

Stock Market Dispersion and Unemployment

According to the definition used in government statistics, a person who is actively looking for a paying job but is unable to find one is considered to be unemployed. Some positive level of unemployment always exists because (i) firms continually adjust the size of their work force in response to changing business conditions and (ii) it takes time for an unemployed worker to find a new job. It is common to use the unemployment rate—the number of unemployed workers divided by the total civilian labor force—to gauge labor market conditions, and this measure is closely watched by monetary policymakers as well as financial market participants.

The unemployment rate usually rises during business recessions and falls during business expansions; and many economists, e.g., Lilien (1982), argue that sectoral shifts account for a large portion of the cyclical variation in unemployment.¹ The underlying premise is as follows: When an economy is hit by an adverse shock, e.g., a sharp increase in crude oil prices, then production resources—including labor—will move from more adversely affected sectors to less adversely affected sectors. Because of the presence of industry-specific skills and the time-consuming nature of the job search, the process of transferring workers across industries tends to be slow and involves spells of unemployment. Therefore, an increase in intersectoral shifts leads to higher unemployment by increasing the amount of labor reallocation.

Loungani, Rush, and Tave (1990) suggest that stock market dispersion is a good proxy for the volume of intersectoral shifts.² Intuitively, because stock prices are equal to expected discounted future cash flows, when stock prices in a sector go up (down), the sector is likely to experience increased (decreased) cash flows and thus demand more (less) labor input in the future. Consistent with Lilien's (1982) conjecture, Loungani, Rush, and Tave document a significantly positive relation between stock market dispersion and the future unemployment rate using data for the period 1926-87.

In the accompanying chart, I replicate Loungani, Rush, and Tave's main finding for the period 1964:Q1 to 2006:Q4. The solid line is the log stock market dispersion, which is measured by the value-weighted average realized variance of idiosyncratic shocks to all common stocks included in the CRSP (Center for Research in Security Prices) database; and it is lagged by one year.³ The dashed line is the change in the unemployment rate from its level one year ago. As hypothesized, the two variables tend to move in the same direction, with a correlation coefficient of 0.27. In particular, stock market dispersion appears to provide a good explanation for the movement of the labor market in the past few years. After the spectacular run-up in the second half of 1990s, the prices of information technology stocks collapsed in the year 2000. Such a dramatic intersectoral shift was evidenced by a sharp increase in stock market dispersion; it was also followed by a sharp increase in the unemployment rate. Moreover, the unemployment rate fell at the end of the sample as stock market dispersion eventually receded.

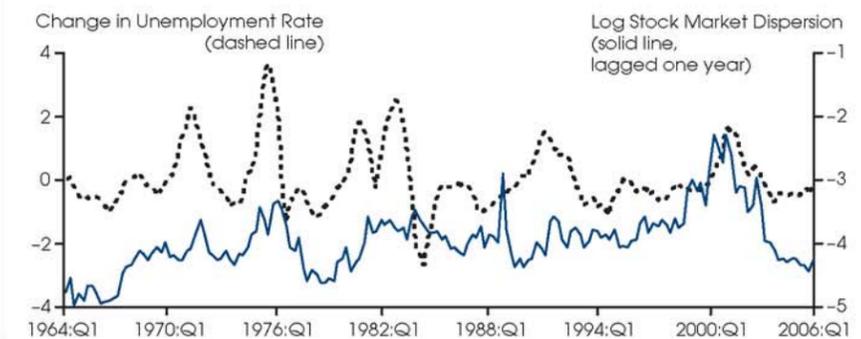
—Hui Guo

¹ Lilien, David M. "Sectoral Shifts and Cyclical Unemployment." *Journal of Political Economy*, August 1982, 90(4), pp. 773-93.

² Loungani, Prakash; Rush, Mark and Tave, William. "Stock Market Dispersion and Unemployment." *Journal of Monetary Economics*, June 1990, 25(3), pp. 367-88.

³ The idiosyncratic shock to a stock is the part of its return that is not explained by asset pricing models.

Log Stock Market Dispersion vs. Year-Over-Year Change in the Unemployment Rate



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3	Economy at a Glance
4	Output and Growth
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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. For more information see <http://www.bls.gov/ces/>. **Nonfarm Payroll Employment** is counted in a survey of about 400,000 establishments (Current Employment Statistics). 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/. The **Job Openings rate** is the number of job openings on the last business day of the month as a percent of total employment plus job openings.

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 $\%(C)$ 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.

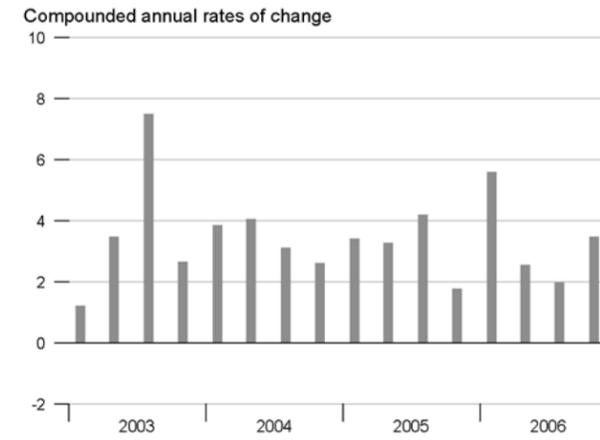
Federal Reserve Board
 Index of industrial production, treasury yields, exchange rates, capacity utilization, household debt.

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

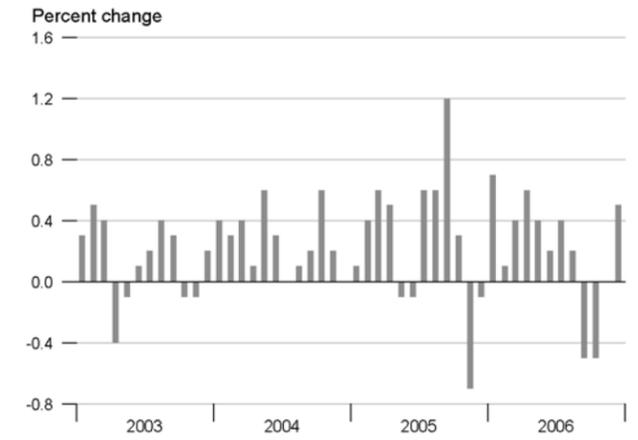
Organization for Economic Cooperation and Development (OECD)
 GDP for major trading partners (not available on FRED).

	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	
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	
2006	201.6			3.2		205.9			2.5		160.3			2.9	
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	4.5	4.4
	3	203.2	0.7	2.9	3.3	3.4	206.9	0.7	3.0	2.8	3.0	161.1	0.1	0.2	2.9
	4	202.1	-0.6	-2.2	2.0	2.0	207.8	0.4	1.8	2.7	2.7	159.8	-0.8	-3.3	0.2
2004	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	160.6	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	0.1	1.5	4.3
	Jun	202.3	0.2	2.4	4.3	4.7	206.0	0.3	3.6	2.7	3.2	161.7	0.6	6.9	4.9
	Jul	203.2	0.4	5.5	4.2	4.8	206.4	0.2	2.4	2.7	3.1	161.5	-0.1	-1.5	3.9
	Aug	203.7	0.2	3.0	3.8	4.6	206.9	0.2	2.9	2.8	3.0	162.1	0.4	4.6	3.8
	Sep	202.7	-0.5	-5.7	2.1	3.4	207.4	0.2	2.9	2.9	3.0	159.8	-1.4	-15.8	0.9
	Oct	201.7	-0.5	-5.8	1.3	2.4	207.6	0.1	1.2	2.8	2.8	157.2	-1.6	-17.9	-1.5
	Nov	201.7	0.0	0.0	2.0	2.2	207.7	0.0	0.6	2.6	2.6	160.3	2.0	26.4	0.9
	Dec	202.8	0.5	6.7	2.6	2.6	208.1	0.2	2.3	2.6	2.6	161.8	0.9	11.8	1.2

