



Housing and the “R” Word

There has been considerable discussion of the possibility that ongoing troubles in the housing market could push the economy into recession.¹ But it is very unlikely that the decline in housing alone will cause a recession. Any recessionary effect on the economy caused by housing will be a consequence of its effect on consumption.

Real GDP is a measure of the economy’s current production. Sales of existing houses have no impact on current production because these houses were produced sometime in the past. The only direct effect housing has on current economic growth comes through the “residential investment” component of GDP, which includes current construction and improvements of single- and multi-family housing. Residential investment accounts for only about 5 percent of GDP; consequently, the effect of residential investment on economic growth is relatively modest. The chart shows this effect by plotting quarterly GDP growth with and without residential investment. (It also shows the quarterly growth rate of residential investment.) Excluding residential investment has only a small effect even during the 1970s and early 1980s, when the growth of residential investment was considerably more volatile than during the past two decades.

Since residential investment peaked in the fourth quarter of 2005, its decline has reduced growth of real GDP by an average of about 0.85 percentage points. This decline has largely been offset by nonresidential investment, which has continued to grow at a brisk pace.

Thus, as noted above, if the troubles in the housing industry were to cause a recession, it would have to be because of their effect on consumer spending. Consumers base their spending decisions not only on their current income, but also on their wealth. Other things the same, an increase in wealth should induce consumers to spend more of their current income. Hence, a decline in wealth could generate a decline in consumer spending. For many people the net worth of their home is the single most important source of wealth. Consequently, a decline in home prices can make people less wealthy, causing them to consume less. Because

consumption accounts for about 70 percent of GDP, even relatively small changes in consumer spending can have a relatively large effect on output growth.

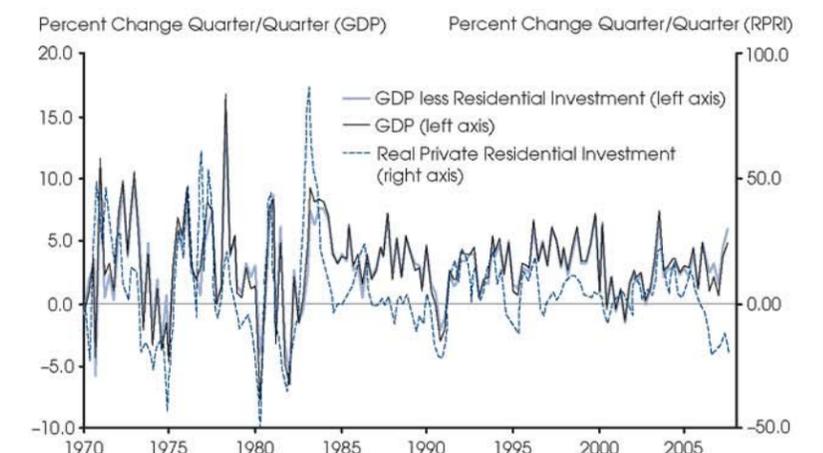
Estimates suggest that the wealth effect associated with changes in equity values is weak or nonexistent. The wealth effect associated with housing wealth is stronger.² Wealth effects are very difficult to identify and measure, however. Consequently, it is difficult to precisely determine the effect of the recent decline in home prices on consumption and, hence, output growth. It is interesting to note that growth of real consumption expenditures since the second quarter of 2006 has remained strong—in the range of 3 percent—despite the downturn in the S&P/Case-Shiller home price index since then.

—Daniel L. Thornton

¹ A recession is typically defined as a sustained period (two or more quarters) of negative growth in real gross domestic product (GDP).

² See Case, Karl E.; Quigley, John M. and Shiller, Robert X. “Comparing Wealth Effects: The Stock Market vs. the Housing Market.” *Advances in Macroeconomics*, 2005, 5(1), pp. 1-34.

Effect of Residential Investment on GDP



Views expressed do not necessarily reflect official positions of the Federal Reserve System.

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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 January 2008 **Employment Situation**, the establishment survey data for employment, hours, and earnings have been converted from the 2002 NAICS system to the 2007 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 ($\pm 430,000$) 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 77 percent of the value of GDP in 2000, 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.

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.

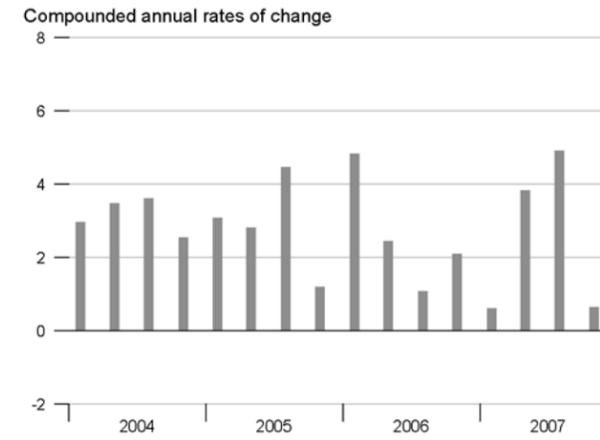
Federal Reserve Board
 Index of industrial production, treasury yields, exchange rates, capacity utilization, household debt.

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

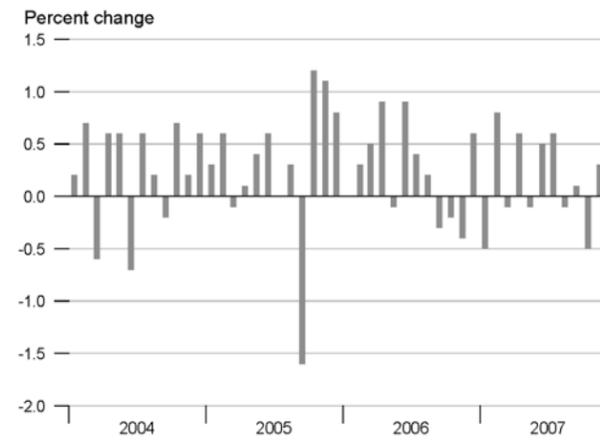
Organization for Economic Cooperation and Development (OECD)
 GDP for major trading partners (not available on FRED).

