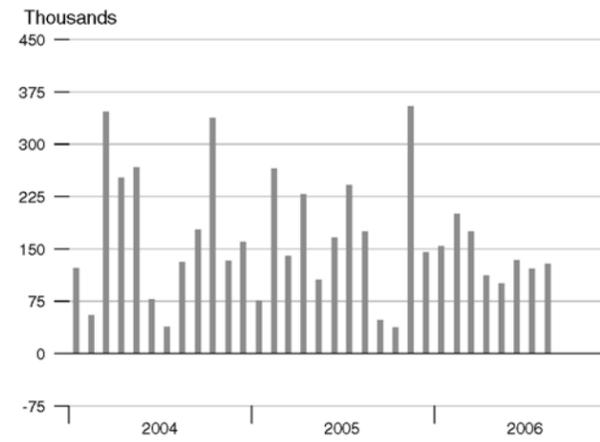
**Goods Export Shares, 2005**



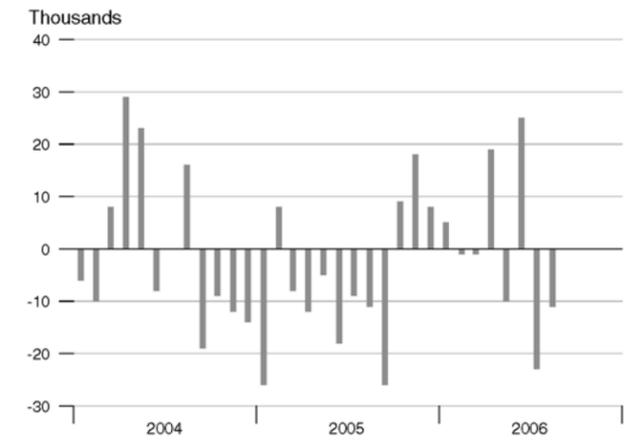
**Goods Import Shares, 2005**



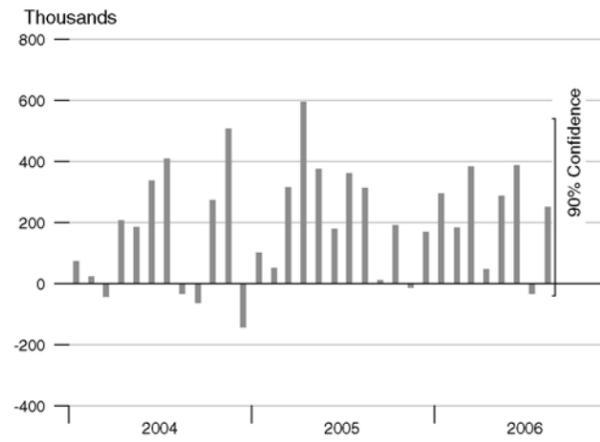
**Change in Nonfarm Payrolls**



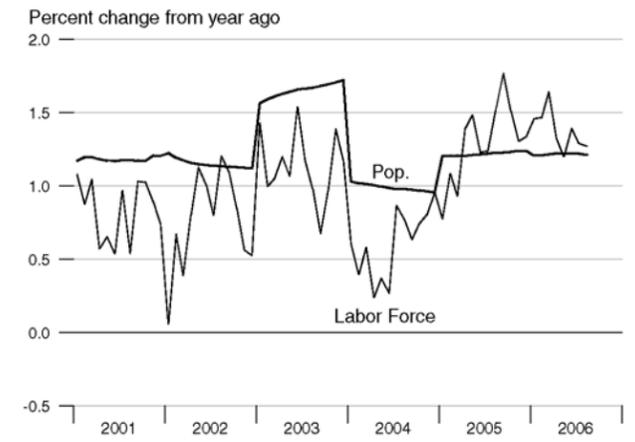
**Change in Manufacturing Payrolls**



**Change in Household Employment**



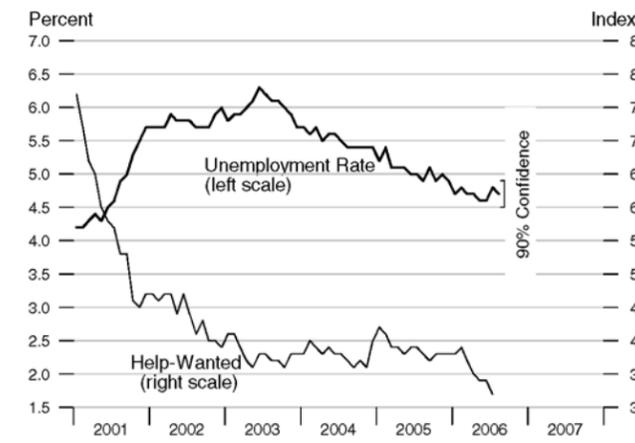