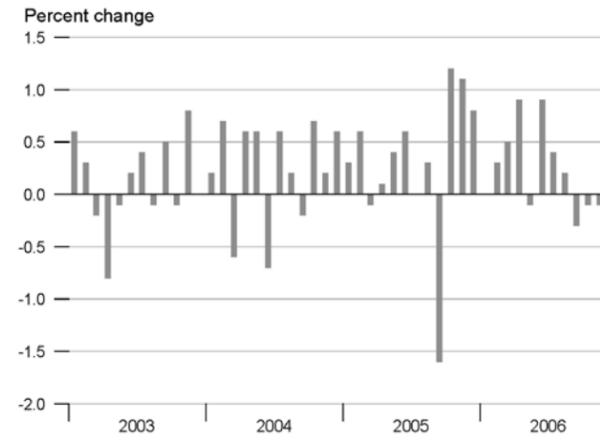
Real GDP Growth



Consumer Price Index



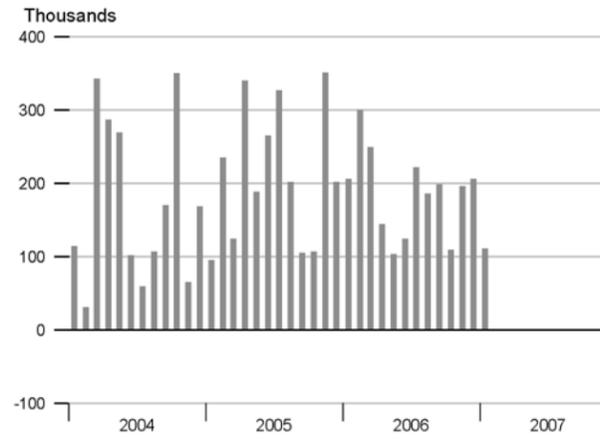
Industrial Production



Interest Rates



Change in Nonfarm Payrolls

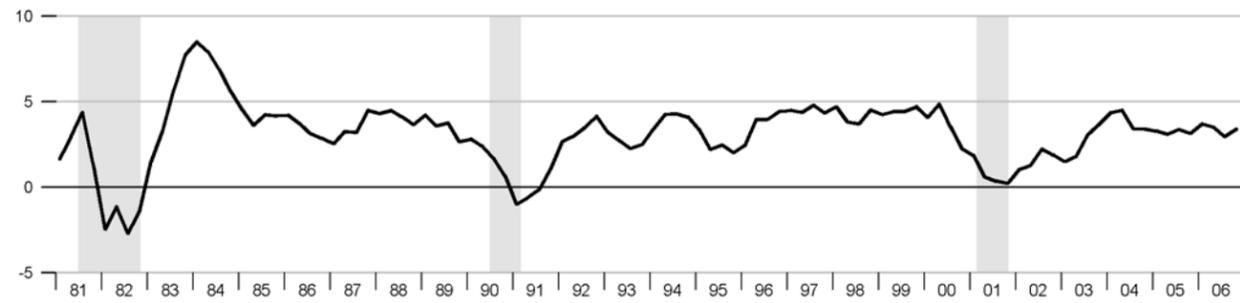


Unemployment Rate



Real Gross Domestic Product

Percent change from year ago



Industrial Production and Institute for Supply Management (ISM) Indexes

Percent change from year ago

Index



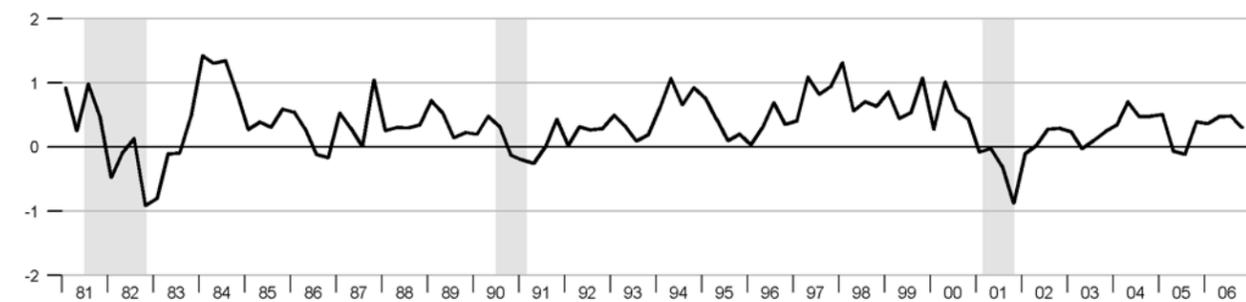
Aggregate Private Nonfarm Hours

Percent change from year ago



Real Change in Private Inventories

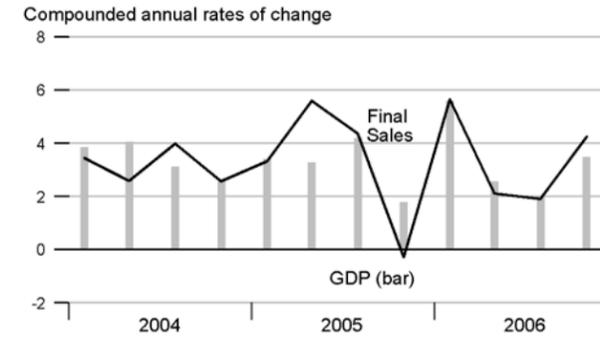
Percent of GDP



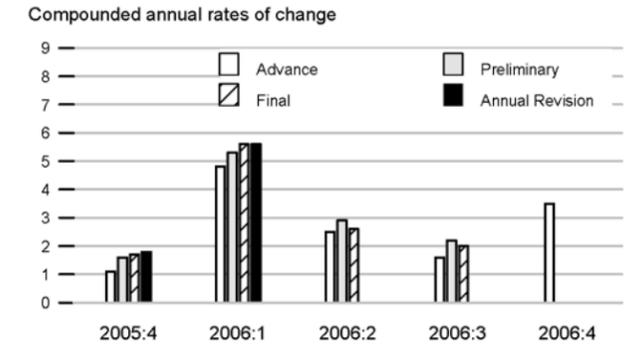
	Unempl. Rate	Retail and Food Services Sales			Industrial Production			Treasury Yields			
		Billions of dollars	Percent change		Index	Percent change		(Percent)			
			Monthly/quarterly	Annual rate	Year ago		Monthly/quarterly	Annual rate	Year ago	3-mo	10-yr
2002	5.8	3467.083			2.4	100.0000			0.0	1.60	4.61
2003	6.0	3614.287			4.2	101.0619			1.1	1.01	4.02
2004	5.5	3836.987			6.2	103.5734			2.5	1.37	4.27
2005	5.1	4113.831			7.2	106.9340			3.2	3.15	4.29
2006	4.6	4373.262			6.3	111.3054			4.1	4.73	4.79
2004	1	938.788	2.0	8.3	6.1	102.5879	0.8	3.3	1.4	0.92	4.02
	2	947.407	0.9	3.7	6.2	103.2261	0.6	2.5	2.9	1.08	4.60
	3	964.134	1.8	7.3	5.1	103.6902	0.4	1.8	2.7	1.49	4.30
	4	986.658	2.3	9.7	7.2	104.7895	1.1	4.3	3.0	2.01	4.17
2005	1	998.909	1.2	5.1	6.4	105.9764	1.1	4.6	3.3	2.54	4.30
	2	1022.622	2.4	9.8	7.9	106.6983	0.7	2.8	3.4	2.86	4.16
	3	1042.720	2.0	8.1	8.2	106.9113	0.2	0.8	3.1	3.36	4.21
	4	1049.580	0.7	2.7	6.4	108.1499	1.2	4.7	3.2	3.83	4.49
2006	1	1081.608	3.1	12.8	8.3	109.4847	1.2	5.0	3.3	4.39	4.57
	2	1090.393	0.8	3.3	6.6	111.2261	1.6	6.5	4.2	4.70	5.07
	3	1100.225	0.9	3.7	5.5	112.3327	1.0	4.0	5.1	4.91	4.90
	4	1101.036	0.1	0.3	4.9	112.1780	-0.1	-0.5	3.7	4.90	4.63
2005	Jan	330.643	-0.4	-4.6	6.9	105.5963	0.3	3.3	3.2	2.33	4.22
	Feb	333.908	1.0	12.5	7.0	106.2295	0.6	7.4	3.1	2.54	4.17
	Mar	334.358	0.1	1.6	5.3	106.1033	-0.1	-1.4	3.6	2.74	4.50
	Apr	339.841	1.6	21.6	8.2	106.2128	0.1	1.2	3.1	2.78	4.34
	May	338.488	-0.4	-4.7	5.8	106.6034	0.4	4.5	2.8	2.84	4.14
	Jun	344.293	1.7	22.6	9.8	107.2787	0.6	7.9	4.2	2.97	4.00
	Jul	350.635	1.8	24.5	9.7	107.3023	0.0	0.3	3.6	3.22	4.18
	Aug	345.648	-1.4	-15.8	8.3	107.5921	0.3	3.3	3.6	3.44	4.26
	Sep	346.437	0.2	2.8	6.5	105.8396	-1.6	-17.9	2.1	3.42	4.20
	Oct	348.095	0.5	5.9	6.4	107.0570	1.2	14.7	2.5	3.71	4.46
	Nov	350.460	0.7	8.5	7.0	108.2431	1.1	14.1	3.4	3.88	4.54
	Dec	351.025	0.2	2.0	5.7	109.1496	0.8	10.5	3.6	3.89	4.47
2006	Jan	361.743	3.1	43.5	9.4	109.1081	-0.0	-0.5	3.3	4.24	4.42
	Feb	358.675	-0.8	-9.7	7.4	109.3862	0.3	3.1	3.0	4.43	4.57
	Mar	361.190	0.7	8.7	8.0	109.9597	0.5	6.5	3.6	4.51	4.72
	Apr	363.611	0.7	8.3	7.0	110.9443	0.9	11.3	4.5	4.60	4.99
	May	364.343	0.2	2.4	7.6	110.8746	-0.1	-0.8	4.0	4.72	5.11
	Jun	362.439	-0.5	-6.1	5.3	111.8594	0.9	11.2	4.3	4.79	5.11
	Jul	367.415	1.4	17.8	4.8	112.3067	0.4	4.9	4.7	4.95	5.09
	Aug	367.491	0.0	0.2	6.3	112.5208	0.2	2.3	4.6	4.96	4.88
	Sep	365.319	-0.6	-6.9	5.5	112.1707	-0.3	-3.7	6.0	4.81	4.72
	Oct	364.538	-0.2	-2.5	4.7	112.0753	-0.1	-1.0	4.7	4.92	4.73
	Nov	366.633	0.6	7.1	4.6	112.0162	-0.1	-0.6	3.5	4.94	4.60
	Dec	369.865	0.9	11.1	5.4	112.4425	0.4	4.7	3.0	4.85	4.56
2007	Jan	4.6								4.98	4.76

	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
2002	136481	-458		-0.3	130347	-1485		-1.1	100.0			-2.0
2003	137730	1249		0.9	129990	-357		-0.3	98.6			-1.4
2004	139242	1512		1.1	131423	1433		1.1	100.2			1.6
2005	141715	2473		1.8	133696	2273		1.7	102.7			2.5
2006	144419	2705		1.9	136173	2477		1.9	105.7			2.9
2004	1	138471	184	0.5	130547	379	1.2	0.4	99.3	0.5	1.9	0.2
	2	138888	417	1.2	131286	739	2.3	1.1	99.9	0.6	2.4	1.6
	3	139548	660	1.9	131631	345	1.1	1.4	100.5	0.6	2.6	2.3
	4	140059	511	1.5	132229	598	1.8	1.6	101.2	0.7	2.8	2.4
2005	1	140385	326	0.9	132656	427	1.3	1.6	101.5	0.3	1.2	2.2
	2	141501	1116	3.2	133371	715	2.2	1.6	102.4	0.9	3.5	2.5
	3	142319	818	2.3	134107	736	2.2	1.9	103.1	0.7	2.8	2.6
	4	142655	336	0.9	134652	546	1.6	1.8	103.9	0.8	3.3	2.7
2006	1	143366	711	2.0	135393	741	2.2	2.1	104.8	0.8	3.4	3.2
	2	144065	699	2.0	135913	520	1.5	1.9	105.6	0.8	3.1	3.1
	3	144618	553	1.5	136442	529	1.6	1.7	106.0	0.3	1.4	2.8
	4	145629	1011	2.8	136944	502	1.5	1.7	106.5	0.5	1.9	2.4
2005	Jan	140236	82	0.7	132458	95	0.9	1.6	101.3	-0.2	-2.3	2.0
	Feb	140320	84	0.7	132693	235	2.1	1.7	101.6	0.3	3.6	2.3
	Mar	140599	279	2.4	132817	124	1.1	1.6	101.7	0.1	1.2	2.4
	Apr	141229	630	5.5	133157	340	3.1	1.6	102.4	0.7	8.6	2.8
	May	141569	340	2.9	133345	188	1.7	1.5	102.2	-0.2	-2.3	1.9
	Jun	141704	135	1.2	133610	265	2.4	1.6	102.6	0.4	4.8	2.8
	Jul	142084	380	3.3	133937	327	3.0	1.9	102.8	0.2	2.4	2.5
	Aug	142423	339	2.9	134139	202	1.8	1.9	103.0	0.2	2.4	2.6
	Sep	142449	26	0.2	134244	105	0.9	1.9	103.5	0.5	6.0	2.6
	Oct	142586	137	1.2	134351	107	1.0	1.7	103.6	0.1	1.2	2.4
	Nov	142597	11	0.1	134702	351	3.2	1.9	104.0	0.4	4.7	3.0
	Dec	142782	185	1.6	134904	202	1.8	1.9	104.2	0.2	2.3	2.7
2006	Jan	143099	317	2.7	135110	206	1.8	2.0	104.5	0.3	3.5	3.2
	Feb	143319	220	1.9	135410	300	2.7	2.0	104.8	0.3	3.5	3.1
	Mar	143680	361	3.1	135659	249	2.2	2.1	105.1	0.3	3.5	3.3
	Apr	143763	83	0.7	135803	144	1.3	2.0	105.6	0.5	5.9	3.1
	May	144045	282	2.4	135906	103	0.9	1.9	105.4	-0.2	-2.2	3.1
	Jun	144386	341	2.9	136030	124	1.1	1.8	105.8	0.4	4.7	3.1
	Jul	144330	-56	-0.5	136252	222	2.0	1.7	106.0	0.2	2.3	3.1
	Aug	144618	288	2.4	136438	186	1.7	1.7	105.9	-0.1	-1.1	2.8
	Sep	144906	288	2.4	136636	198	1.8	1.8	106.0	0.1	1.1	2.4
	Oct	145337	431	3.6	136745	109	1.0	1.8	106.3	0.3	3.4	2.6
	Nov	145623	286	2.4	136941	196	1.7	1.7	106.3	0.0	0.0	2.2
	Dec	145926	303	2.5	137147	206	1.8	1.7	106.8	0.5	5.8	2.5
2007	Jan	145957	31	0.3	137258	111	1.0	1.6	106.7	-0.1	-1.1	2.1