	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	
2003	183.967			2.3		193.225			1.5		143.3			3.2	
2004	188.900			2.7		196.625			1.8		148.5			3.6	
2005	195.258			3.4		200.892			2.2		155.7			4.9	
2006	201.583			3.2		205.925			2.5		160.3			2.9	
2007	207.338			2.9		210.731			2.3		166.6			3.9	
2005	1	192.133	0.5	2.1	3.0	2.1	199.500	0.6	2.6	2.3	2.6	152.7	0.8	3.2	4.7
	2	193.967	1.0	3.9	2.9	3.0	200.433	0.5	1.9	2.2	2.2	154.0	0.9	3.5	4.1
	3	196.633	1.4	5.6	3.8	3.9	201.167	0.4	1.5	2.1	2.0	156.8	1.8	7.3	5.6
	4	198.300	0.8	3.4	3.7	3.7	202.467	0.6	2.6	2.1	2.1	159.4	1.7	7.0	5.2
2006	1	199.233	0.5	1.9	3.7	1.9	203.667	0.6	2.4	2.1	2.4	159.4	-0.0	-0.1	4.4
	2	201.700	1.2	5.0	4.0	3.5	205.333	0.8	3.3	2.4	2.9	160.9	0.9	3.7	4.4
	3	203.233	0.8	3.1	3.4	3.3	206.867	0.7	3.0	2.8	2.9	161.1	0.2	0.7	2.8
	4	202.167	-0.5	-2.1	1.9	1.9	207.833	0.5	1.9	2.7	2.7	159.9	-0.8	-3.1	0.3
2007	1	204.068	0.9	3.8	2.4	3.8	209.010	0.6	2.3	2.6	2.3	162.5	1.6	6.7	1.9
	2	207.057	1.5	6.0	2.7	4.9	210.006	0.5	1.9	2.3	2.1	166.4	2.4	10.0	3.4
	3	208.019	0.5	1.9	2.4	3.9	211.299	0.6	2.5	2.1	2.2	166.9	0.3	1.2	3.6
	4	210.209	1.1	4.3	4.0	4.0	212.610	0.6	2.5	2.3	2.3	170.8	2.4	9.8	6.8
2005	Dec	197.800	-0.1	-0.6	3.4	3.4	202.900	0.2	2.4	2.2	2.2	159.8	0.7	8.6	5.5
2006	Jan	199.000	0.6	7.5	4.0	7.5	203.200	0.1	1.8	2.1	1.8	160.3	0.3	3.8	5.6
	Feb	199.100	0.1	0.6	3.6	4.0	203.600	0.2	2.4	2.1	2.1	158.6	-1.1	-12.0	3.9
	Mar	199.600	0.3	3.1	3.4	3.7	204.200	0.3	3.6	2.1	2.6	159.3	0.4	5.4	3.6
	Apr	200.800	0.6	7.5	3.6	4.6	204.800	0.3	3.6	2.3	2.8	160.4	0.7	8.6	4.0
	May	201.900	0.5	6.8	4.1	5.0	205.300	0.2	3.0	2.4	2.9	160.7	0.2	2.3	4.4
	Jun	202.400	0.2	3.0	4.3	4.7	205.900	0.3	3.6	2.6	3.0	161.5	0.5	6.1	4.9
	Jul	203.200	0.4	4.8	4.2	4.7	206.400	0.2	3.0	2.7	3.0	161.3	-0.1	-1.5	3.9
	Aug	203.800	0.3	3.6	3.9	4.6	206.900	0.2	2.9	2.8	3.0	161.9	0.4	4.6	3.7
	Sep	202.700	-0.5	-6.3	2.1	3.3	207.300	0.2	2.3	2.9	2.9	160.2	-1.1	-11.9	0.8
	Oct	201.800	-0.4	-5.2	1.3	2.4	207.600	0.1	1.8	2.8	2.8	157.8	-1.5	-16.6	-1.3
	Nov	201.900	0.0	0.6	2.0	2.3	207.800	0.1	1.2	2.6	2.6	160.3	1.6	20.8	1.0
	Dec	202.800	0.4	5.5	2.5	2.5	208.100	0.1	1.7	2.6	2.6	161.5	0.7	9.4	1.1
2007	Jan	203.153	0.2	2.1	2.1	2.1	208.632	0.3	3.1	2.7	3.1	160.6	-0.6	-6.5	0.2
	Feb	203.906	0.4	4.5	2.4	3.3	209.135	0.2	2.9	2.7	3.0	162.6	1.2	16.0	2.5
	Mar	205.146	0.6	7.5	2.8	4.7	209.263	0.1	0.7	2.5	2.3	164.2	1.0	12.5	3.1
	Apr	205.999	0.4	5.1	2.6	4.8	209.634	0.2	2.1	2.4	2.2	165.6	0.9	10.7	3.2
	May	207.387	0.7	8.4	2.7	5.5	209.948	0.1	1.8	2.3	2.1	166.7	0.7	8.3	3.7
	Jun	207.784	0.2	2.3	2.7	5.0	210.436	0.2	2.8	2.2	2.3	166.8	0.1	0.7	3.3
	Jul	208.028	0.1	1.4	2.4	4.5	210.933	0.2	2.9	2.2	2.3	167.9	0.7	8.2	4.1
	Aug	207.738	-0.1	-1.7	1.9	3.7	211.250	0.2	1.8	2.1	2.3	165.5	-1.4	-15.9	2.2
	Sep	208.292	0.3	3.2	2.8	3.6	211.714	0.2	2.7	2.1	2.3	167.2	1.0	13.0	4.4
	Oct	208.903	0.3	3.6	3.5	3.6	212.050	0.2	1.9	2.1	2.3	167.3	0.1	0.7	6.0
	Nov	210.565	0.8	10.0	4.3	4.2	212.633	0.3	3.3	2.3	2.4	172.6	3.2	45.4	7.7
	Dec	211.160	0.3	3.4	4.1	4.1	213.148	0.2	2.9	2.4	2.4	172.5	-0.1	-0.7	6.8