**Labor Force and Population**



**Available Labor Supply and Components**

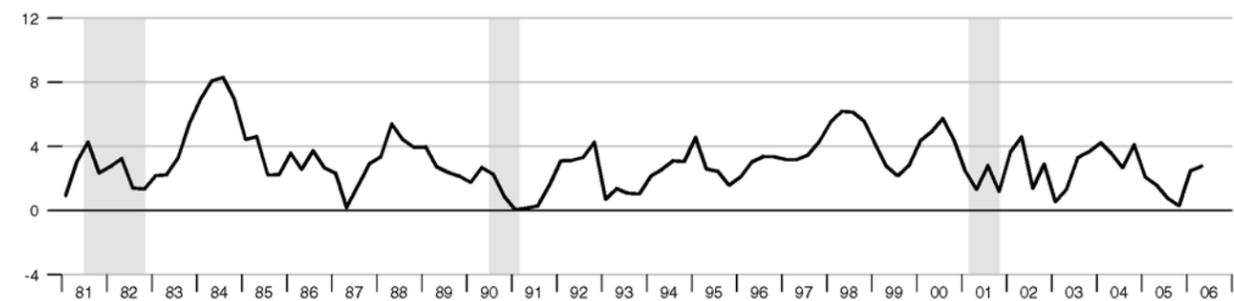


**Unemployment Rate & Help-Wanted Index**



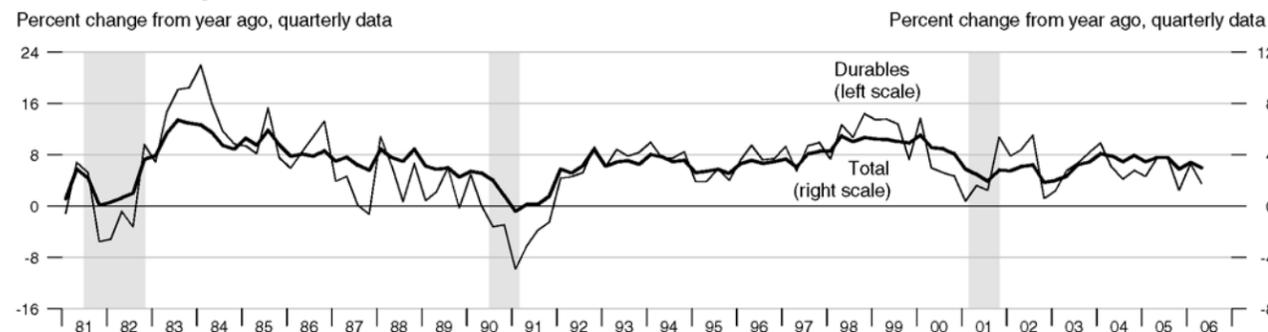
**Real Disposable Personal Income**

Percent change from year ago, quarterly data



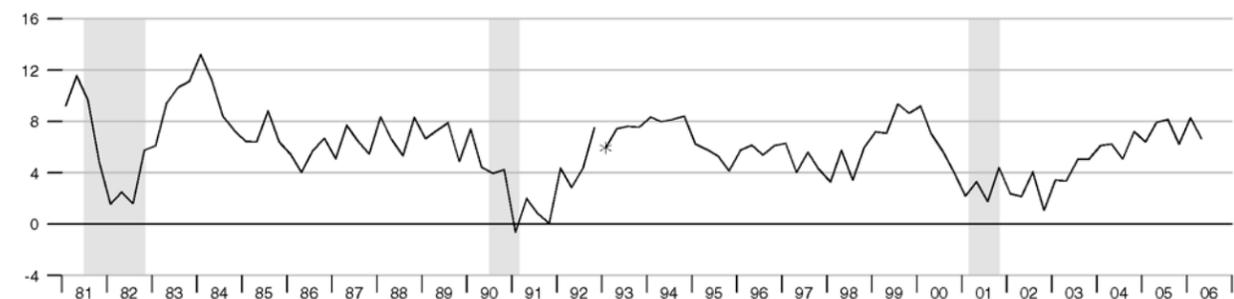