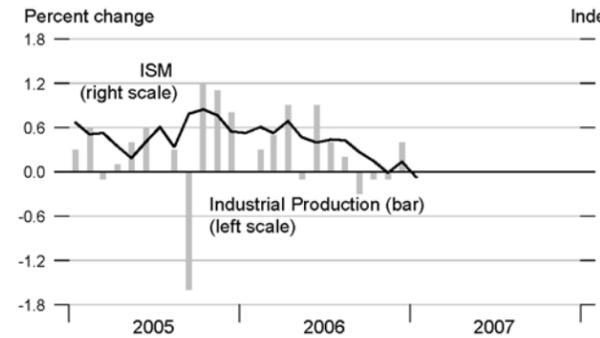
Real Final Sales and GDP



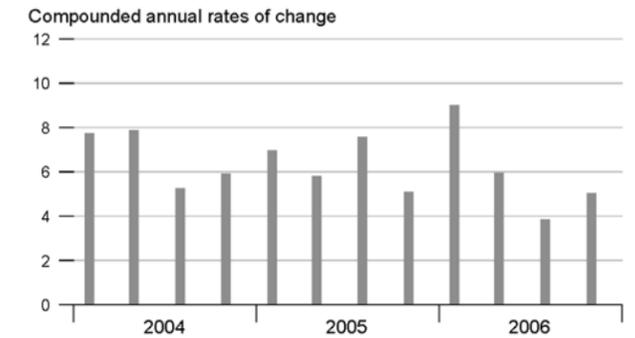
Real GDP Revisions



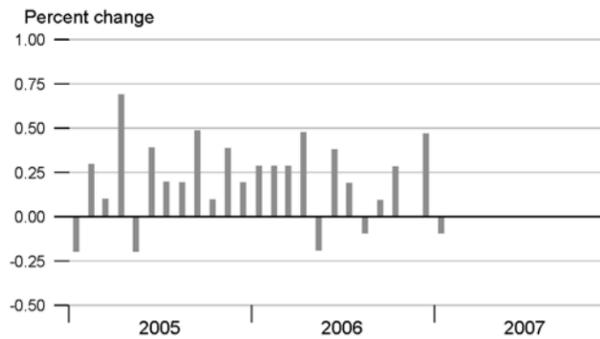
Industrial Production and ISM Index



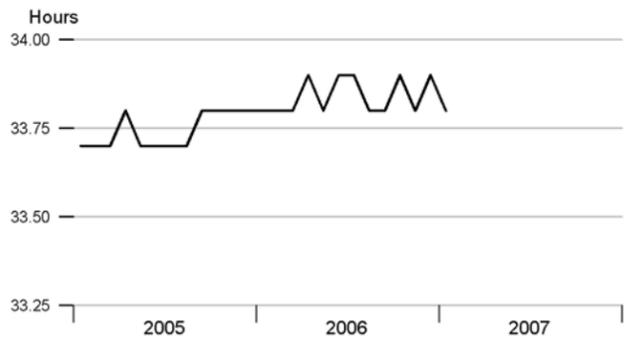
Nominal Gross Domestic Product



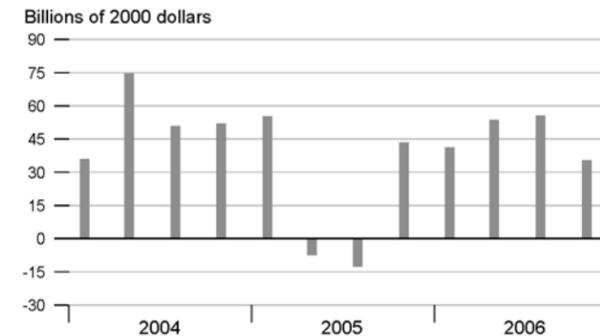
Aggregate Private Nonfarm Hours



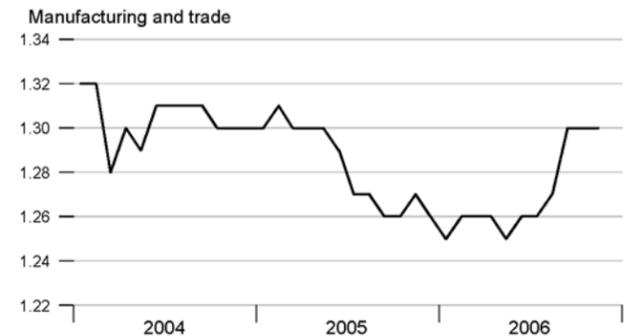
Average Weekly Private Nonfarm Hours



Real Change in Private Inventories

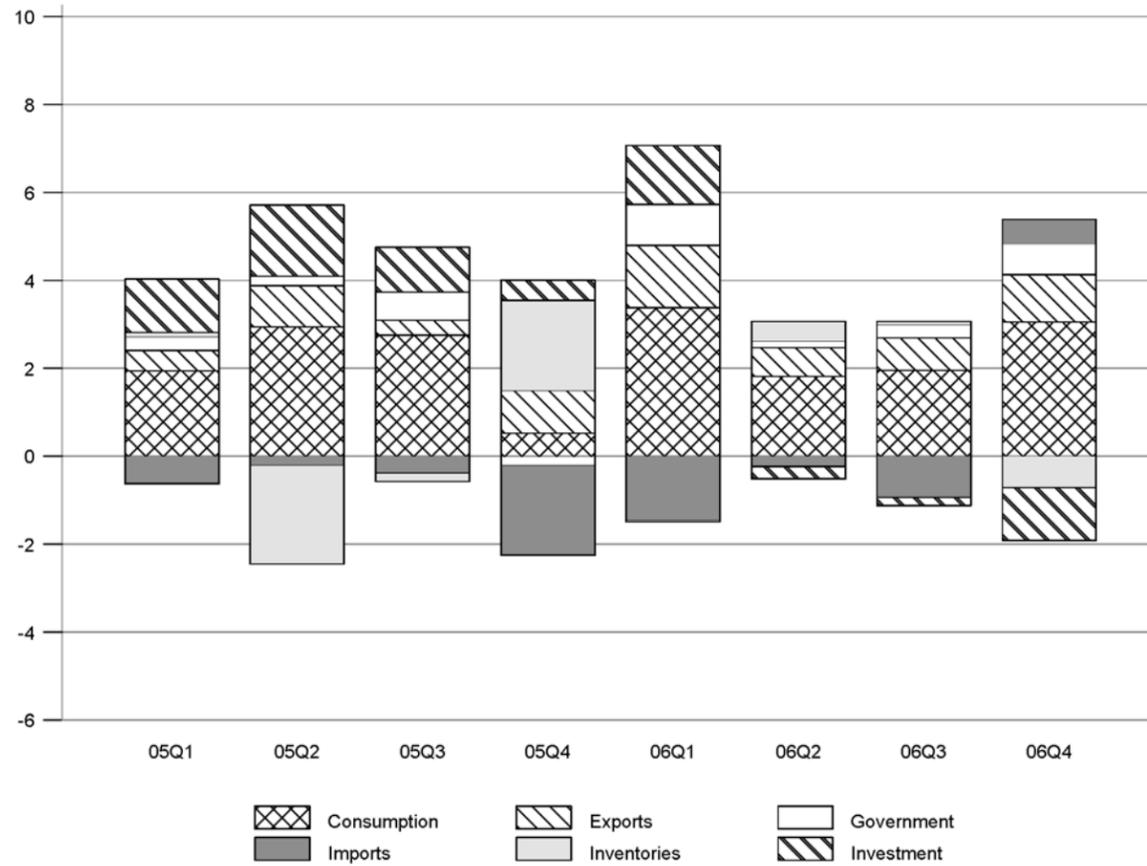


Inventory-Sales Ratio



Contribution of Components to Real GDP Growth

Percentage points at compounded annual rates



Contributions to Real GDP Growth Rate

	2005				2006			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Final Sales	3.31	5.49	4.36	-0.29	5.61	2.12	1.90	4.18
Consumption	1.94	2.94	2.76	0.53	3.38	1.81	1.96	3.05
Fixed Investment	1.22	1.62	1.02	0.46	1.34	-0.27	-0.19	-1.21
Nonresidential	0.59	0.51	0.59	0.52	1.36	0.45	1.01	-0.05
Residential	0.63	1.11	0.43	-0.06	-0.02	-0.72	-1.20	-1.16
Government	0.31	0.21	0.64	-0.21	0.94	0.16	0.32	0.70
Federal	0.23	0.03	0.66	-0.33	0.61	-0.32	0.09	0.31
State and Local	0.08	0.18	-0.01	0.13	0.33	0.48	0.23	0.39
Net Exports	-0.16	0.72	-0.06	-1.07	-0.04	0.42	-0.19	1.64
Exports	0.47	0.94	0.33	0.97	1.41	0.66	0.73	1.08
Imports	-0.63	-0.22	-0.39	-2.04	-1.46	-0.24	-0.93	0.56
Change in Inventory	0.09	-2.23	-0.18	2.05	-0.03	0.44	0.06	-0.71
Residual	-0.01	0.08	0.01	-0.08	-0.10	-0.15	-0.26	-0.16
Real GDP Growth	3.40	3.26	4.18	1.76	5.58	2.56	1.96	3.47

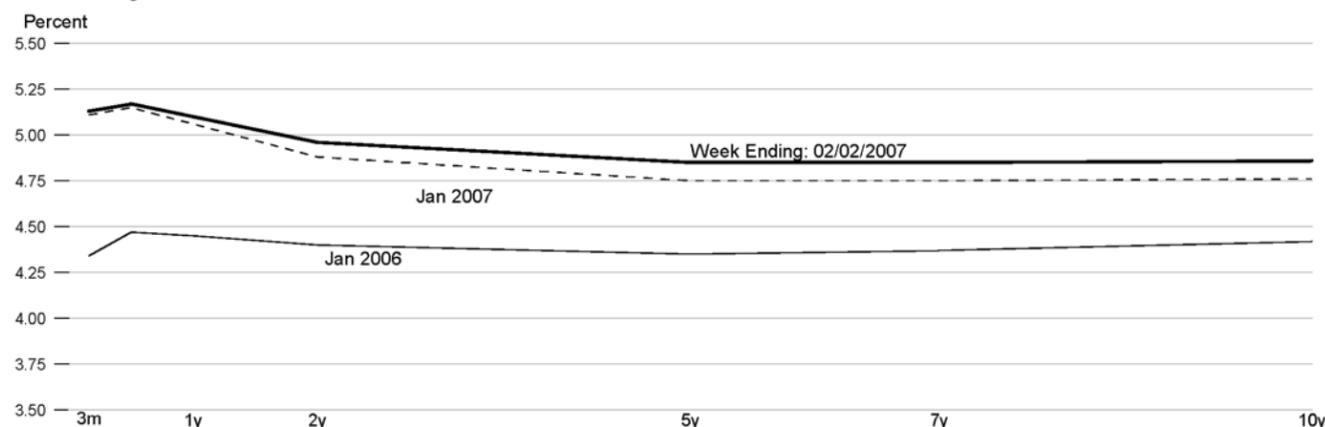
	GDP Chain Price Index			Employment Cost Index			ECI: Wages			ECI: Benefits		
	Index	Percent change		Index	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2003	106.409		2.1	92.7		3.8	94.2		2.8	88.8		6.1
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
2006	116.053		2.9	102.1		2.9	102.1		2.9	102.1		2.9
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
2003 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
2003 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
2003 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
2004 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
2004 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
2004 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
2005 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
2005 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
2005 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
2006 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
2006 3	116.446	1.9	2.9	102.5	3.6	3.0	102.5	3.2	3.1	102.5	4.0	2.9
2006 4	116.893	1.5	2.5	103.3	3.2	3.1	103.2	2.8	3.1	103.5	4.0	3.1
	Exports			Imports			Nonfarm Output per Hour			Nonfarm Compensation per Hour		
	Percent change			Percent change			Percent change			Percent change		
	Billions of 2000 \$	Annual rate	Year ago	Billions of 2000 \$	Annual rate	Year ago	Index	Annual rate	Year ago	Index	Annual rate	Year ago
2003	1026.109		1.3	1545.017		4.1	128.028		3.7	150.417		4.0
2004	1120.411		9.2	1711.321		10.8	131.828		3.0	155.891		3.6
2005	1196.098		6.8	1815.288		6.1	134.852		2.3	162.701		4.4
2006	1302.342		8.9	1920.074		5.8						
2003 1	1003.295	-5.3	1.1	1510.514	-5.0	5.3	125.112	3.0	2.0	147.265	5.1	2.9
2003 2	999.020	-1.7	-1.9	1525.906	4.1	3.3	126.955	6.0	3.3	149.738	6.9	3.5
2003 3	1026.252	11.4	0.1	1540.015	3.8	2.8	130.111	10.3	4.8	151.728	5.4	4.4
2003 4	1075.847	20.8	5.8	1603.649	17.6	4.8	129.927	-0.6	4.6	152.938	3.2	5.2
2004 1	1094.769	7.2	9.1	1643.229	10.2	8.8	130.525	1.9	4.3	153.444	1.3	4.2
2004 2	1111.279	6.2	11.2	1705.196	16.0	11.7	132.161	5.1	4.1	154.829	3.7	3.4
2004 3	1124.314	4.8	9.6	1723.688	4.4	11.9	132.234	0.2	1.6	156.552	4.5	3.2
2004 4	1151.282	9.9	7.0	1773.140	12.0	10.6	132.380	0.4	1.9	158.702	5.6	3.8
2005 1	1164.537	4.7	6.4	1790.938	4.1	9.0	133.549	3.6	2.3	160.376	4.3	4.5
2005 2	1190.968	9.4	7.2	1797.107	1.4	5.4	134.318	2.3	1.6	161.030	1.6	4.0
2005 3	1200.462	3.2	6.8	1808.101	2.5	4.9	135.776	4.4	2.7	164.085	7.8	4.8
2005 4	1228.428	9.6	6.7	1865.021	13.2	5.2	135.750	-0.1	2.5	165.269	2.9	4.1
2006 1	1269.308	14.0	9.0	1905.885	9.1	6.4	137.170	4.3	2.7	170.647	13.7	6.4
2006 2	1288.526	6.2	8.2	1912.703	1.4	6.4	137.582	1.2	2.4	170.117	-1.2	5.6
2006 3	1310.002	6.8	9.1	1938.824	5.6	7.2	137.659	0.2	1.4	171.199	2.6	4.3
2006 4	1341.531	10.0	9.2	1922.886	-3.2	3.1						

	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		
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			
2006	13253.9	6.4		11422.412	3.4		11369.712	3.1		46.401			
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	13197.3	5.9	6.9	11388.077	2.6	3.5	11328.011	2.1	2.9	53.686	31.430	
	3	13322.6	3.9	6.0	11443.543	2.0	3.0	11381.596	1.9	2.3	55.435	48.452	
	4	13487.2	5.0	5.9	11541.614	3.5	3.4	11500.283	4.2	3.5	35.277	46.401	
	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	
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		
2006	8092.274	3.2		1204.012	5.1		1897.121	3.0		1314.657	7.4		
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	8054.972	2.6	3.0	1190.250	-0.1	3.4	1906.813	-1.6	3.9	1302.770	4.4	7.2
	3	8111.178	2.8	2.7	1208.820	6.4	2.8	1901.272	-1.2	2.0	1334.238	10.0	8.3
	4	8199.195	4.4	3.7	1226.510	6.0	7.8	1865.812	-7.3	-0.6	1332.796	-0.4	6.8

Interest Rates



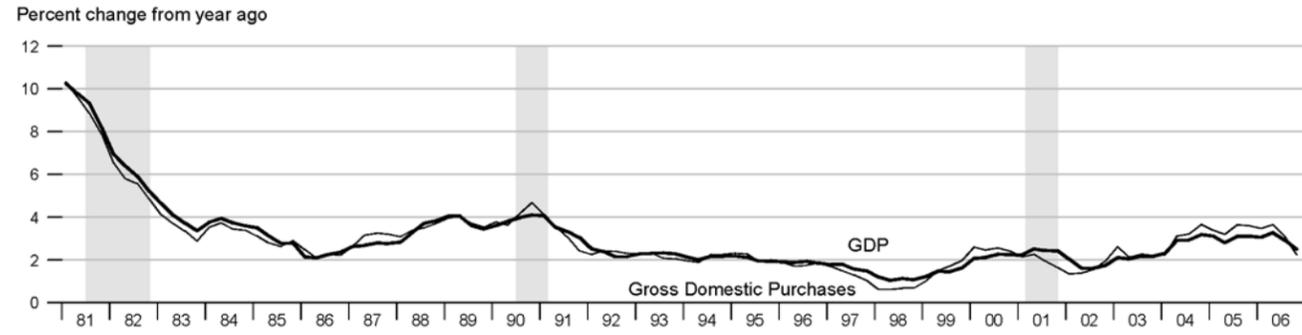
Treasury Yield Curve



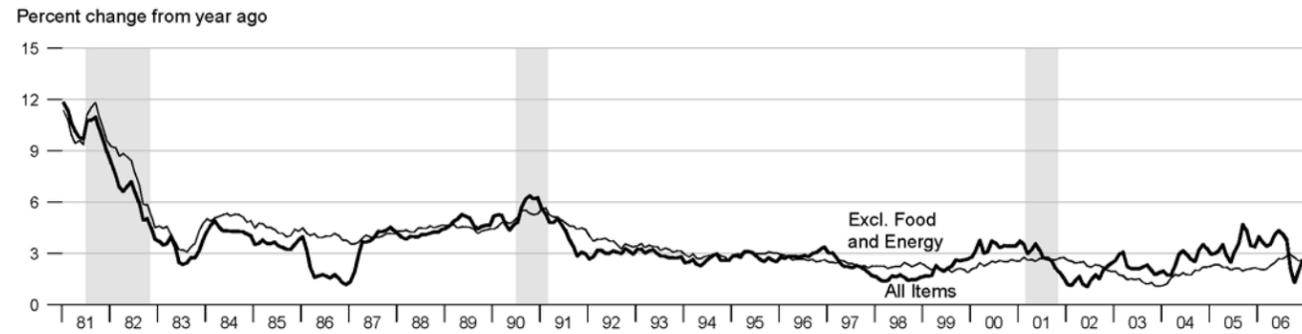
Standard and Poor's 500 Index with Reinvested Dividends