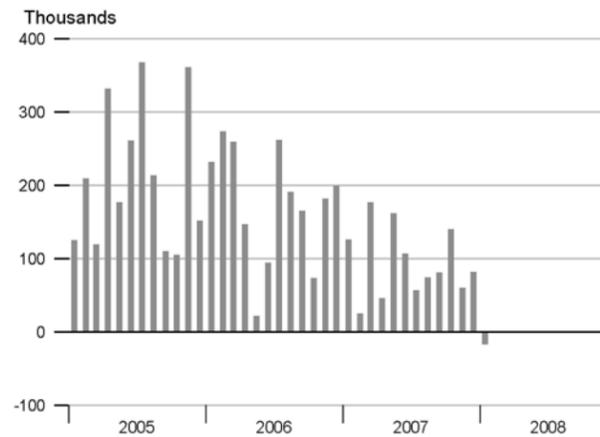
Real GDP Growth



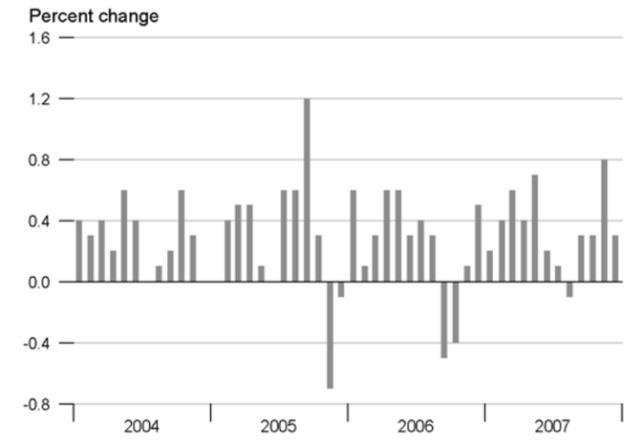
Industrial Production



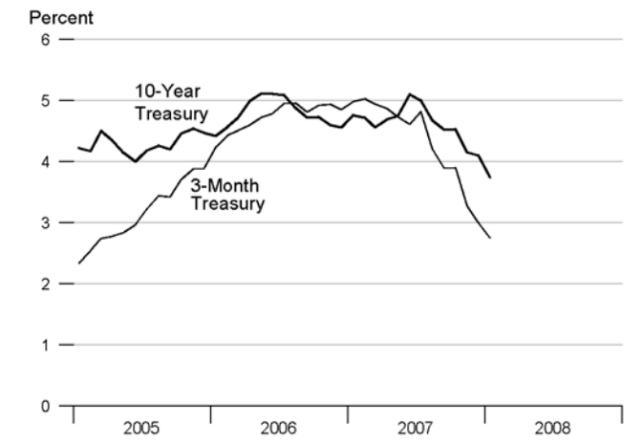
Change in Nonfarm Payrolls



Consumer Price Index



Interest Rates

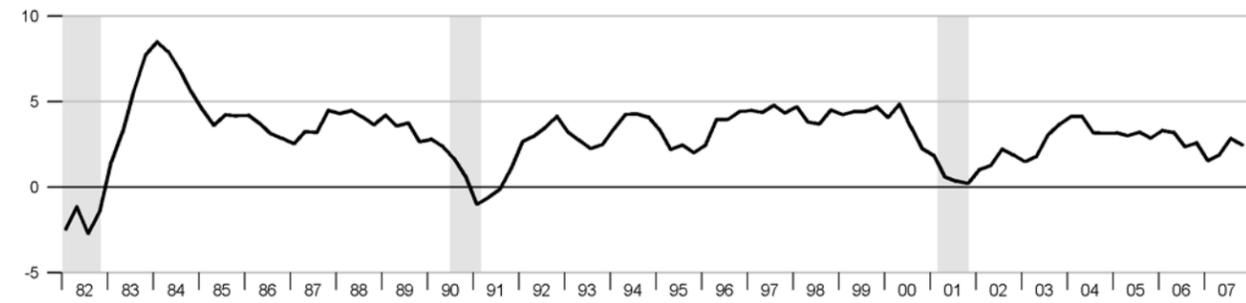


Unemployment Rate



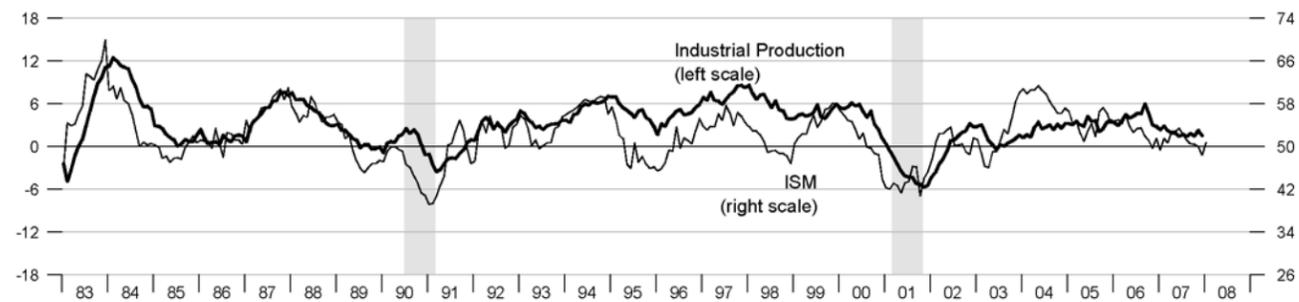
Real Gross Domestic Product

Percent change from year ago



Industrial Production and Institute for Supply Management (ISM) Indexes

Percent change from year ago



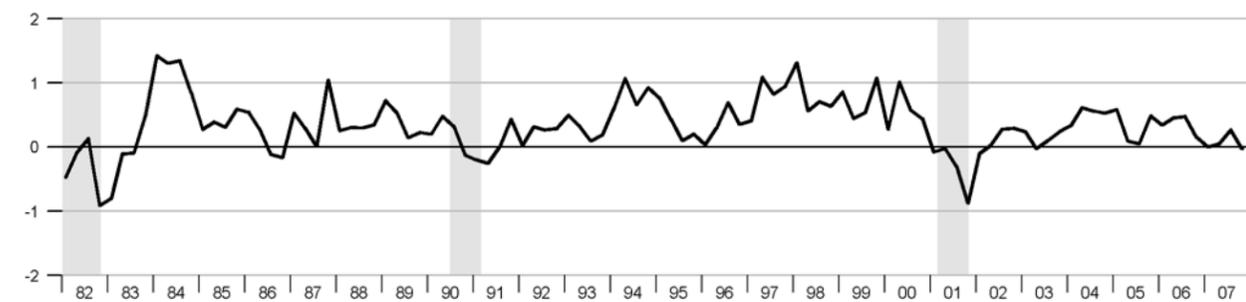
Aggregate Private Nonfarm Hours

Percent change from year ago



Real Change in Private Inventories

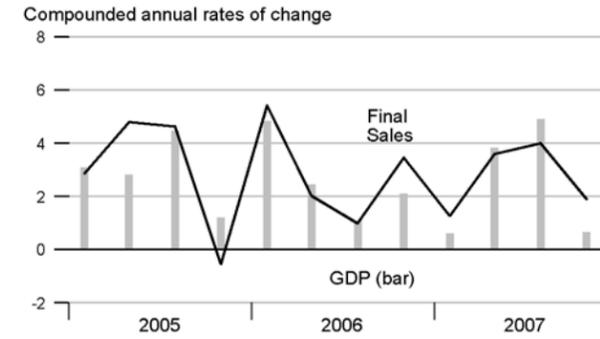
Percent of GDP



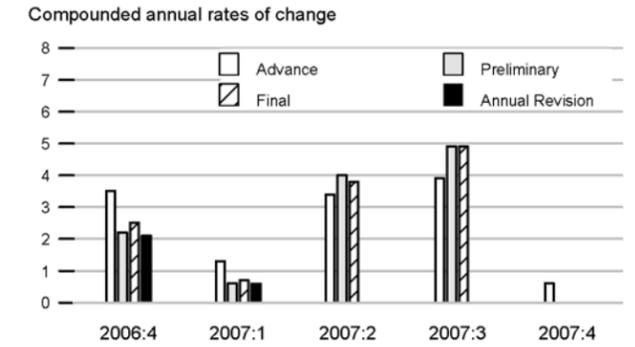
	Unempl. Rate	Retail and Food Services Sales			Industrial Production			Treasury Yields			
		Billions of dollars	Percent change		Index	Percent change		(Percent)			
			Monthly/quarterly	Annual rate	Year ago		Monthly/quarterly	Annual rate	Year ago	3-mo	10-yr
2003	6.0	3614.093			4.2	101.0619			1.1	1.01	4.02
2004	5.5	3833.271			6.1	103.5734			2.5	1.37	4.27
2005	5.1	4085.340			6.6	106.9340			3.2	3.15	4.29
2006	4.6	4338.069			6.2	111.2407			4.0	4.73	4.79
2007	4.6	4515.377			4.1	113.3641			1.9	4.35	4.63
2005	1	994.839	1.0	4.1	6.0	105.9764	1.1	4.6	3.3	2.54	4.30
	2	1015.843	2.1	8.7	7.2	106.6983	0.7	2.8	3.4	2.86	4.16
	3	1034.026	1.8	7.4	7.4	106.9113	0.2	0.8	3.1	3.36	4.21
	4	1040.632	0.6	2.6	5.7	108.1499	1.2	4.7	3.2	3.83	4.49
2006	1	1072.960	3.1	13.0	7.9	109.4847	1.2	5.0	3.3	4.39	4.57
	2	1081.227	0.8	3.1	6.4	111.2261	1.6	6.5	4.2	4.70	5.07
	3	1089.867	0.8	3.2	5.4	112.3327	1.0	4.0	5.1	4.91	4.90
	4	1094.015	0.4	1.5	5.1	111.9193	-0.4	-1.5	3.5	4.90	4.63
2007	1	1109.368	1.4	5.7	3.4	112.2157	0.3	1.1	2.5	4.98	4.68
	2	1124.080	1.3	5.4	4.0	113.1718	0.9	3.5	1.7	4.74	4.85
	3	1134.310	0.9	3.7	4.1	114.1835	0.9	3.6	1.6	4.30	4.73
	4	1147.619	1.2	4.8	4.9	113.8854	-0.3	-1.0	1.8	3.39	4.26
2006	Jan	359.254	3.3	47.9	9.0	109.1081	-0.0	-0.5	3.3	4.24	4.42
	Feb	356.451	-0.8	-9.0	7.2	109.3862	0.3	3.1	3.0	4.43	4.57
	Mar	357.255	0.2	2.7	7.4	109.9597	0.5	6.5	3.6	4.51	4.72
	Apr	361.376	1.2	14.8	7.1	110.9443	0.9	11.3	4.5	4.60	4.99
	May	359.363	-0.6	-6.5	6.9	110.8746	-0.1	-0.8	4.0	4.72	5.11
	Jun	360.488	0.3	3.8	5.4	111.8594	0.9	11.2	4.3	4.79	5.11
	Jul	363.633	0.9	11.0	4.5	112.3067	0.4	4.9	4.7	4.95	5.09
	Aug	364.172	0.1	1.8	6.3	112.5208	0.2	2.3	4.6	4.96	4.88
	Sep	362.062	-0.6	-6.7	5.4	112.1707	-0.3	-3.7	6.0	4.81	4.72
	Oct	363.019	0.3	3.2	5.2	111.9994	-0.2	-1.8	4.6	4.92	4.73
	Nov	363.067	0.0	0.2	4.4	111.5291	-0.4	-4.9	3.0	4.94	4.60
	Dec	367.929	1.3	17.3	5.8	112.2295	0.6	7.8	2.8	4.85	4.56
2007	Jan	367.230	-0.2	-2.3	2.2	111.6827	-0.5	-5.7	2.4	4.98	4.76
	Feb	369.287	0.6	6.9	3.6	112.5319	0.8	9.5	2.9	5.03	4.72
	Mar	372.851	1.0	12.2	4.4	112.4324	-0.1	-1.1	2.2	4.94	4.56
	Apr	371.651	-0.3	-3.8	2.8	113.0619	0.6	6.9	1.9	4.87	4.69
	May	377.689	1.6	21.3	5.1	112.9510	-0.1	-1.2	1.9	4.73	4.75