**Real Consumption**

Percent change from year ago, quarterly data



**Retail and Food Services Sales**

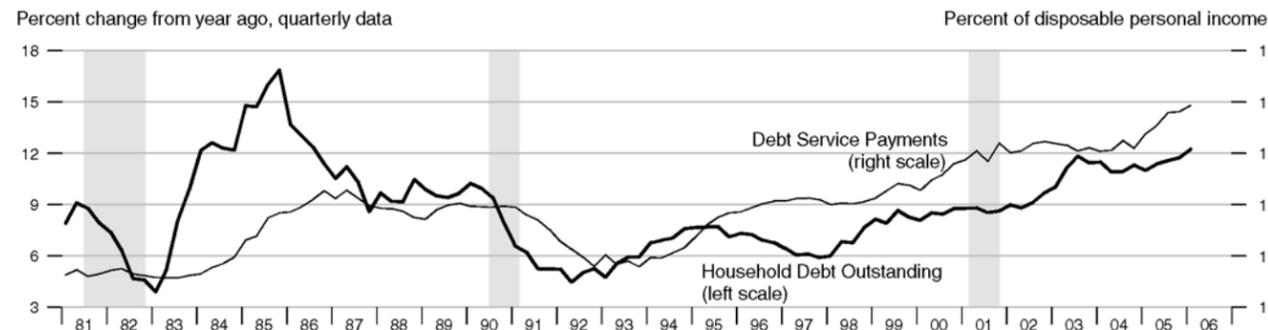
Percent change from year ago, quarterly average



\*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).

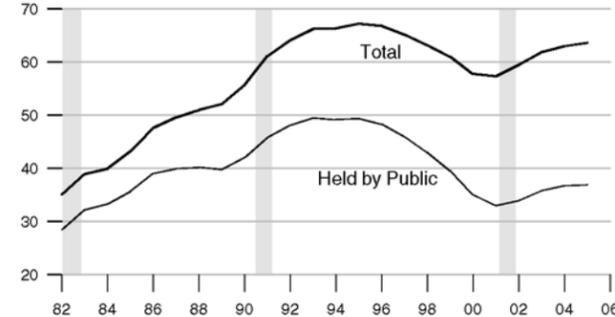
**Debt Service Payments and Household Debt Outstanding**