NIPA Chain Price Indexes



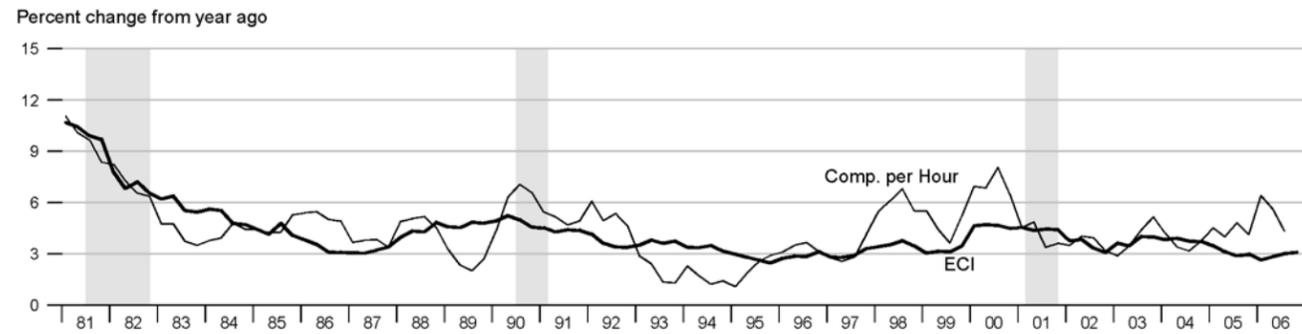
Consumer Price Index



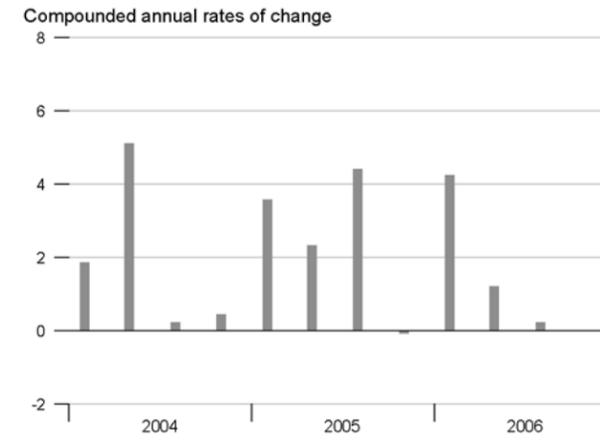
Producer Price Index, Finished Goods



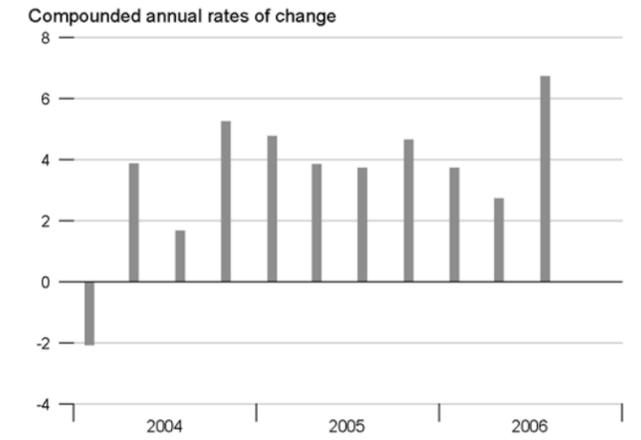
Employment Cost Index and Compensation per Hour



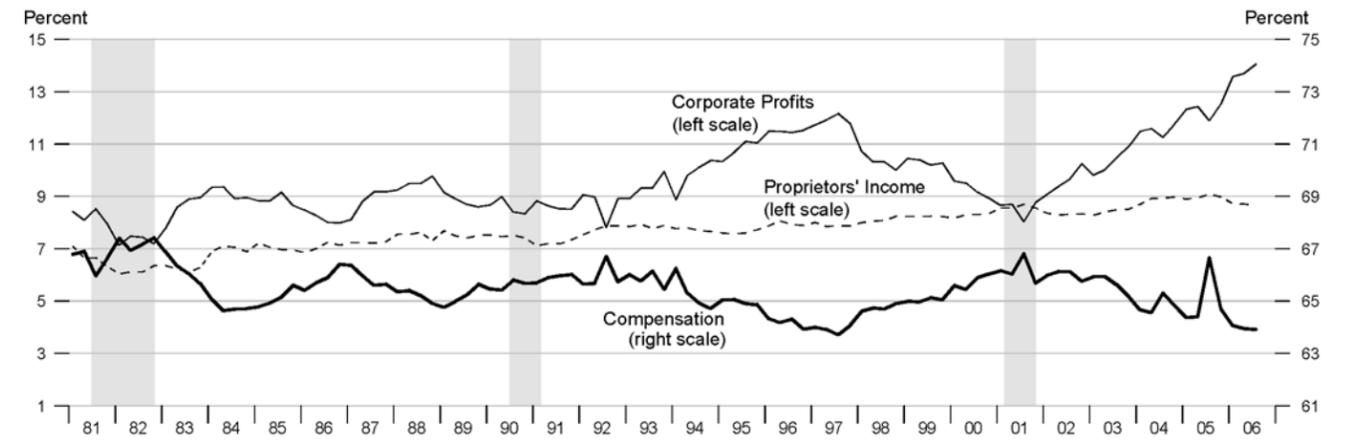
Nonfarm Output per Hour



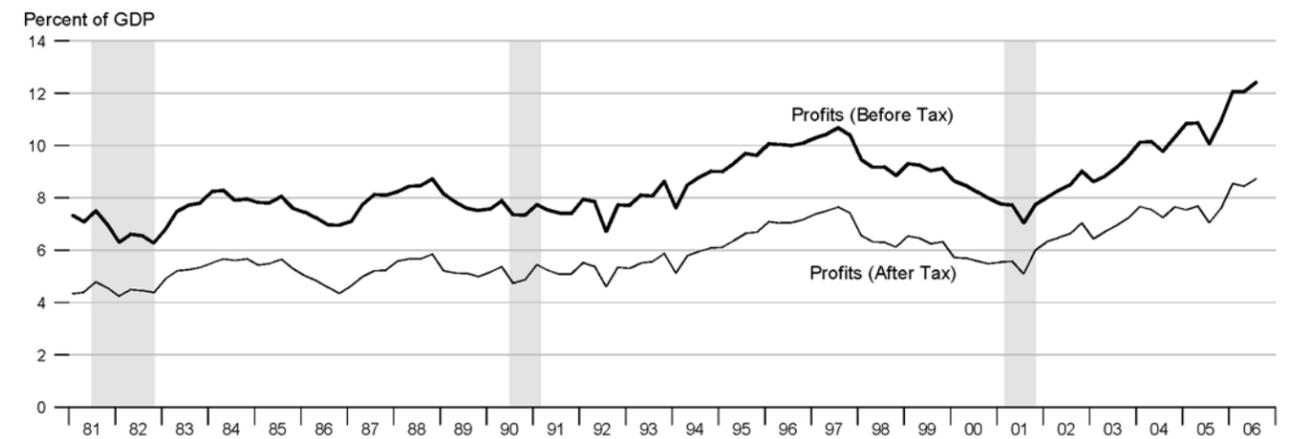
Manufacturing Output per Hour



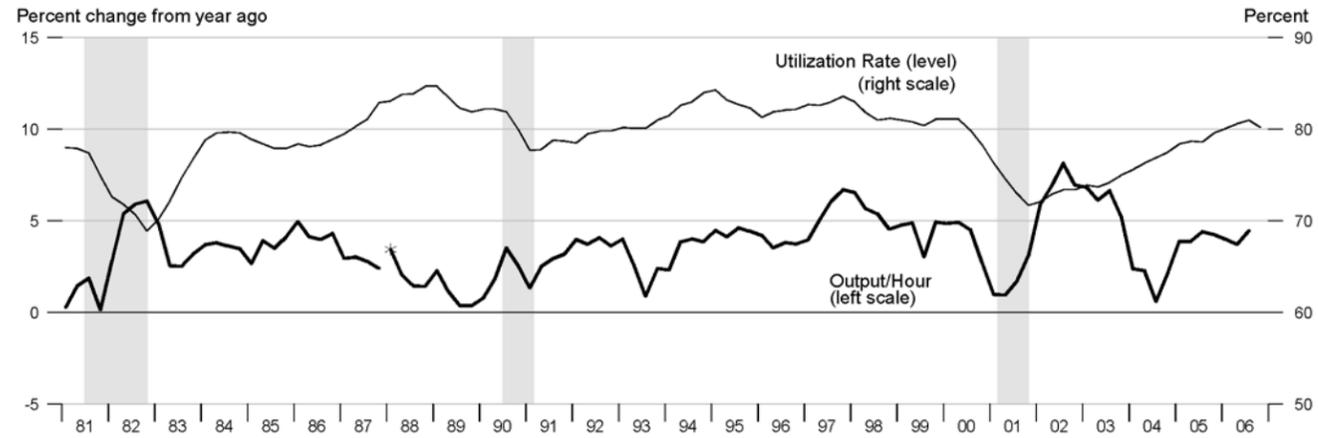
Selected Component Shares of National Income



Corporate Profits

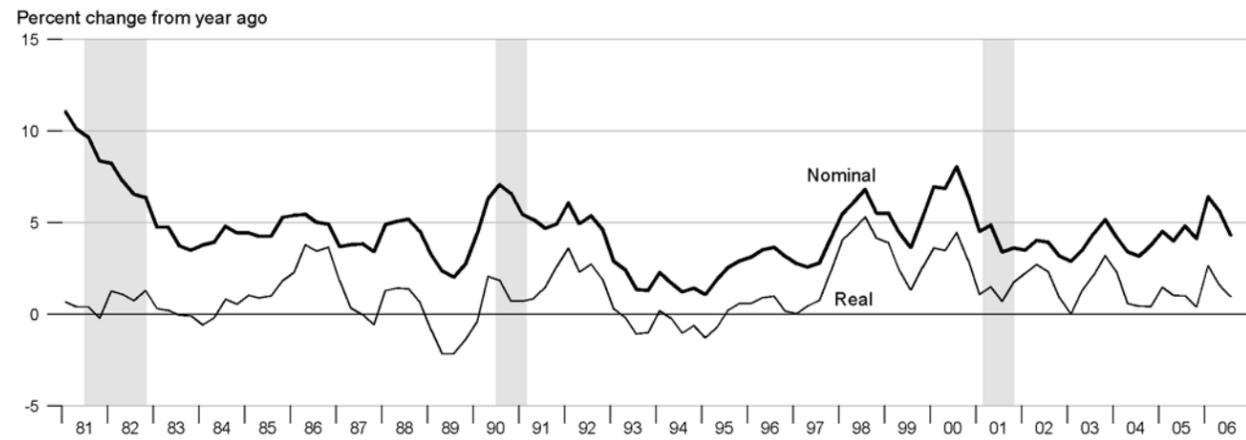


Output per Hour and Capacity Utilization, Manufacturing

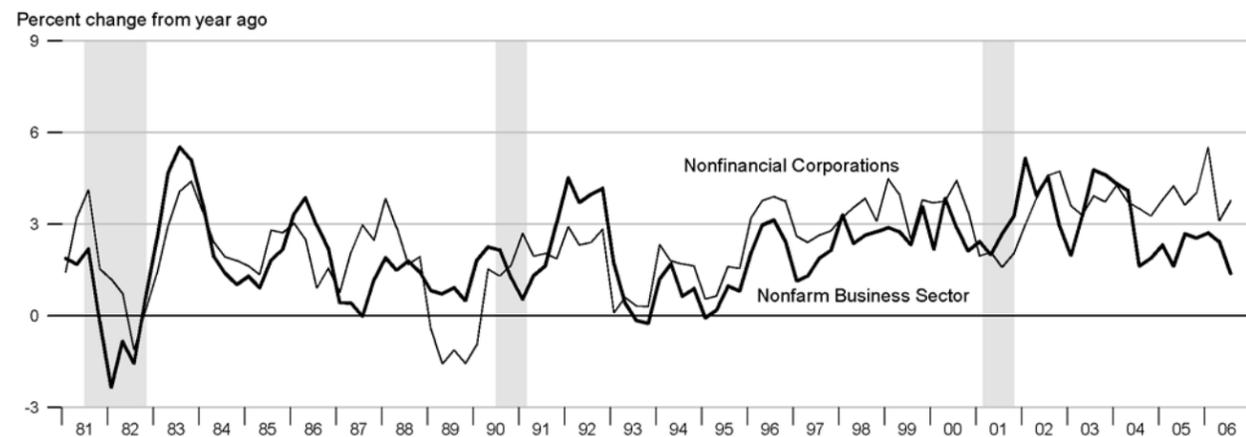


*Data from 1987 to the present are on a NAICS basis; data prior to 1987 are on an SIC basis and are not strictly comparable (see End Note).