	Jun	374.740	-0.8	-9.0	4.0	113.5026	0.5	6.0	1.5	4.61	5.10
	Jul	376.906	0.6	7.2	3.7	114.2392	0.6	8.1	1.7	4.82	5.00
	Aug	377.173	0.1	0.9	3.6	114.1040	-0.1	-1.4	1.4	4.20	4.67
	Sep	380.231	0.8	10.2	5.0	114.2072	0.1	1.1	1.8	3.89	4.52
	Oct	380.349	0.0	0.4	4.8	113.6710	-0.5	-5.5	1.5	3.90	4.53
	Nov	384.342	1.0	13.4	5.9	114.0178	0.3	3.7	2.2	3.27	4.15
	Dec	382.928	-0.4	-4.3	4.1	113.9673	-0.0	-0.5	1.5	3.00	4.10
2008	Jan	4.9								2.75	3.74

	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
2003	137729	1248		0.9	129996	-344		-0.3	98.6			-1.4
2004	139242	1512		1.1	131419	1423		1.1	100.2			1.6
2005	141716	2474		1.8	133695	2276		1.7	102.8			2.6
2006	144421	2706		1.9	136092	2397		1.8	105.7			2.9
2007	146049	1628		1.1	137622	1530		1.1	107.2			1.4
2005	1	140380	334	1.0	132655	421	1.3	1.6	101.6	0.6	2.3	2.3
	2	141516	1136	3.3	133341	686	2.1	1.6	102.4	0.8	3.1	2.5
	3	142314	797	2.3	134121	780	2.4	1.9	103.1	0.7	2.8	2.6
	4	142652	338	1.0	134661	541	1.6	1.8	103.9	0.8	3.3	2.8
2006	1	143356	704	2.0	135383	722	2.2	2.1	104.9	0.9	3.8	3.2
	2	144083	727	2.0	135840	457	1.4	1.9	105.6	0.7	2.7	3.1
	3	144604	521	1.5	136354	514	1.5	1.7	106.0	0.4	1.7	2.8
	4	145642	1038	2.9	136789	434	1.3	1.6	106.4	0.3	1.4	2.4
2007	1	145983	340	0.9	137184	395	1.2	1.3	106.6	0.2	0.8	1.6
	2	145904	-78	-0.2	137500	316	0.9	1.2	107.2	0.5	2.1	1.5
	3	146019	115	0.3	137758	259	0.8	1.0	107.5	0.3	1.1	1.4
	4	146291	272	0.7	138044	286	0.8	0.9	107.7	0.2	1.0	1.3
2006	Jan	143086	308	2.6	135115	232	2.1	2.0	104.8	0.6	7.1	3.5
	Feb	143362	276	2.3	135388	273	2.5	2.0	104.8	0.0	0.0	2.8
	Mar	143619	257	2.2	135647	259	2.3	2.1	105.1	0.3	3.5	3.3
	Apr	143791	172	1.4	135794	147	1.3	2.0	105.6	0.5	5.9	3.1
	May	144088	297	2.5	135816	22	0.2	1.9	105.4	-0.2	-2.2	3.1
	Jun	144369	281	2.4	135910	94	0.8	1.7	105.8	0.4	4.7	3.1
	Jul	144295	-74	-0.6	136172	262	2.3	1.7	106.0	0.2	2.3	3.1
	Aug	144671	376	3.2	136363	191	1.7	1.6	106.2	0.2	2.3	3.1
	Sep	144846	175	1.5	136528	165	1.5	1.7	105.9	-0.3	-3.3	2.3
	Oct	145395	549	4.6	136601	73	0.6	1.7	106.3	0.4	4.6	2.6
	Nov	145583	188	1.6	136783	182	1.6	1.5	106.2	-0.1	-1.1	2.1
	Dec	145949	366	3.1	136982	199	1.8	1.6	106.7	0.5	5.8	2.4
2007	Jan	145915	-34	-0.3	137108	126	1.1	1.5	106.5	-0.2	-2.2	1.6
	Feb	145888	-27	-0.2	137133	25	0.2	1.3	106.2	-0.3	-3.3	1.3
	Mar	146145	257	2.1	137310	177	1.6	1.2	107.1	0.8	10.7	1.9
	Apr	145713	-432	-3.5	137356	46	0.4	1.2	106.8	-0.3	-3.3	1.1
	May	145913	200	1.7	137518	162	1.4	1.3	107.1	0.3	3.4	1.6
	Jun	146087	174	1.4	137625	107	0.9	1.3	107.6	0.5	5.7	1.7
	Jul	146045	-42	-0.3	137682	57	0.5	1.1	107.4	-0.2	-2.2	1.3
	Aug	145753	-292	-2.4	137756	74	0.6	1.0	107.4	0.0	0.0	1.1
	Sep	146260	507	4.3	137837	81	0.7	1.0	107.6	0.2	2.3	1.6
	Oct	146016	-244	-2.0	137977	140	1.2	1.0	107.7	0.1	1.1	1.3
	Nov	146647	631	5.3	138037	60	0.5	0.9	107.7	0.0	0.0	1.4
	Dec	146211	-436	-3.5	138119	82	0.7	0.8	107.8	0.1	1.1	1.0
2008	Jan	146248	37	0.3	138102	-17	-0.1	0.7	107.5	-0.3	-3.3	0.9