Percent change from year ago, quarterly data



**Federal Debt**

Percent of GDP



**Change in Federal Debt**

Percent of GDP



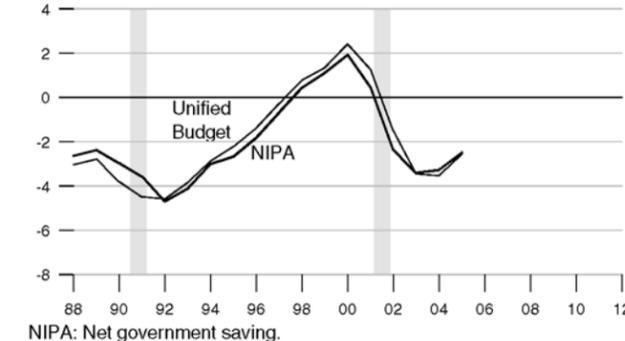
**Federal Government Debt**

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

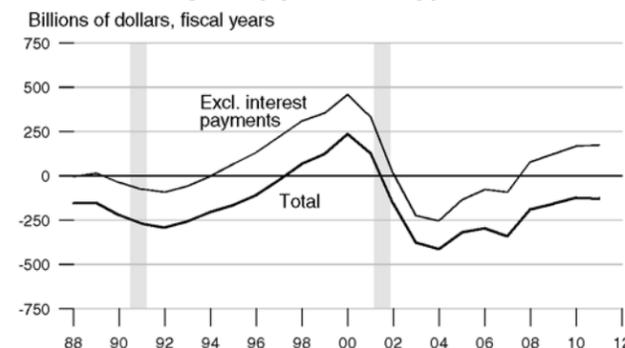
**Federal Surplus (+) / Deficit (-)**

Percent of GDP

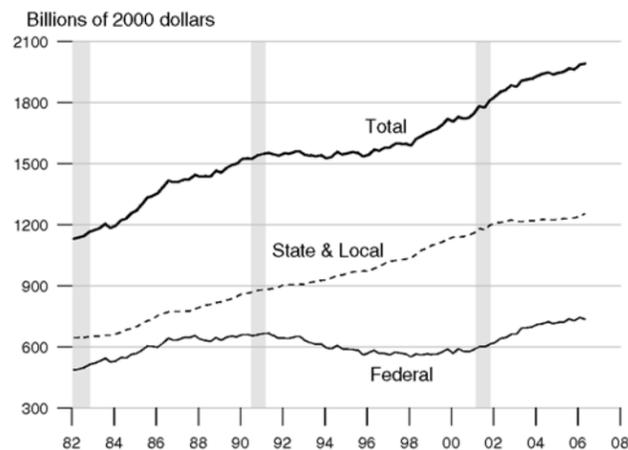


**Federal Surplus (+) / Deficit (-), Unified Basis**

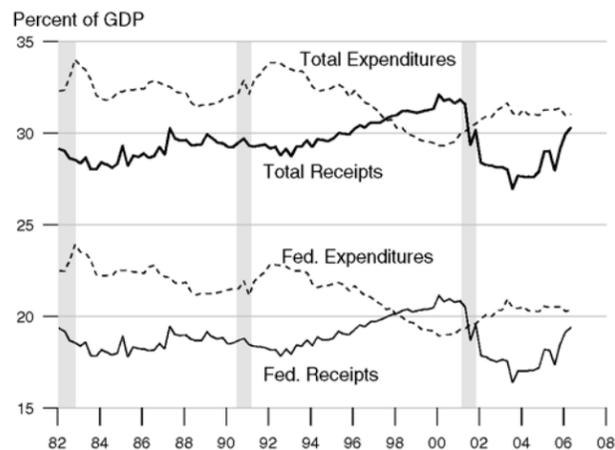
Billions of dollars, fiscal years



**Govt. Consumption and Investment**



**Govt. Current Receipts and Expenditures**

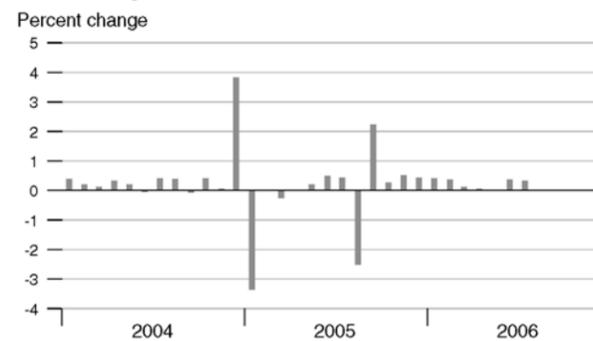


**Government Budgets**

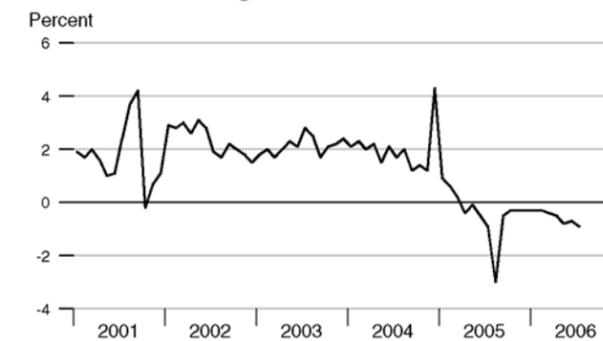
Billions of dollars

	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	2490.9	2637.9	-147.0	507.4	691.1	-183.7
2006Q2	1797.2	1769.4	27.8	2559.4	2686.6	-127.2	772.1	675.6	96.5