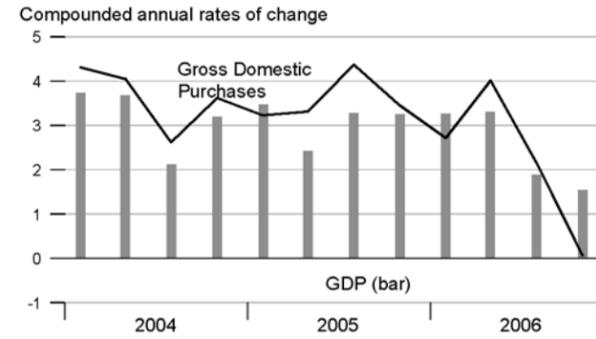
Nonfarm Compensation per Hour



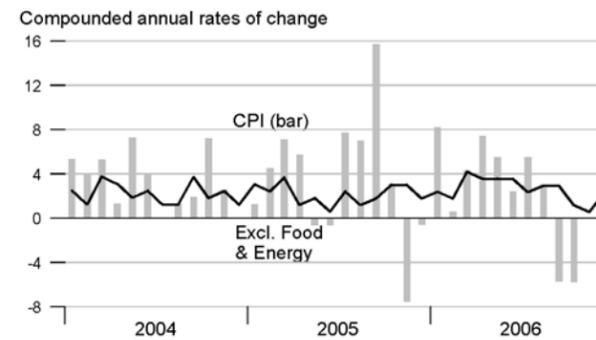
Output per Hour, Nonfarm Business and Nonfinancial Corporations



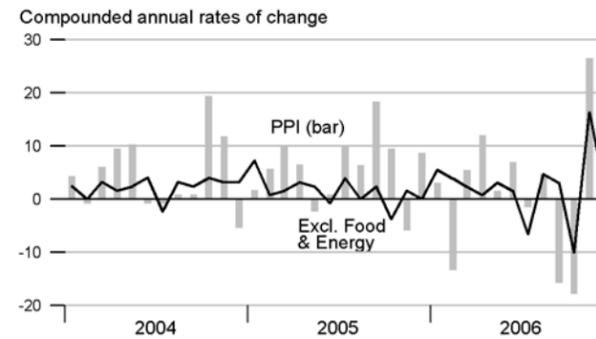
NIPA Chain Price Indexes



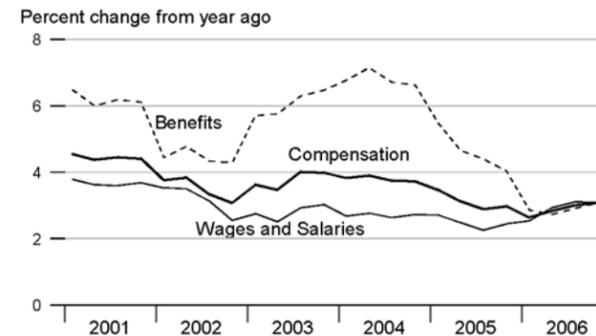
Consumer Price Index



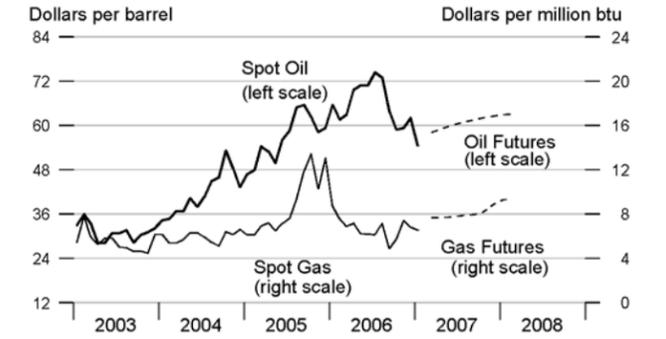
Producer Price Index, Finished Goods



Employment Cost Index

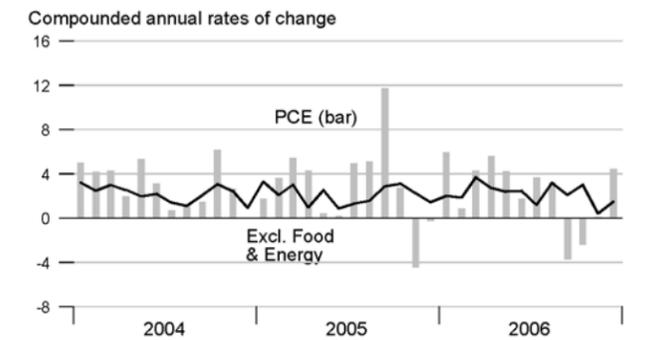


Oil & Natural Gas Prices: Spot & Futures

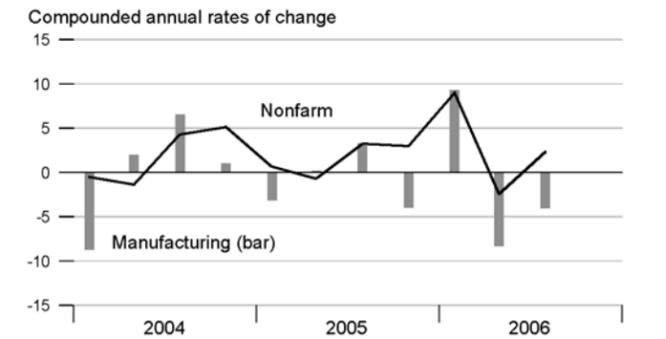


Note: Futures prices as of 02/01/2007.

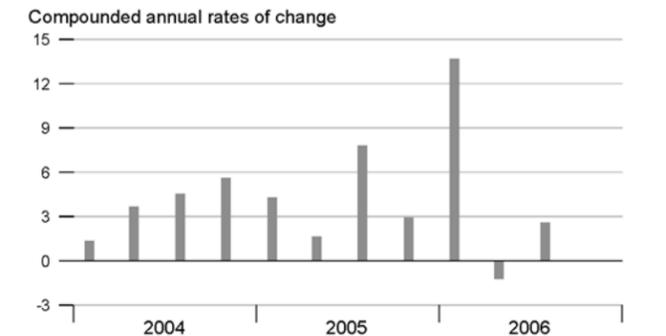
Consumption Chain Price Index



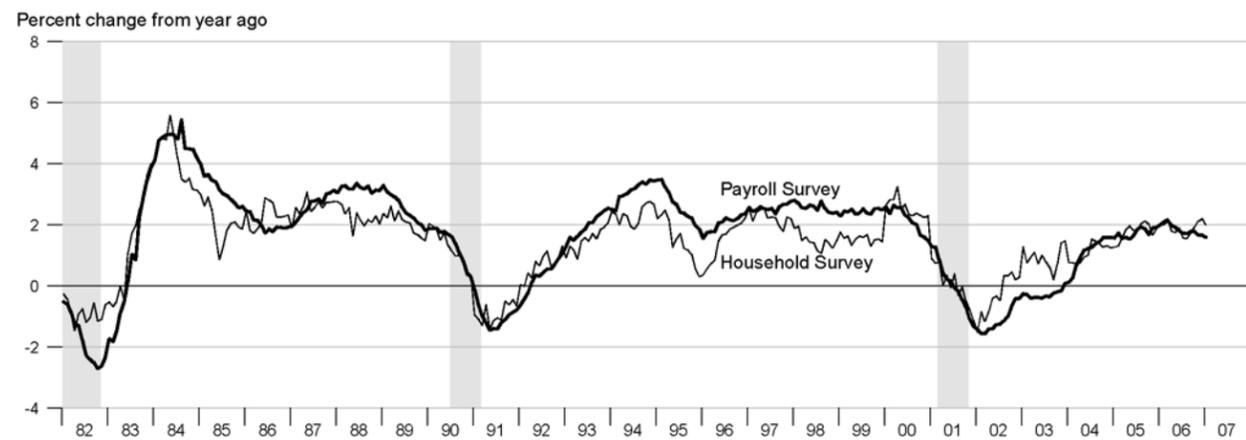
Unit Labor Cost



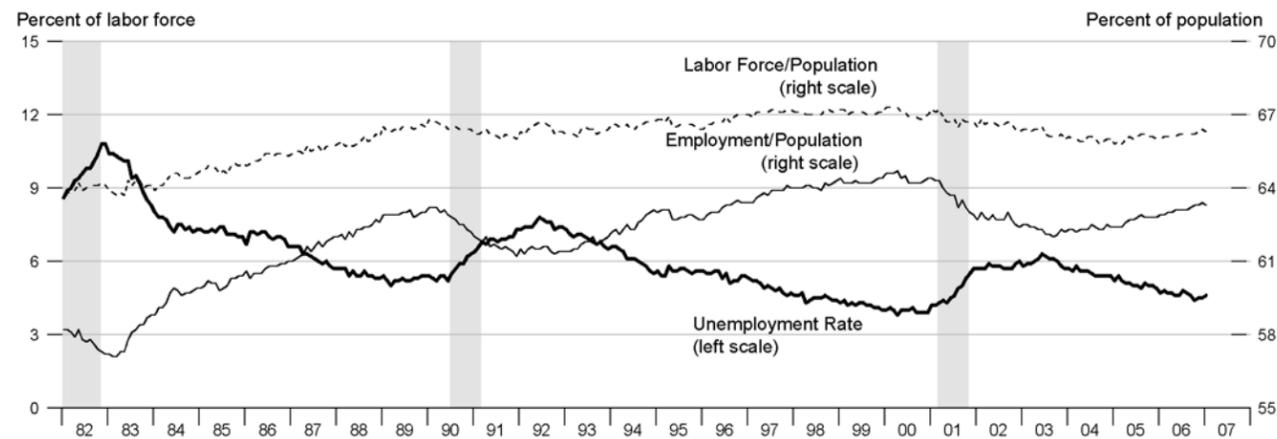
Compensation per Hour



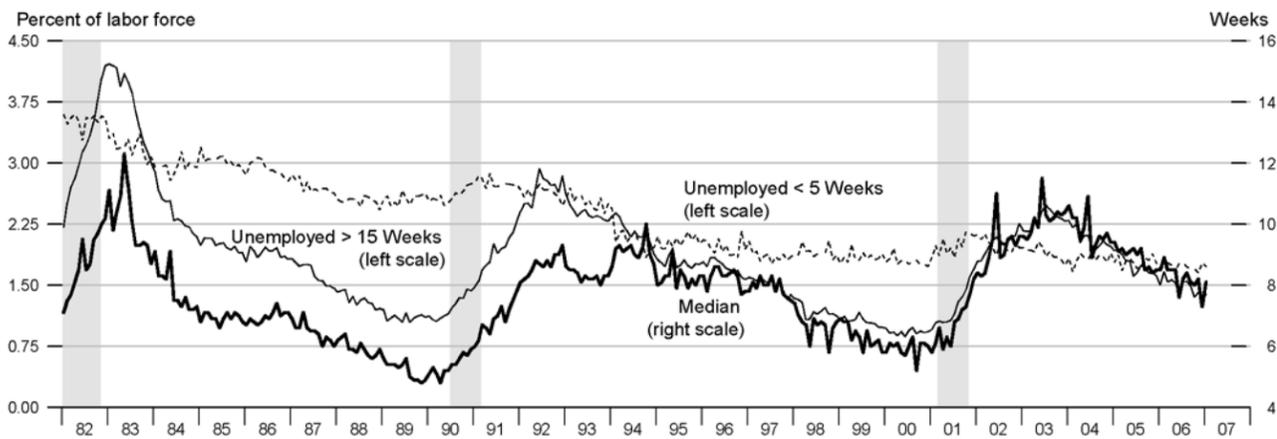
Employment



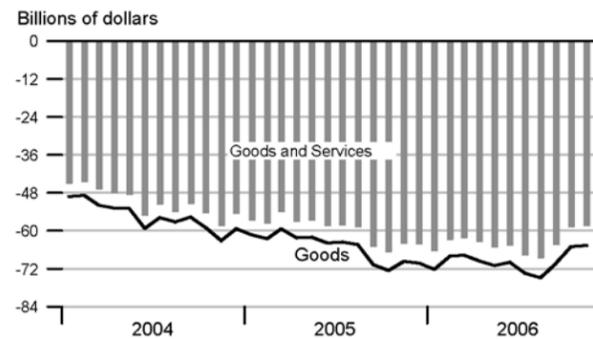
Unemployment, Labor Force Participation, and Employment Rates