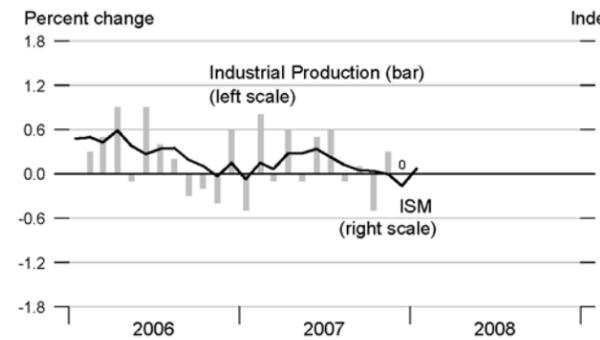
Real Final Sales and GDP



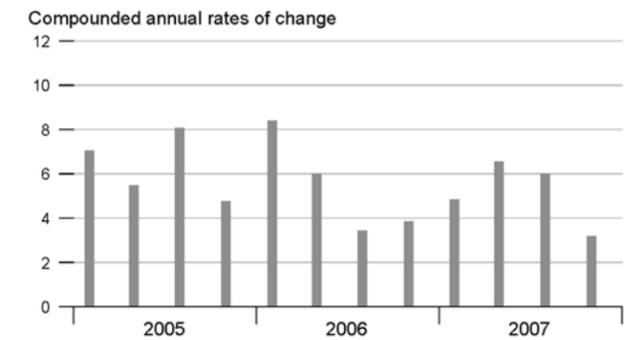
Real GDP Revisions



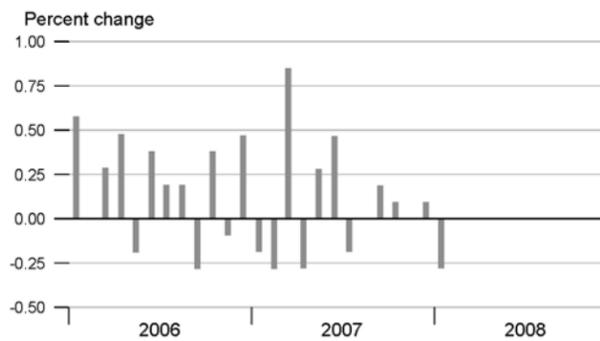
Industrial Production and ISM Index



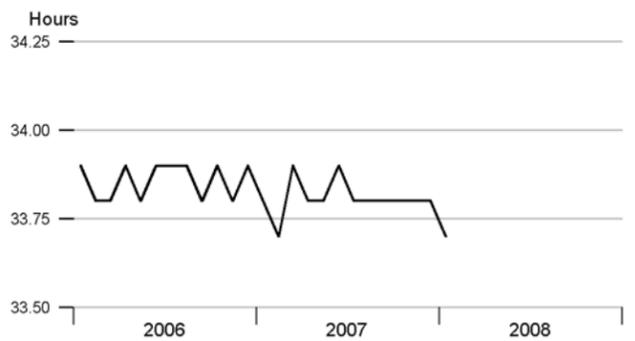
Nominal Gross Domestic Product



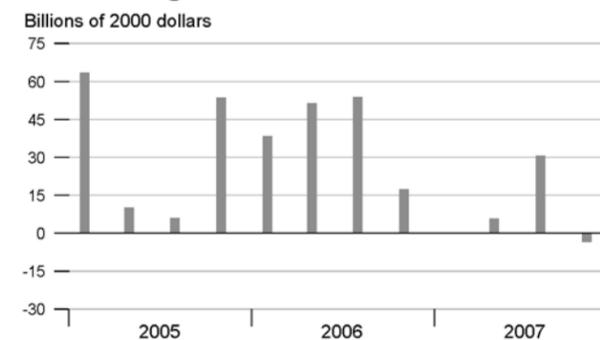
Aggregate Private Nonfarm Hours



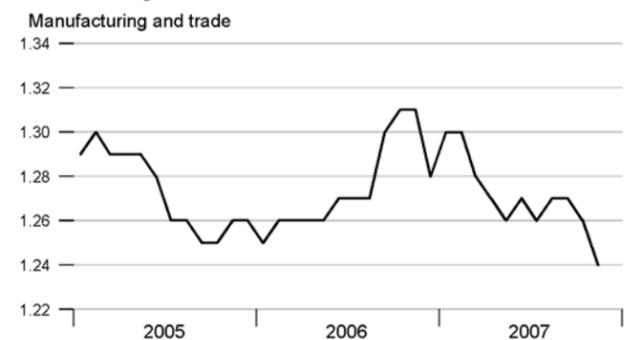
Average Weekly Private Nonfarm Hours



Real Change in Private Inventories

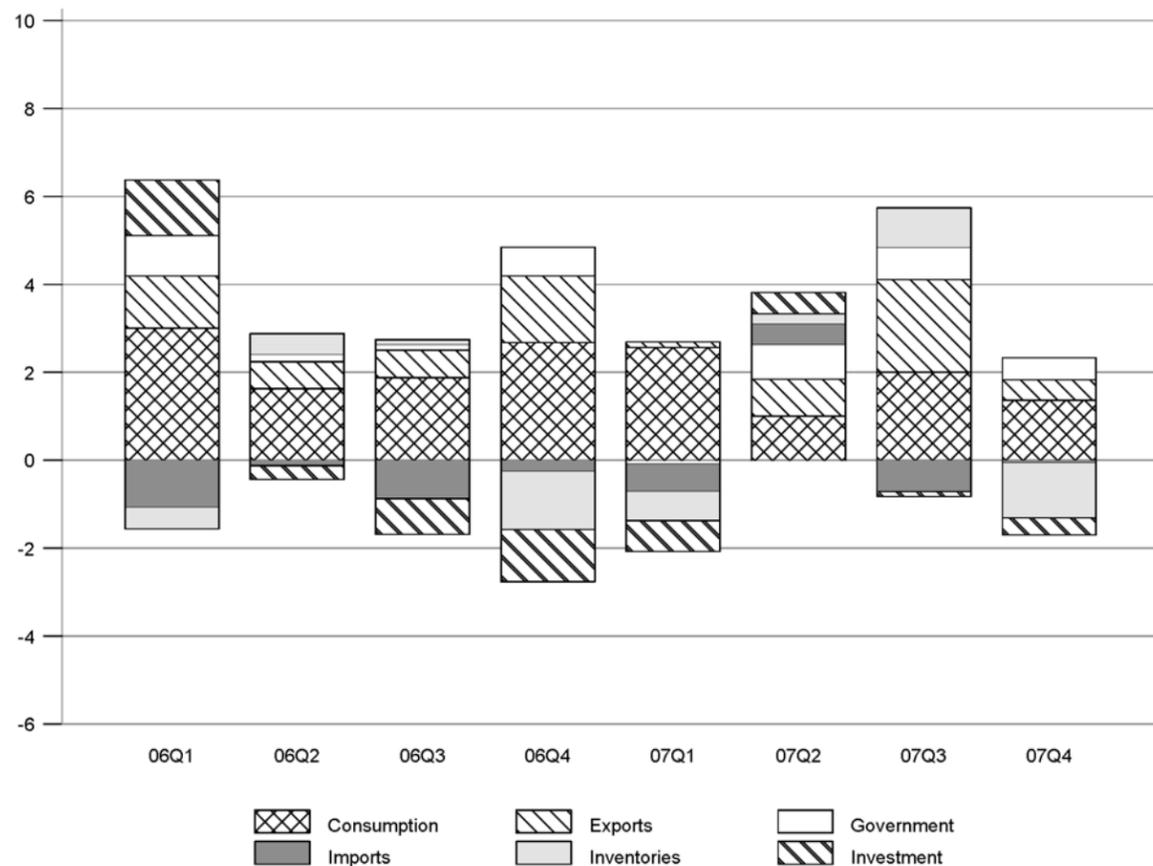


Inventory-Sales Ratio



Contribution of Components to Real GDP Growth

Percentage points at compounded annual rates



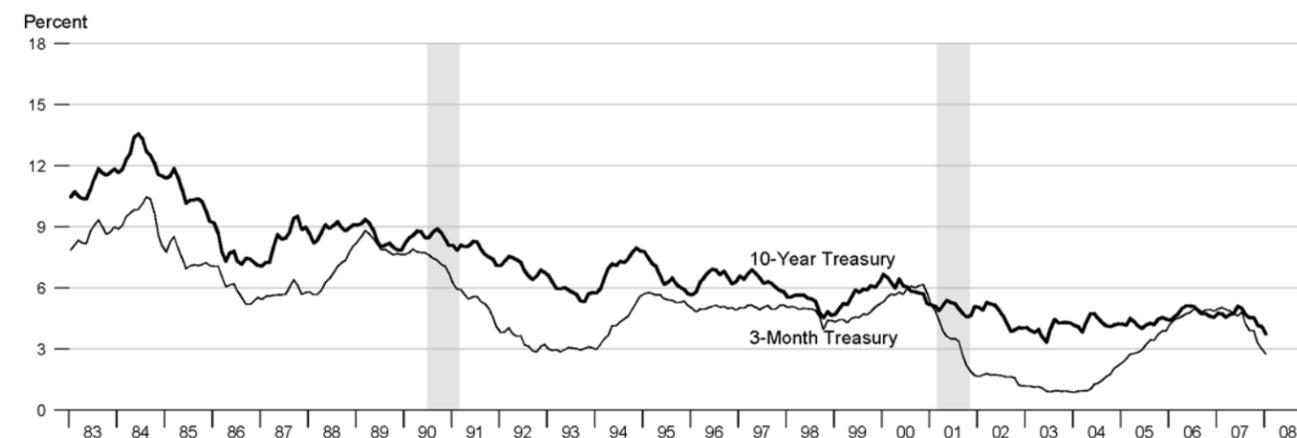
Contributions to Real GDP Growth Rate

	2006				2007			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Final Sales	5.31	1.98	0.97	3.40	1.25	3.60	4.02	1.89
Consumption	3.00	1.63	1.88	2.68	2.56	1.00	2.01	1.37
Fixed Investment	1.27	-0.32	-0.80	-1.19	-0.70	0.49	-0.11	-0.39
Nonresidential	1.31	0.44	0.53	-0.15	0.22	1.12	0.96	0.79
Residential	-0.05	-0.76	-1.33	-1.04	-0.93	-0.62	-1.08	-1.18
Government	0.92	0.18	0.14	0.66	-0.09	0.79	0.74	0.50
Federal	0.57	-0.11	0.06	0.50	-0.46	0.41	0.50	0.02
State and Local	0.35	0.29	0.08	0.16	0.36	0.37	0.24	0.49
Net Exports	0.13	0.49	-0.25	1.25	-0.51	1.32	1.38	0.41
Exports	1.19	0.61	0.62	1.51	0.13	0.85	2.10	0.46
Imports	-1.07	-0.12	-0.88	-0.26	-0.63	0.47	-0.72	-0.06
Change in Inventory	-0.49	0.46	0.10	-1.31	-0.65	0.22	0.89	-1.25
Residual	-0.11	-0.19	-0.26	-0.19	-0.22	-0.15	-0.25	-0.27
Real GDP Growth	4.82	2.44	1.07	2.09	0.60	3.82	4.91	0.64