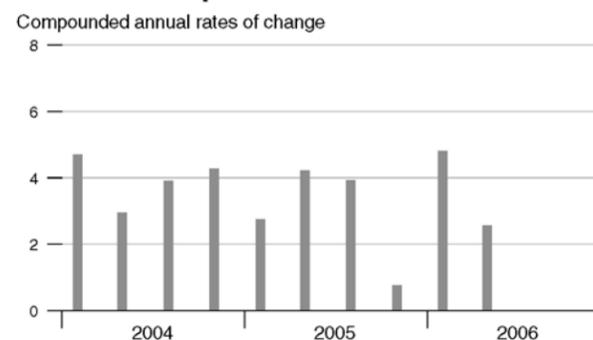
**Real Disposable Personal Income**



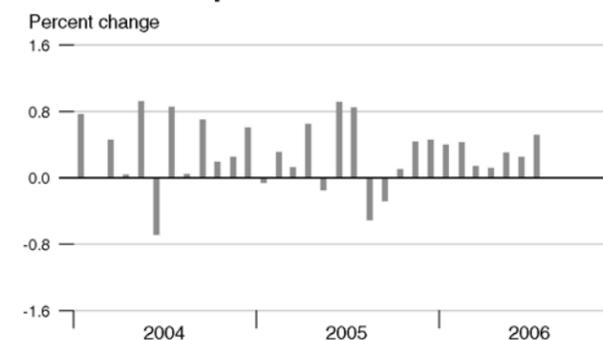
**Personal Saving Rate**



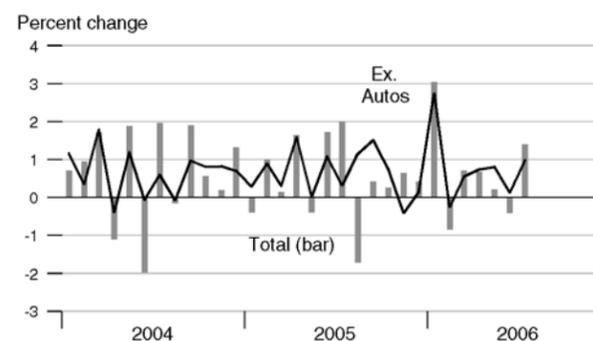
**Real Consumption**



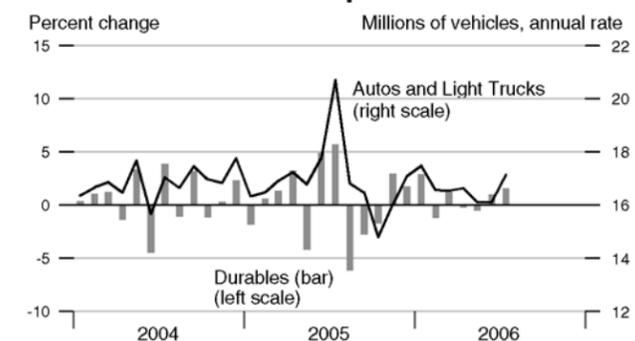
**Real Consumption**



**Retail & Food Services**



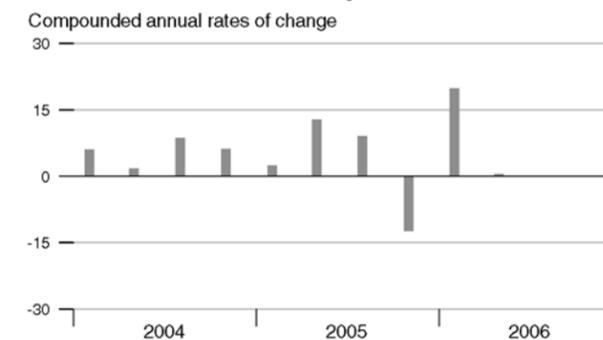
**Real Durables Consumption & Vehicle Sales**