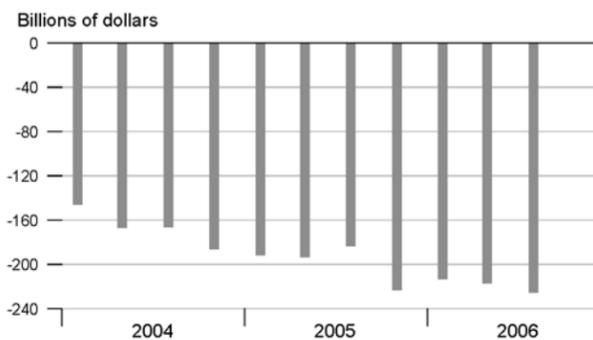
Duration of Unemployment



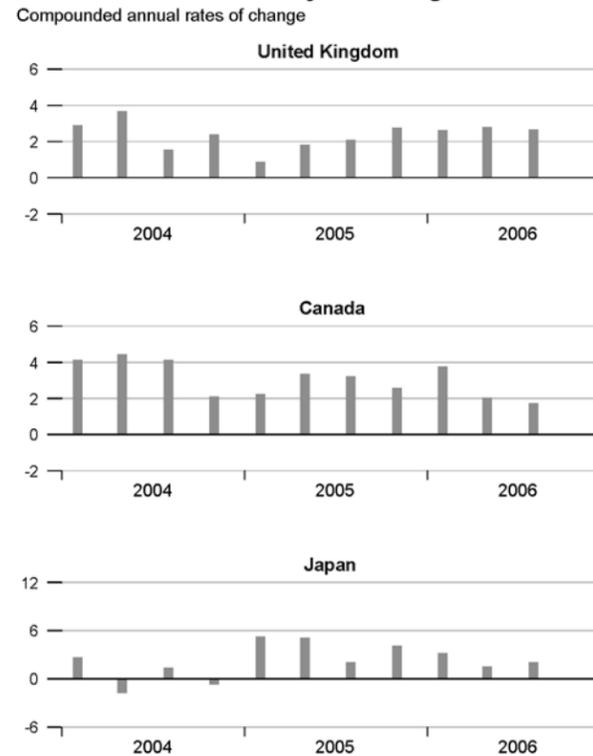
Trade Balance



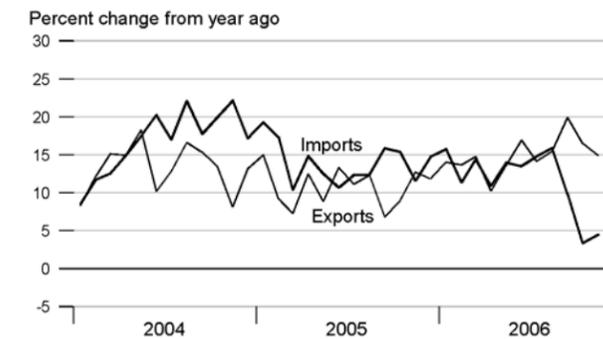
Current Account Balance



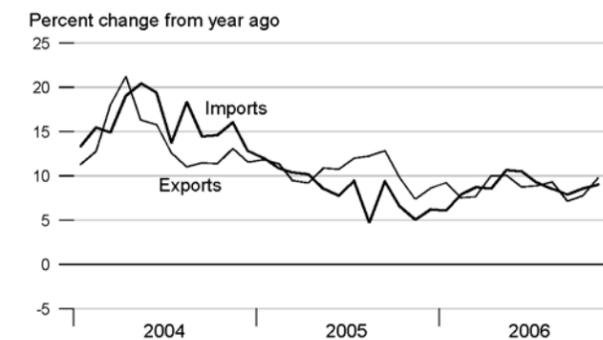
Real GDP Growth of Major Trading Partners



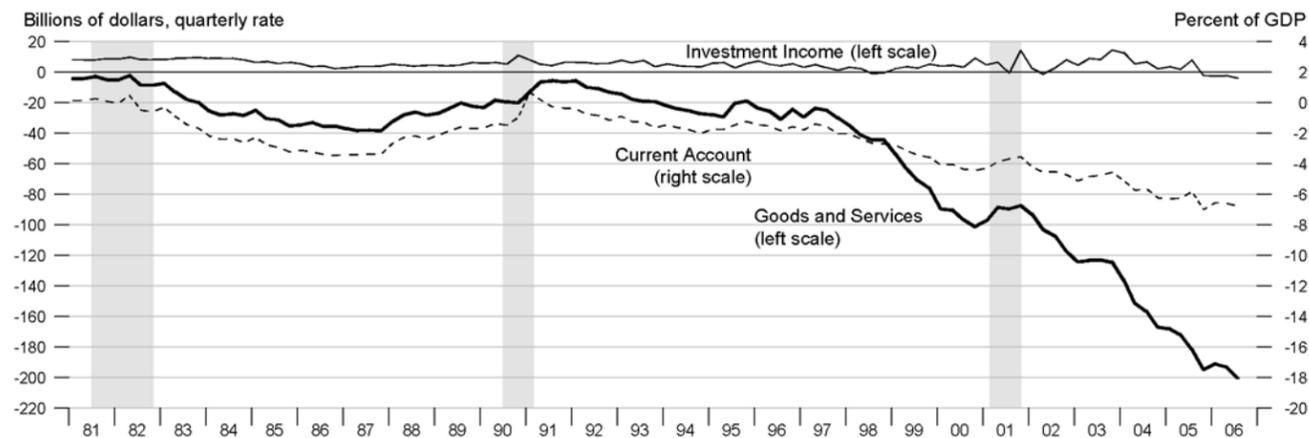
Goods Trade



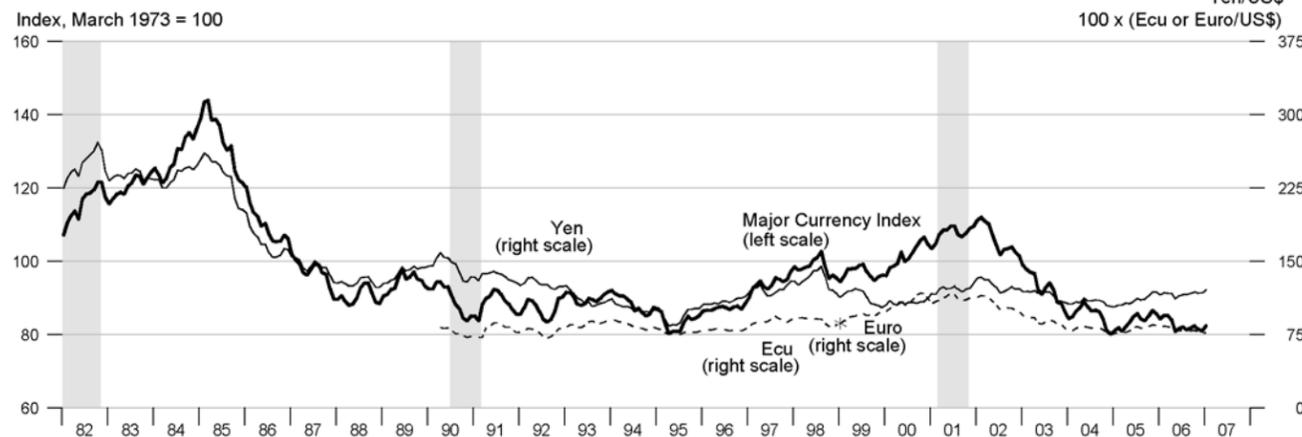
Services Trade



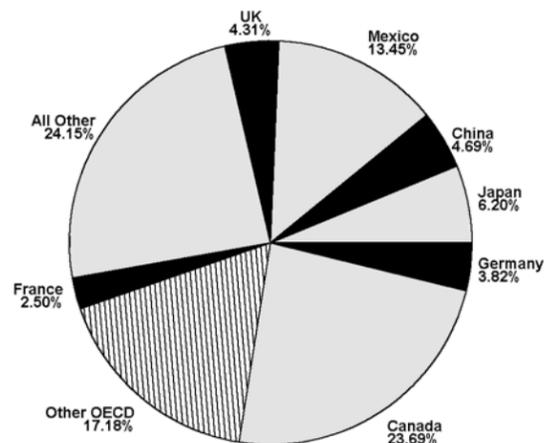
Current Account, Trade and Investment Income Balances