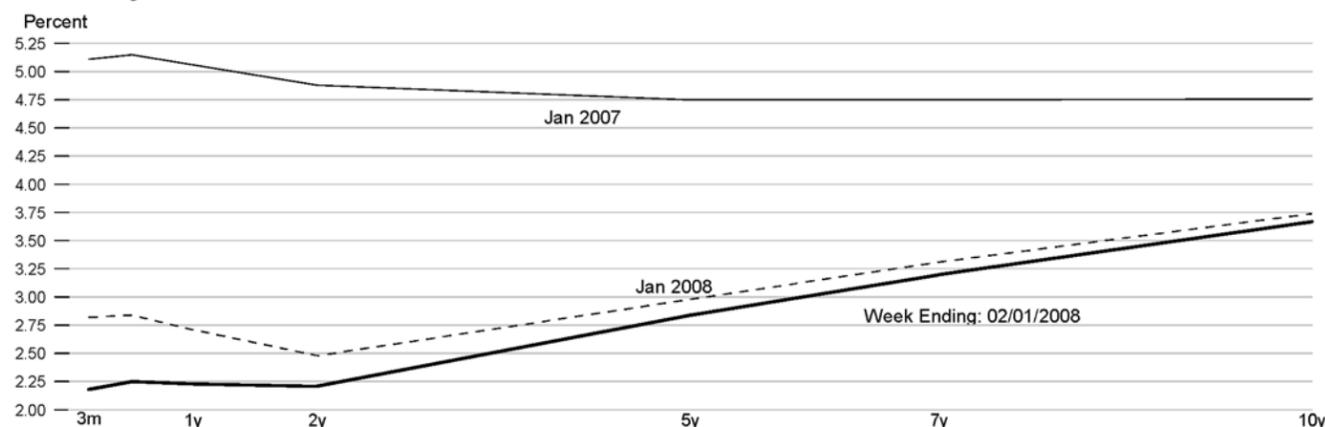
	GDP Chain Price Index			Employment Cost Index			ECI: Wages			ECI: Benefits		
	Index	Percent change		Index	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2004	109.462		2.9	96.2		3.8	96.7		2.7	94.8		6.8
2005	113.005		3.2	99.2		3.1	99.2		2.5	99.2		4.6
2006	116.568		3.2	102.1		2.9	102.0		2.9	102.1		2.9
2007	119.678		2.7	105.2		3.1	105.5		3.4	104.6		2.4
2004 1	108.180	3.7	2.3	94.9	4.8	3.8	95.7	2.5	2.7	92.9	11.0	6.8
2004 2	109.185	3.8	2.9	95.8	3.8	3.9	96.4	3.0	2.7	94.4	6.6	7.2
2004 3	109.807	2.3	3.0	96.7	3.8	3.8	97.2	3.4	2.6	95.4	4.3	6.7
2004 4	110.677	3.2	3.2	97.3	2.5	3.7	97.6	1.7	2.6	96.5	4.7	6.6
2005 1	111.745	3.9	3.3	98.2	3.8	3.5	98.3	2.9	2.7	98.0	6.4	5.5
2005 2	112.455	2.6	3.0	98.8	2.5	3.1	98.8	2.1	2.5	98.8	3.3	4.7
2005 3	113.422	3.5	3.3	99.5	2.9	2.9	99.4	2.5	2.3	99.6	3.3	4.4
2005 4	114.398	3.5	3.4	100.1	2.4	2.9	100.1	2.8	2.6	100.3	2.8	3.9
2006 1	115.363	3.4	3.2	100.8	2.8	2.6	100.8	2.8	2.5	100.8	2.0	2.9
2006 2	116.350	3.5	3.5	101.6	3.2	2.8	101.6	3.2	2.8	101.5	2.8	2.7
2006 3	117.030	2.4	3.2	102.5	3.6	3.0	102.4	3.2	3.0	102.5	4.0	2.9
2006 4	117.527	1.7	2.7	103.3	3.2	3.2	103.2	3.2	3.1	103.4	3.6	3.1
2007 1	118.750	4.2	2.9	103.9	2.3	3.1	104.3	4.3	3.5	103.1	-1.2	2.3
2007 2	119.527	2.6	2.7	104.8	3.5	3.1	105.1	3.1	3.4	104.2	4.3	2.7
2007 3	119.837	1.0	2.4	105.6	3.1	3.0	105.9	3.1	3.4	105.0	3.1	2.4
2007 4	120.597	2.6	2.6	106.4	3.1	3.0	106.7	3.1	3.4	105.9	3.5	2.4
	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
2004	1126.134		9.7	1719.939		11.3	131.542		2.7	155.869		3.6
2005	1203.444		6.9	1821.457		5.9	134.097		1.9	162.149		4.0
2006	1304.104		8.4	1928.567		5.9	135.393		1.0	168.506		3.9
2007	1407.563		7.9	1967.583		2.0						
2004 1	1101.785	10.0	9.8	1650.888	12.3	9.3	130.220	0.9	4.0	152.871	-0.2	3.8
2004 2	1119.392	6.5	12.0	1710.450	15.2	12.1	131.713	4.7	3.8	154.850	5.3	3.4
2004 3	1128.041	3.1	9.9	1730.757	4.8	12.4	132.000	0.9	1.5	156.824	5.2	3.4
2004 4	1155.317	10.0	7.4	1787.662	13.8	11.5	132.222	0.7	1.8	158.890	5.4	3.9
2005 1	1172.397	6.0	6.4	1796.826	2.1	8.8	133.417	3.7	2.5	160.300	3.6	4.9
2005 2	1199.343	9.5	7.1	1800.339	0.8	5.3	133.515	0.3	1.4	160.889	1.5	3.9
2005 3	1205.647	2.1	6.9	1809.724	2.1	4.6	134.964	4.4	2.2	163.153	5.7	4.0
2005 4	1236.387	10.6	7.0	1878.952	16.2	5.1	134.485	-1.4	1.7	164.210	2.6	3.3
2006 1	1270.569	11.5	8.4	1910.696	6.9	6.3	135.311	2.5	1.4	167.079	7.2	4.2
2006 2	1288.438	5.7	7.4	1915.005	0.9	6.4	135.583	0.8	1.5	166.978	-0.2	3.8
2006 3	1306.571	5.7	8.4	1940.374	5.4	7.2	135.041	-1.6	0.1	167.517	1.3	2.7
2006 4	1350.861	14.3	9.3	1948.210	1.6	3.7	135.638	1.8	0.9	172.417	12.2	5.0
2007 1	1354.654	1.1	6.6	1966.775	3.9	2.9	135.858	0.7	0.4	174.906	5.9	4.7
2007 2	1379.485	7.5	7.1	1953.360	-2.7	2.0	136.584	2.2	0.7	175.353	1.0	5.0
2007 3	1441.150	19.1	10.3	1974.272	4.4	1.7	138.693	6.3	2.7	177.179	4.2	5.8
2007 4	1454.964	3.9	7.7	1975.925	0.3	1.4						