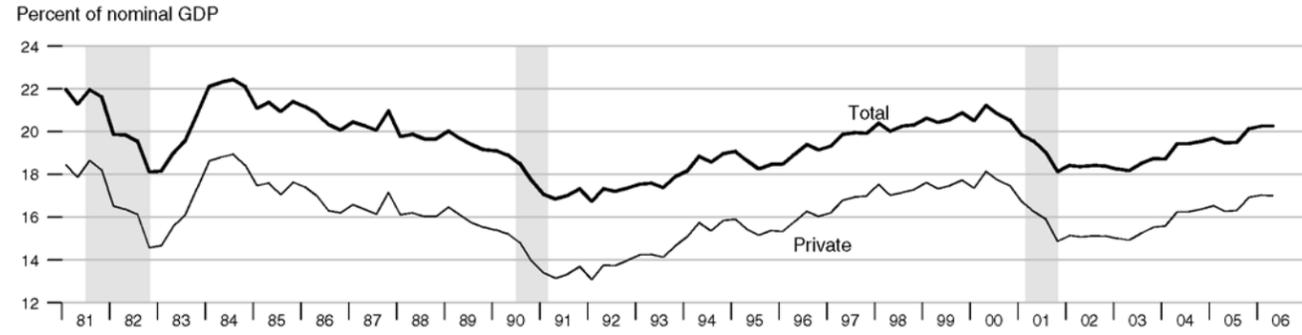
**Consumer Sentiment (U. of Michigan)**



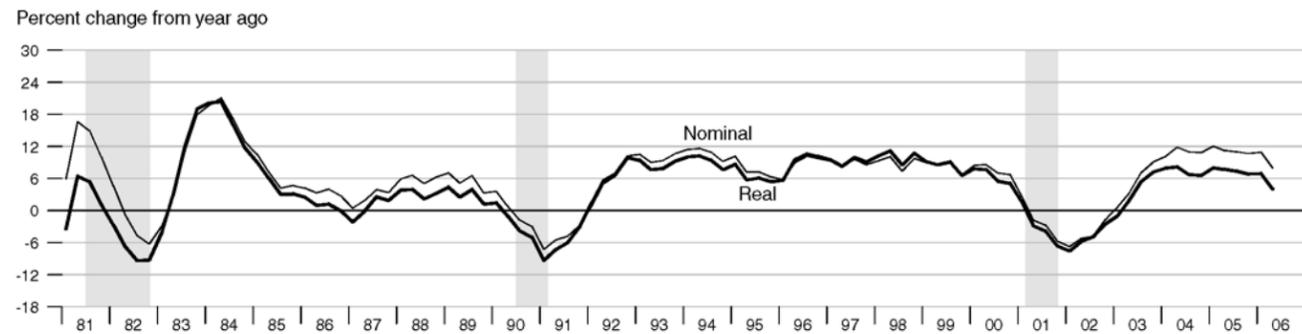
**Real Durables Consumption**



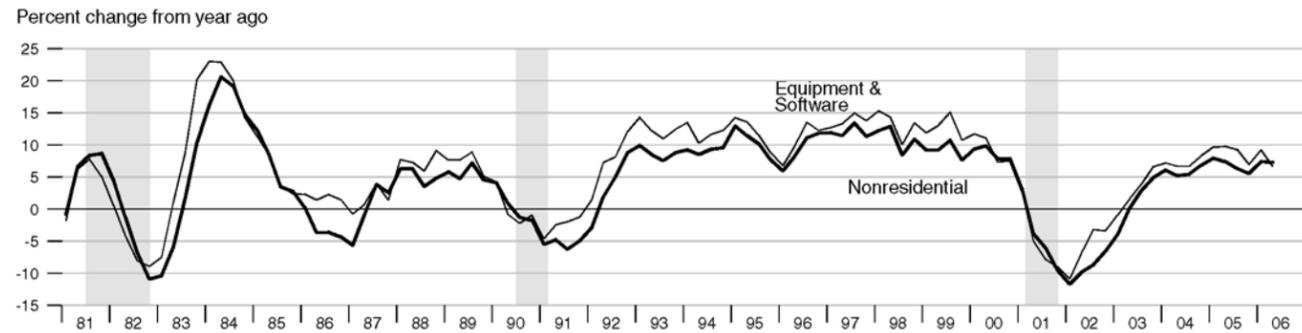
**Investment**



**Private Fixed Investment**



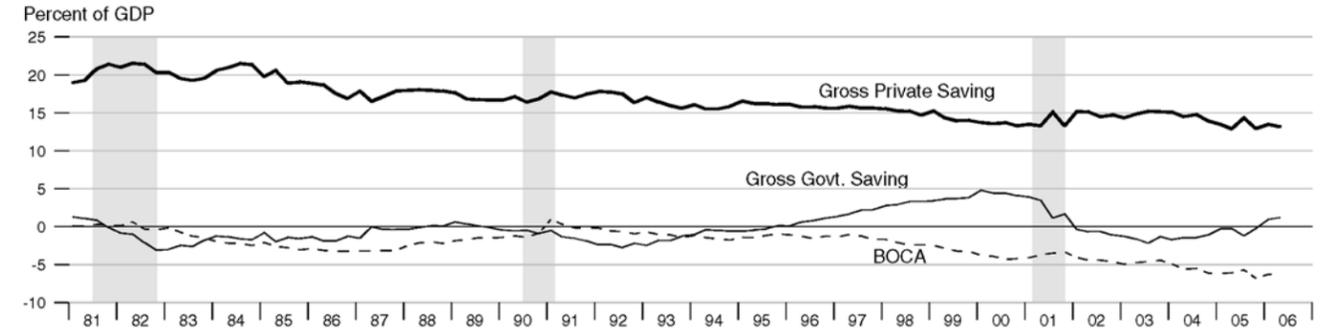
**Real Nonresidential Fixed and Equipment & Software Investment**