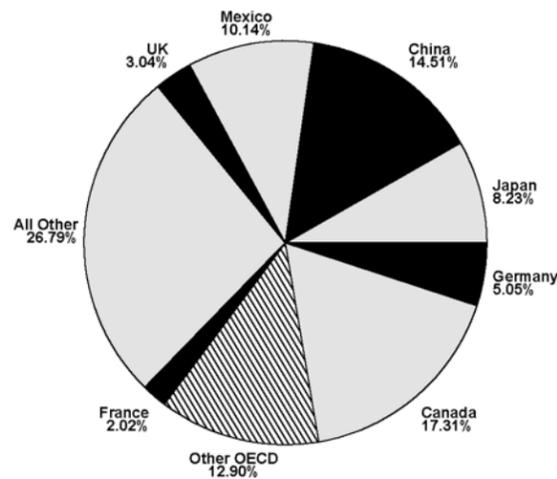
Exchange Rates



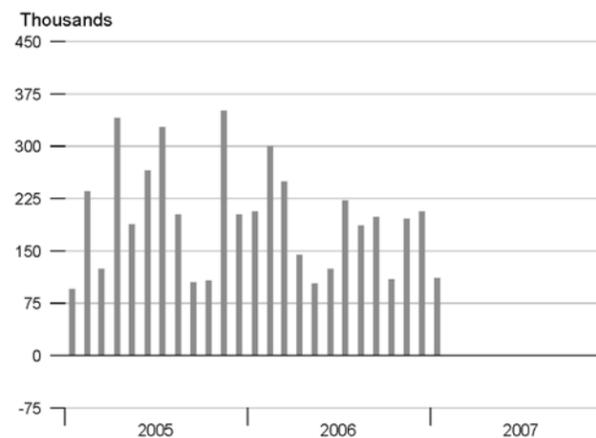
Goods Export Shares, 2005



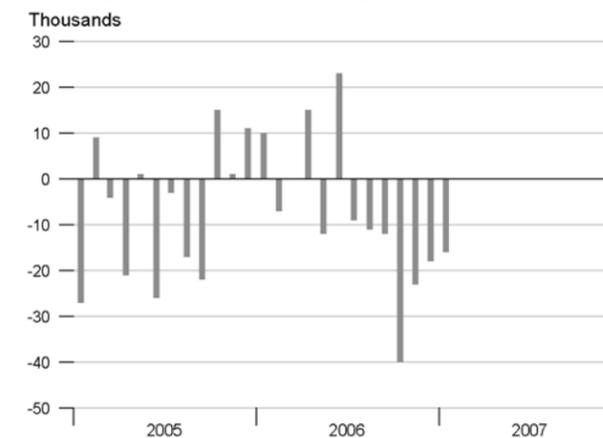
Goods Import Shares, 2005



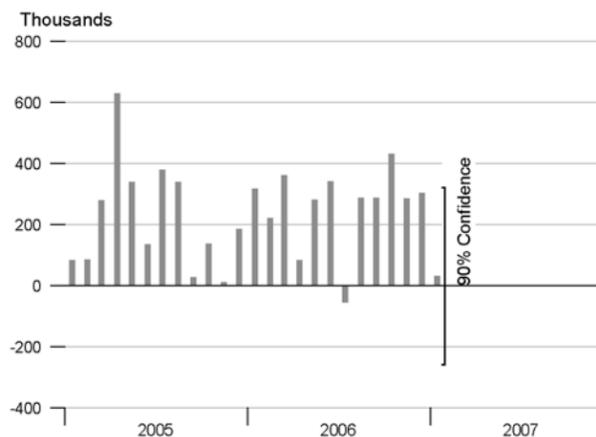
Change in Nonfarm Payrolls



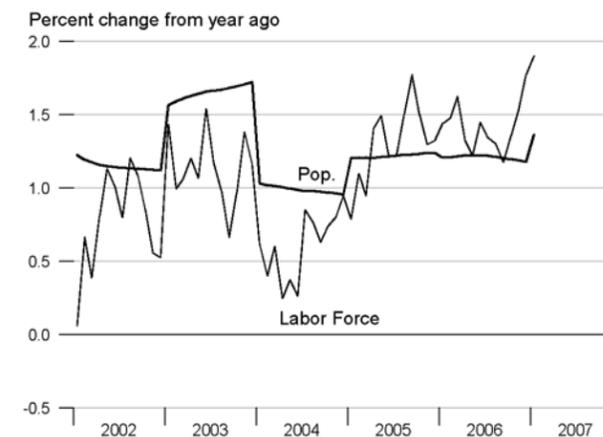
Change in Manufacturing Payrolls



Change in Household Employment



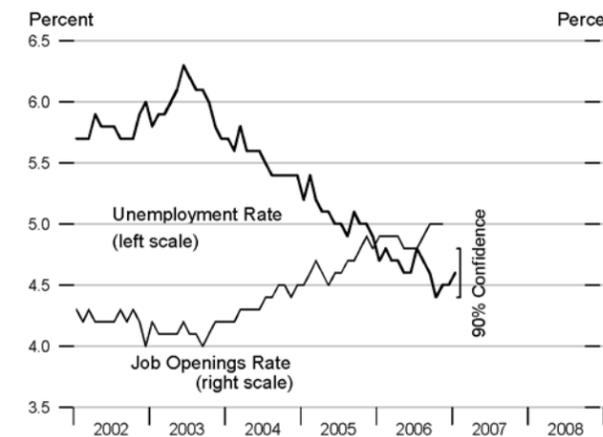
Labor Force and Population



Available Labor Supply and Components

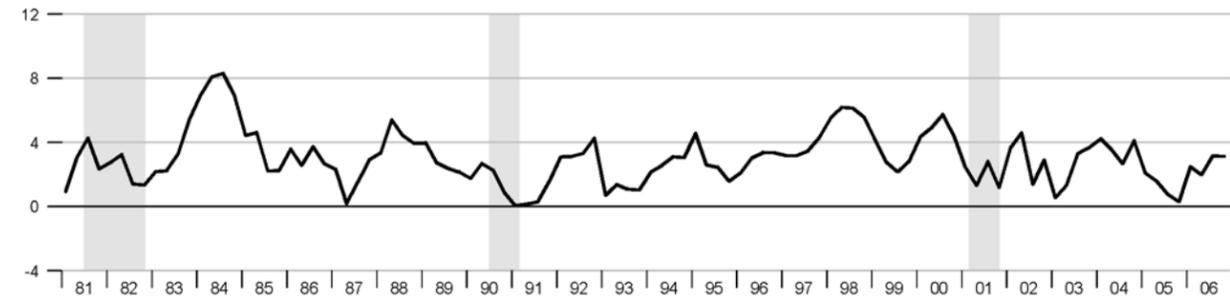


Unemployment Rate & Job Openings Rate



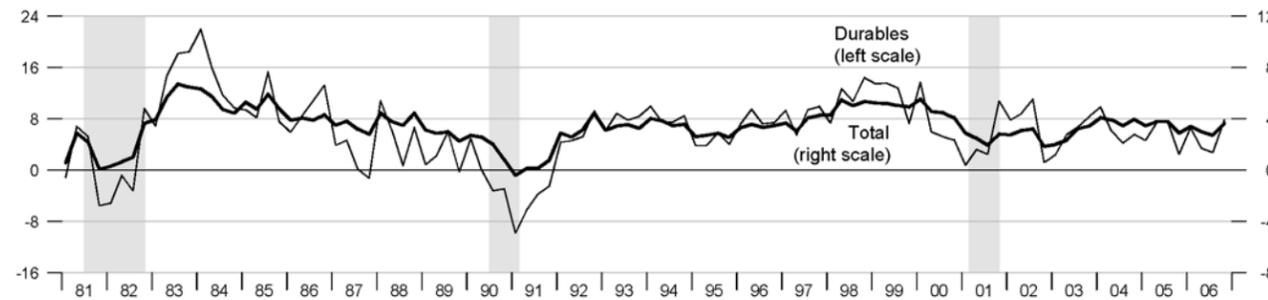
Real Disposable Personal Income

Percent change from year ago, quarterly data



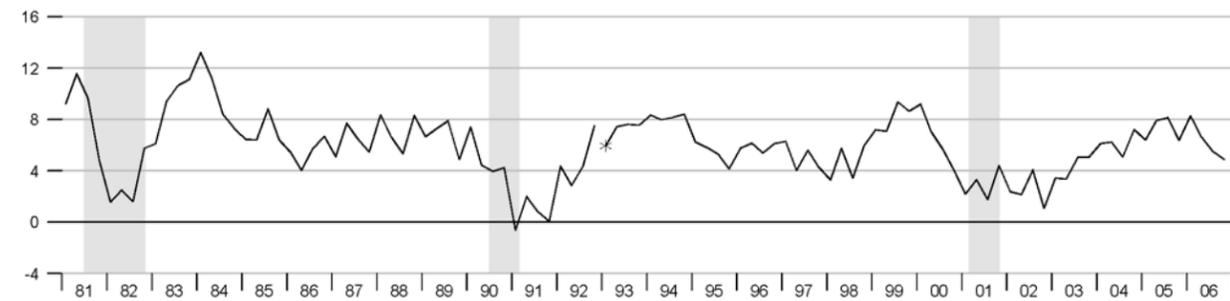
Real Consumption

Percent change from year ago, quarterly data



Retail and Food Services Sales

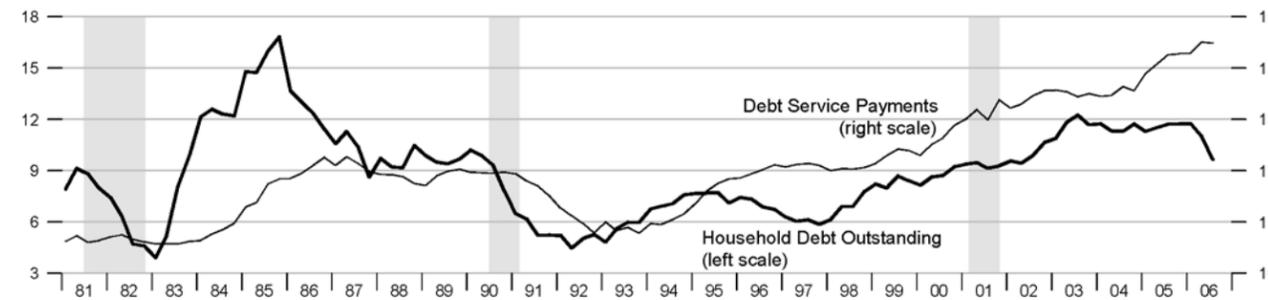
Percent change from year ago, quarterly average



*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).

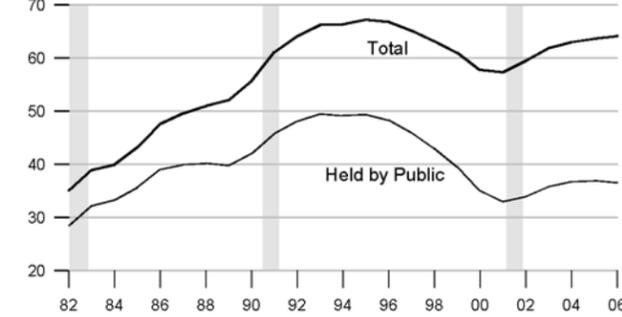
Debt Service Payments and Household Debt Outstanding

Percent change from year ago, quarterly data



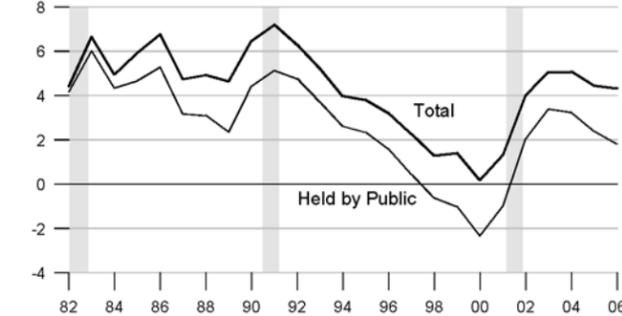
Federal Debt

Percent of GDP



Change in Federal Debt

Percent of GDP



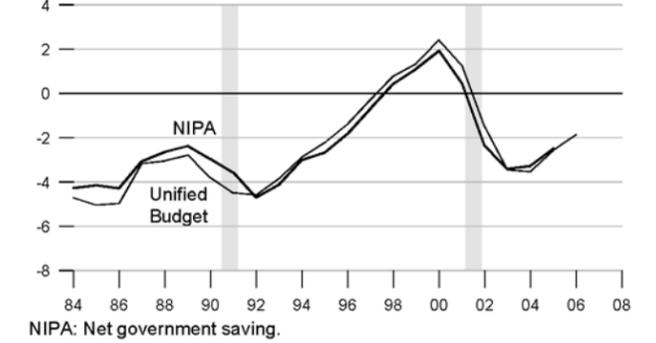
Federal Government Debt

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
2004		7379.1	3075.7	4303.4	700.3	3607.0	1801.1
2005		7932.7	3331.3	4601.4	733.4	3864.9	1933.2
2006		8507.0	3663.8	4843.2	764.8	4074.2	2140.0
2003	March	6460.8	2750.0	3710.8	641.5	3069.9	1286.3
	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	1742.0
	September	7379.1	3075.7	4303.4	700.3	3607.0	1801.1
	December	7596.1	3189.8	4406.4	717.8	3667.1	1855.8
2005	March	7776.9	3204.5	4572.4	717.3	3855.4	1958.7
	June	7836.5	3308.9	4527.6	724.7	3803.0	1882.2
	September	7932.7	3331.3	4601.4	733.4	3864.9	1933.2
	December	8170.4	3455.8	4714.6	732.9	3970.6	2039.0
2006	March	8371.2	3498.4	4872.8	755.2	4113.9	2082.6
	June	8420.0	3622.6	4797.5	762.6	4030.8	2091.7
	September	8507.0	3663.8	4843.2	764.8	4074.2	2140.0

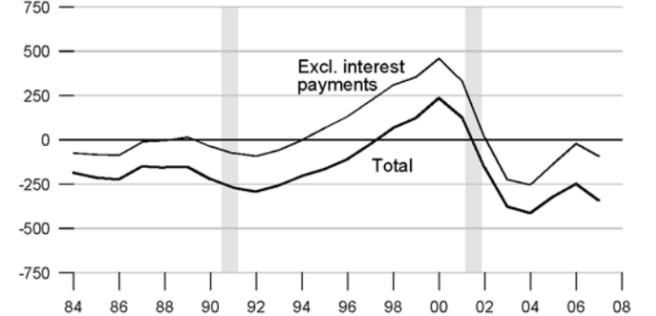
Federal Surplus (+) / Deficit (-)

Percent of GDP



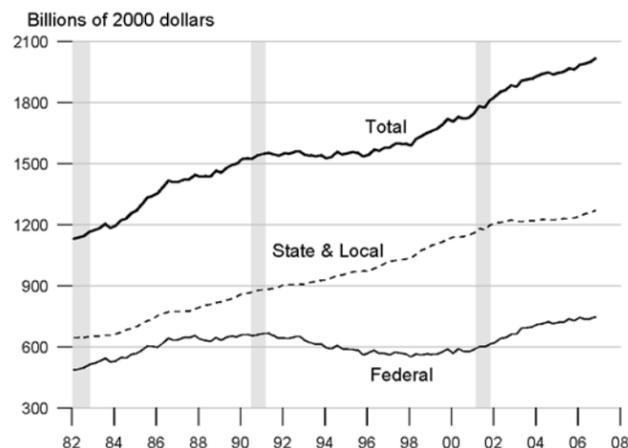
Federal Surplus (+) / Deficit (-), Unified Basis

Billions of dollars, fiscal years

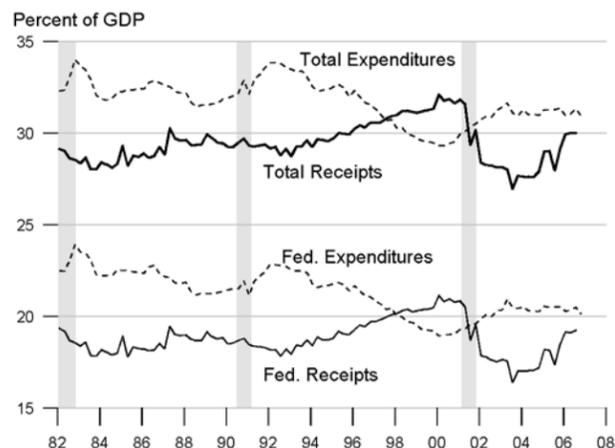


NIPA: Net government saving.

Govt. Consumption and Investment



Govt. Current Receipts and Expenditures

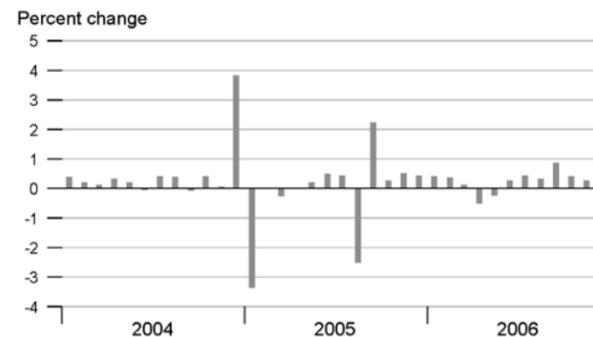


Government Budgets

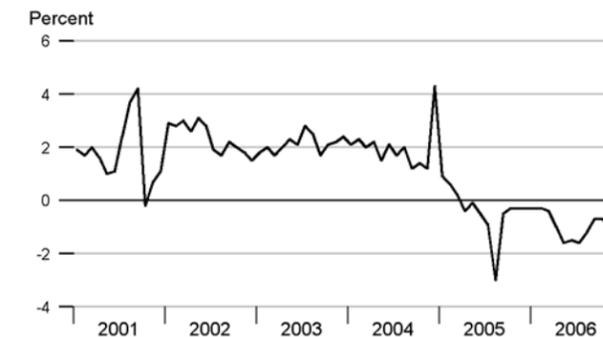
Billions of dollars

	National Income Accounts			Unified Budget		
	Calendar Years			Fiscal Years		
	State and Local		Federal	Federal		Federal
	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Expenditures	Surplus or Deficit (-)
1991	789.2	793.3	-4.1	1101.3	1315.0	-213.7
1992	845.7	845.0	0.7	1147.2	1444.6	-297.4
1993	886.9	886.0	0.9	1222.5	1496.0	-273.5
1994	942.9	932.4	10.5	1320.8	1533.1	-212.3
1995	990.2	978.2	12.0	1406.5	1603.5	-197.0
1996	1043.3	1017.5	25.8	1524.0	1665.8	-141.8
1997	1097.4	1058.3	39.1	1653.1	1708.9	-55.8
1998	1163.2	1111.2	52.0	1773.8	1734.9	38.9
1999	1236.7	1186.3	50.4	1891.2	1787.6	103.6
2000	1319.5	1269.5	50.0	2053.8	1864.4	189.4
2001	1373.0	1368.2	4.8	2016.2	1969.5	46.7
2002	1410.1	1444.3	-34.2	1853.2	2101.1	-247.9
2003	1494.2	1514.5	-20.3	1879.9	2252.1	-372.2
2004	1592.6	1605.5	-12.9	2001.0	2383.0	-382.0
2005	1700.6	1703.9	-3.3	2246.8	2555.9	-309.1
2006	.	1784.4	.	.	2692.2	.
2005Q1	1672.2	1661.2	11.0	2214.5	2502.0	-287.5
2005Q2	1702.9	1690.5	12.4	2240.3	2529.9	-289.6
2005Q3	1697.8	1717.2	-19.4	2182.4	2578.5	-396.1
2005Q4	1729.6	1746.8	-17.2	2349.8	2613.3	-263.5
2006Q1	1755.4	1742.7	12.7	2490.9	2637.9	-147.0
2006Q2	1795.5	1769.4	26.1	2523.2	2686.2	-163.0
2006Q3	1798.7	1808.9	-10.2	2564.7	2730.2	-165.5
2006Q4	.	1816.8	.	.	2714.6	.