	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		
2004	11685.9	6.6		10675.757	3.6		10619.790	3.3		54.268			
2005	12433.9	6.4		11003.448	3.1		10966.873	3.3		33.237			
2006	13194.7	6.1		11319.358	2.9		11275.890	2.8		40.289			
2007	13843.0	4.9		11567.261	2.2		11558.016	2.5		8.273			
2004	1	11405.5	6.8	6.5	10543.621	3.0	4.1	10507.057	2.6	4.0	34.953	16.950	
	2	11610.3	7.4	7.2	10634.232	3.5	4.1	10568.450	2.4	3.5	64.882	33.834	
	3	11779.4	6.0	6.3	10728.671	3.6	3.2	10666.641	3.8	2.7	60.057	46.215	
	4	11948.5	5.9	6.5	10796.408	2.5	3.1	10737.014	2.7	2.8	57.180	54.268	
2005	1	12154.0	7.1	6.6	10878.380	3.1	3.2	10812.950	2.9	2.9	63.393	61.378	
	2	12317.4	5.5	6.1	10954.069	2.8	3.0	10940.422	4.8	3.5	10.070	47.675	
	3	12558.8	8.1	6.6	11074.326	4.5	3.2	11064.771	4.6	3.7	5.906	34.137	
	4	12705.5	4.8	6.3	11107.213	1.2	2.9	11049.544	-0.5	2.9	53.580	33.237	
2006	1	12964.6	8.4	6.7	11238.662	4.8	3.3	11196.147	5.4	3.5	38.422	26.995	
	2	13155.0	6.0	6.8	11306.694	2.4	3.2	11252.074	2.0	2.8	51.390	37.325	
	3	13266.9	3.4	5.6	11336.734	1.1	2.4	11279.696	1.0	1.9	53.944	49.334	
	4	13392.3	3.8	5.4	11395.538	2.1	2.6	11375.837	3.5	3.0	17.401	40.289	
2007	1	13551.9	4.9	4.5	11412.619	0.6	1.5	11411.560	1.3	1.9	0.097	30.708	
	2	13768.8	6.6	4.7	11520.115	3.8	1.9	11512.777	3.6	2.3	5.762	19.301	
	3	13970.5	6.0	5.3	11658.927	4.9	2.8	11626.389	4.0	3.1	30.638	13.475	
	4	14080.8	3.2	5.1	11677.383	0.6	2.5	11681.340	1.9	2.7	-3.406	8.273	
	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	
2004	7561.380	3.6		1084.786	6.3		1712.757	7.3		1144.264	5.8		
2005	7803.593	3.2		1137.415	4.9		1831.427	6.9		1225.790	7.1		
2006	8044.054	3.1		1180.469	3.8		1874.694	2.4		1306.762	6.6		
2007	8276.243	2.9		1237.030	4.8		1821.164	-2.9		1369.583	4.8		
2004	1	7475.116	4.4	4.0	1066.225	5.8	9.8	1647.881	-0.2	7.3	1099.133	-2.6	4.9
	2	7520.472	2.4	3.7	1071.336	1.9	6.1	1698.704	12.9	7.8	1127.496	10.7	4.9
	3	7585.507	3.5	3.2	1091.520	7.8	4.0	1736.716	9.3	6.8	1160.749	12.3	5.6
	4	7664.290	4.2	3.7	1110.065	7.0	5.6	1767.743	7.3	7.2	1189.666	10.3	7.5
2005	1	7709.377	2.4	3.1	1116.030	2.2	4.7	1785.306	4.0	8.3	1199.486	3.3	9.1
	2	7775.220	3.5	3.4	1146.298	11.3	7.0	1819.775	7.9	7.1	1214.147	5.0	7.7
	3	7852.791	4.1	3.5	1163.548	6.2	6.6	1854.949	8.0	6.8	1239.503	8.6	6.8
	4	7876.850	1.2	2.8	1123.791	-13.0	1.2	1865.645	2.3	5.5	1250.025	3.4	5.1
2006	1	7961.901	4.4	3.3	1167.761	16.6	4.6	1901.356	7.9	6.5	1289.723	13.3	7.5
	2	8009.279	2.4	3.0	1170.169	0.8	2.1	1892.290	-1.9	4.0	1303.165	4.2	7.3
	3	8063.801	2.8	2.7	1186.322	5.6	2.0	1869.607	-4.7	0.8	1319.428	5.1	6.4
	4	8141.236	3.9	3.4	1197.606	3.9	6.6	1835.541	-7.1	-1.6	1314.758	-1.4	5.2
2007	1	8215.706	3.7	3.2	1223.160	8.8	4.7	1815.191	-4.4	-4.5	1321.732	2.1	2.5
	2	8244.349	1.4	2.9	1228.366	1.7	5.0	1829.345	3.2	-3.3	1356.624	11.0	4.1
	3	8302.240	2.8	3.0	1241.912	4.5	4.7	1825.987	-0.7	-2.3	1387.278	9.3	5.1
	4	8342.676	2.0	2.5	1254.680	4.2	4.8	1814.134	-2.6	-1.2	1412.696	7.5	7.4