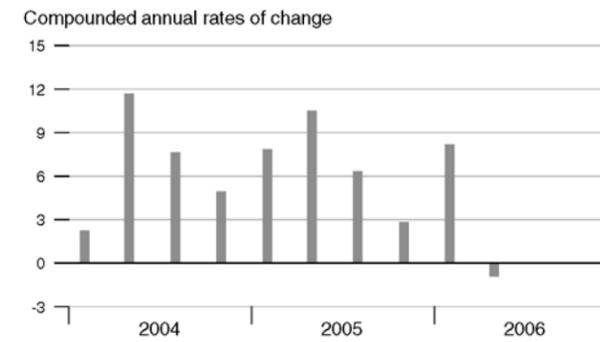
**Real Residential Fixed Investment**



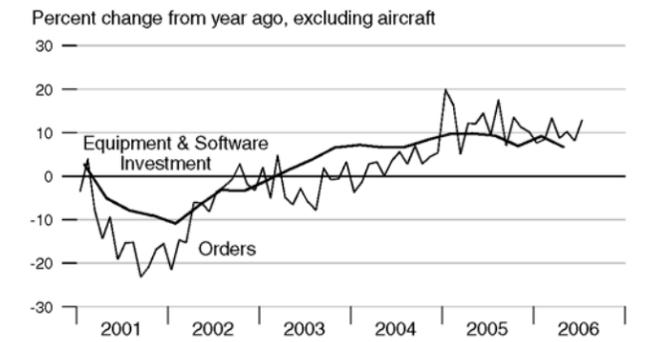
**Gross Saving Rates and Balance on Current Account (NIPA)**



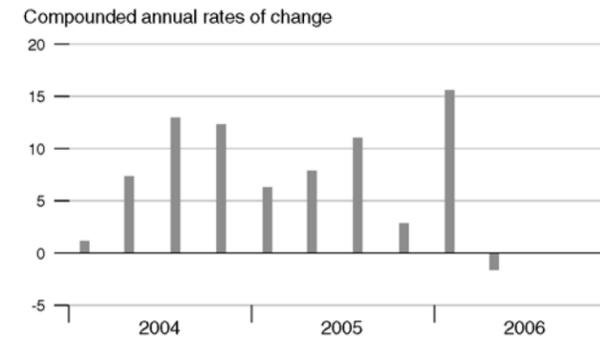
**Real Private Fixed Investment**



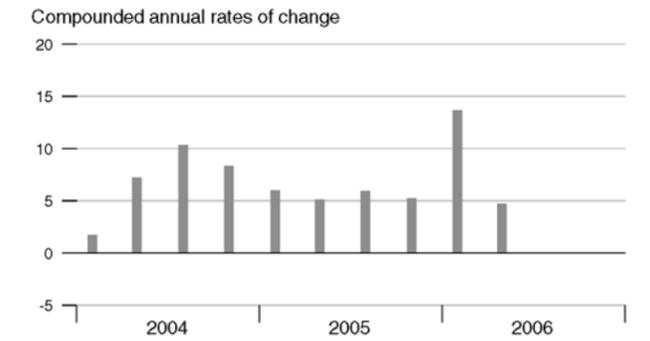
**Nondefense Capital Goods Orders**



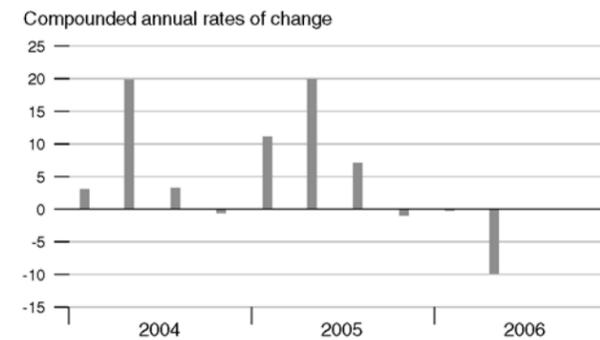
**Real Equipment & Software Investment**



**Real Nonresidential Fixed Investment**



**Real Residential Fixed Investment**



**Housing Starts and New Home Sales**