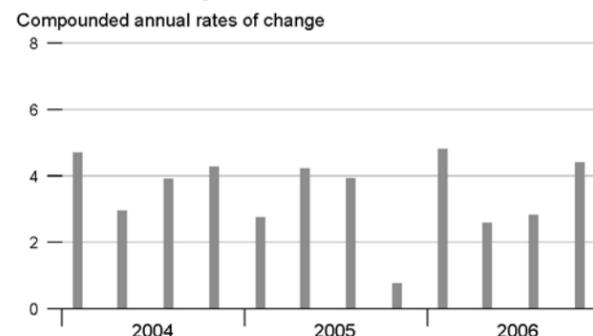
Real Disposable Personal Income



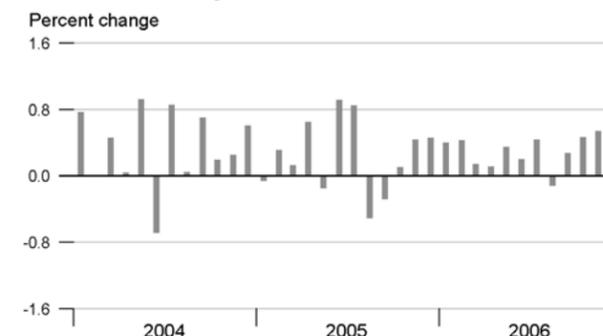
Personal Saving Rate



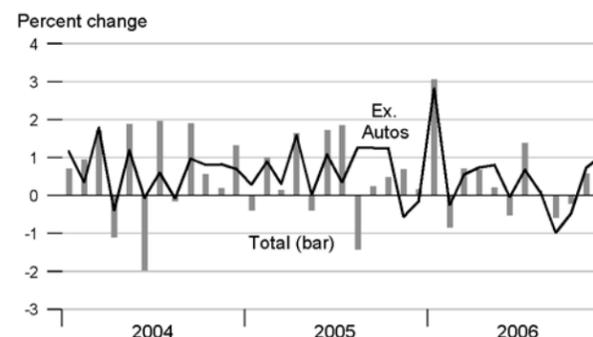
Real Consumption



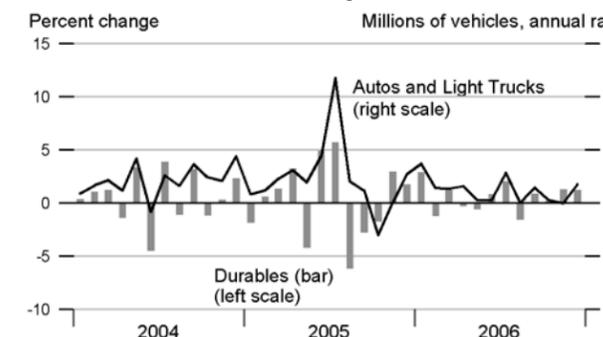
Real Consumption



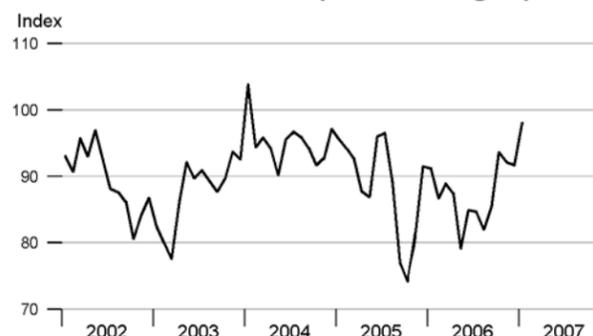
Retail & Food Services



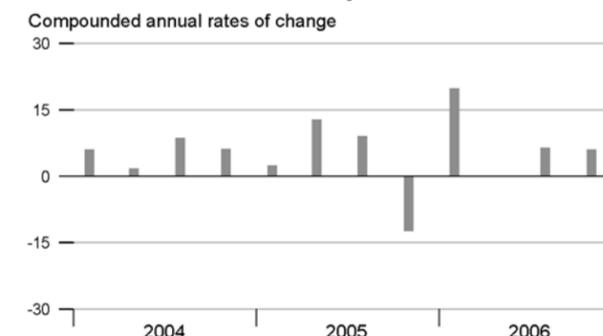
Real Durables Consumption & Vehicle Sales



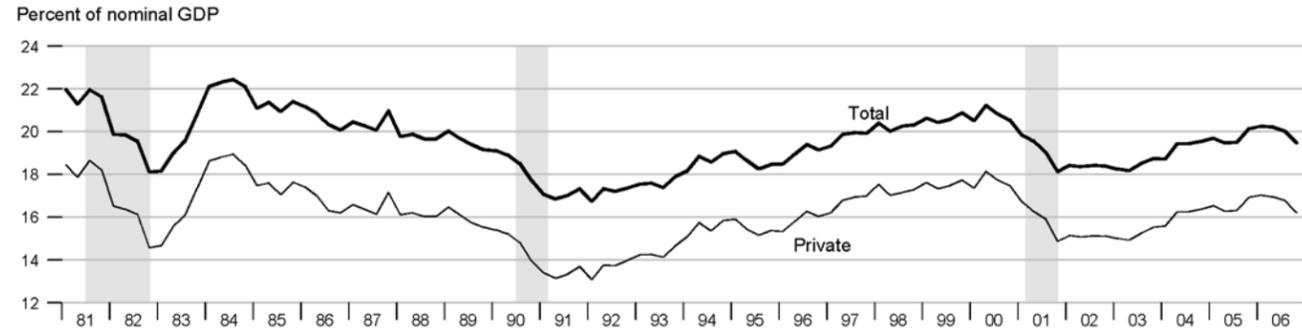
Consumer Sentiment (U. of Michigan)



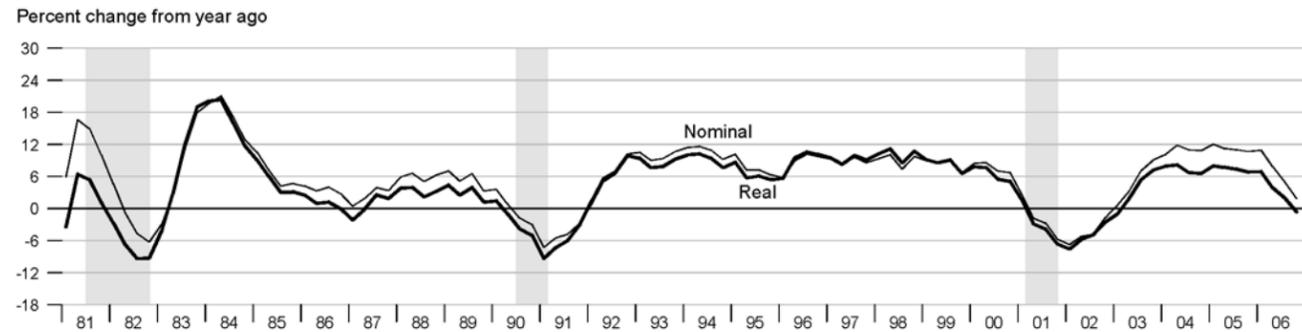
Real Durables Consumption



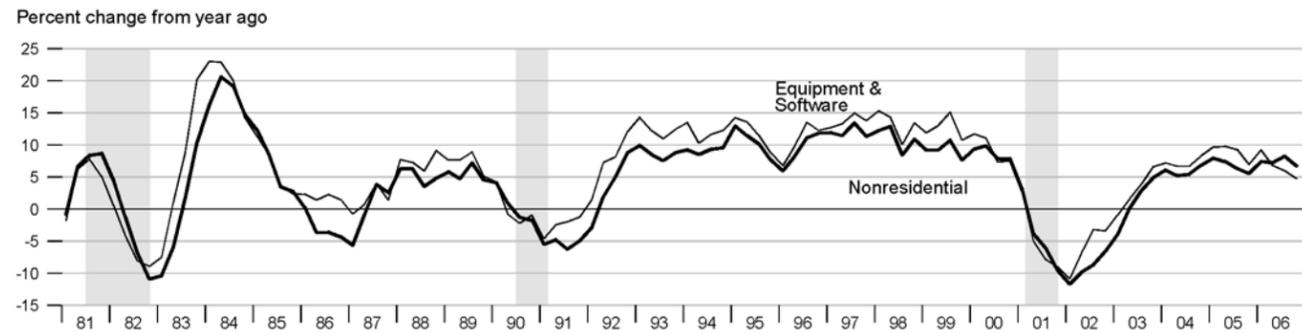
Investment



Private Fixed Investment



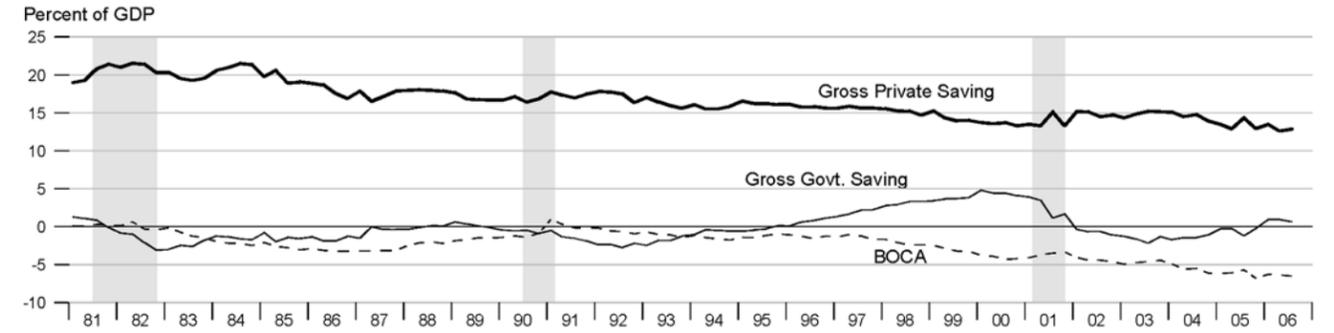
Real Nonresidential Fixed and Equipment & Software Investment



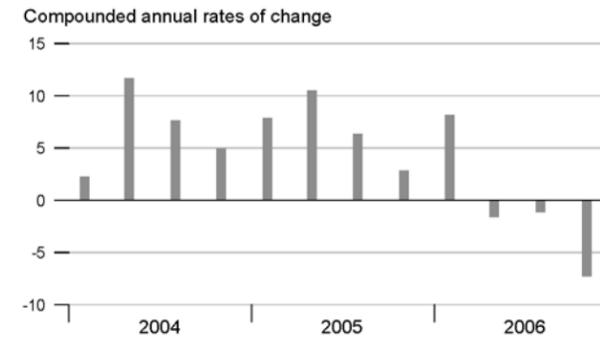
Real Residential Fixed Investment



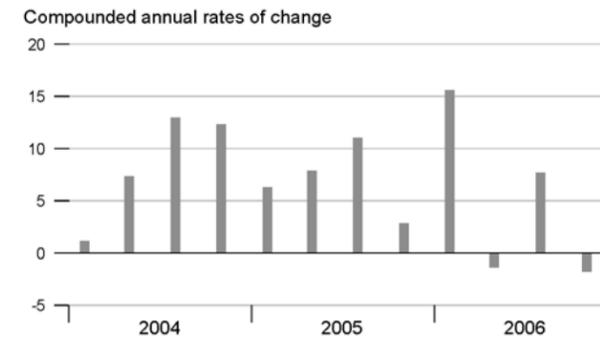
Gross Saving Rates and Balance on Current Account (NIPA)



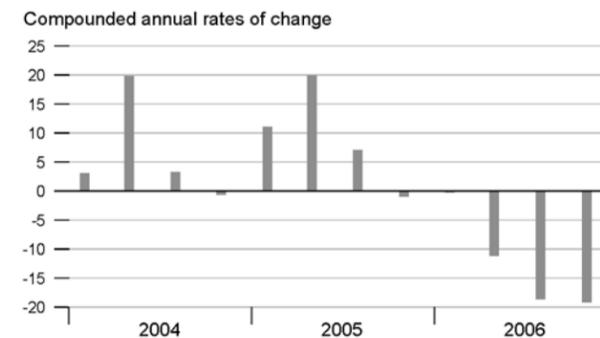
Real Private Fixed Investment



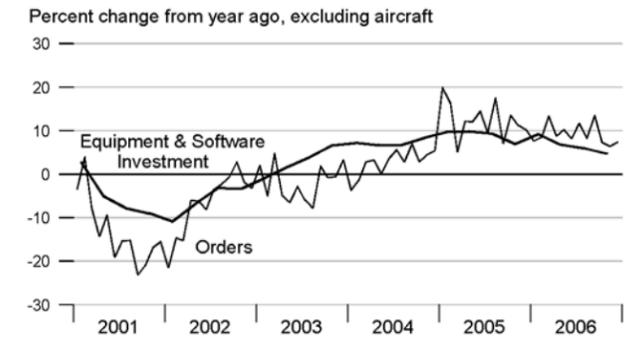
Real Equipment & Software Investment



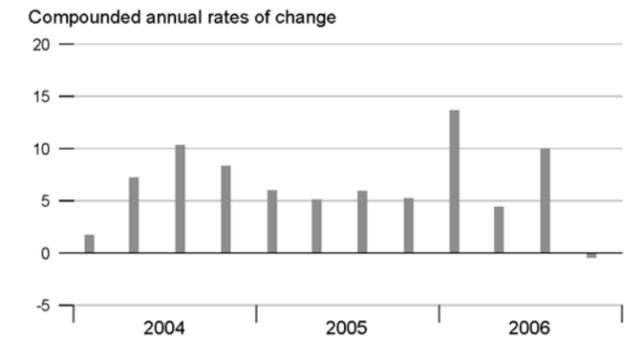
Real Residential Fixed Investment



Nondefense Capital Goods Orders



Real Nonresidential Fixed Investment



Housing Starts and New Home Sales