Interest Rates



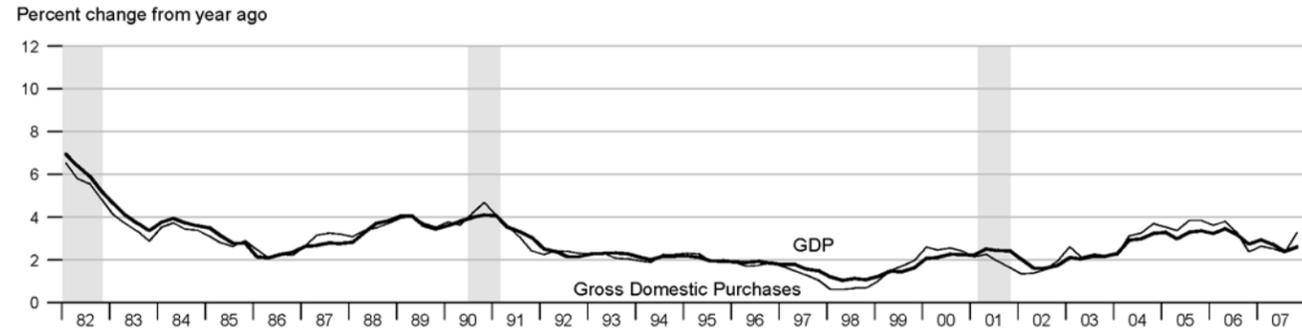
Treasury Yield Curve



Standard and Poor's 500 Index with Reinvested Dividends



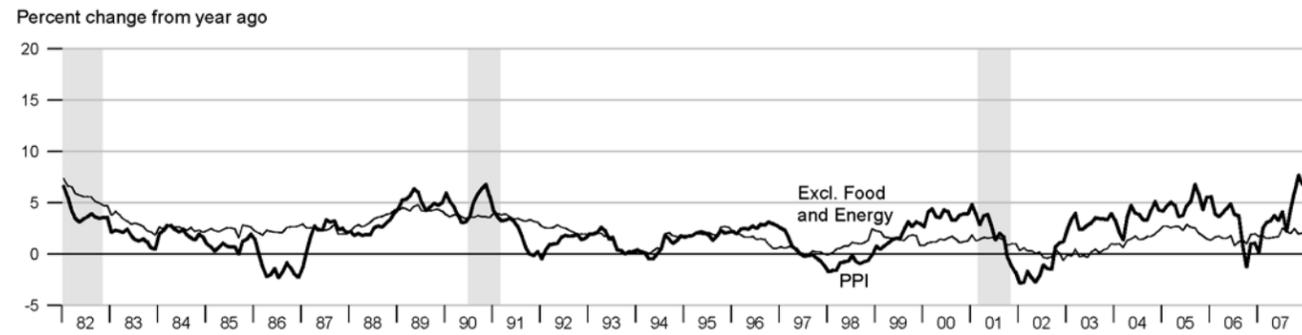
NIPA Chain Price Indexes



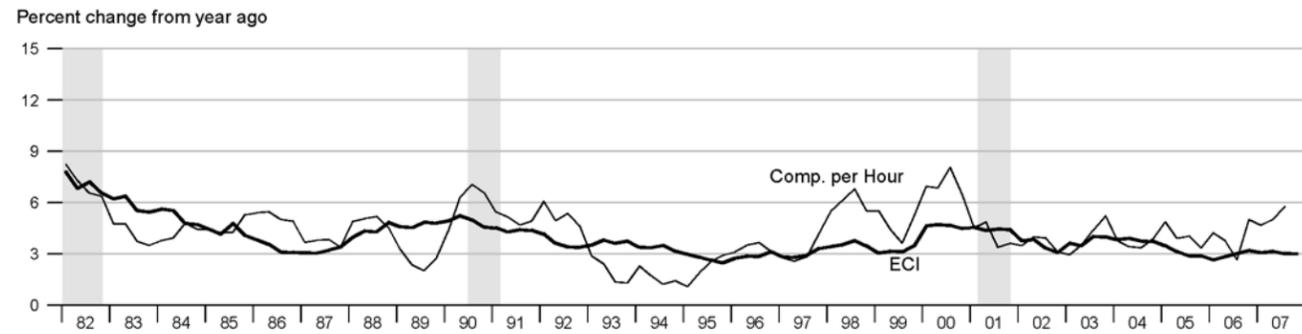
Consumer Price Index



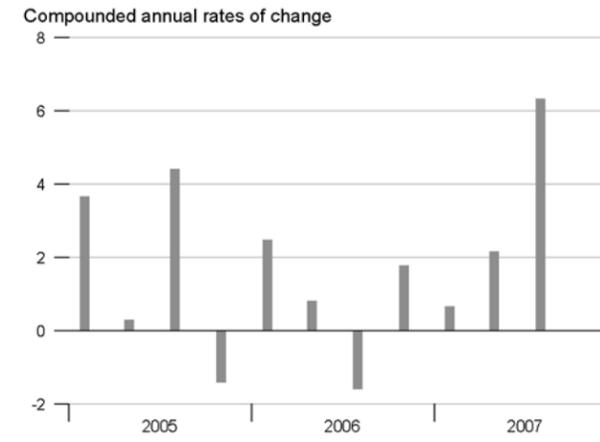
Producer Price Index, Finished Goods



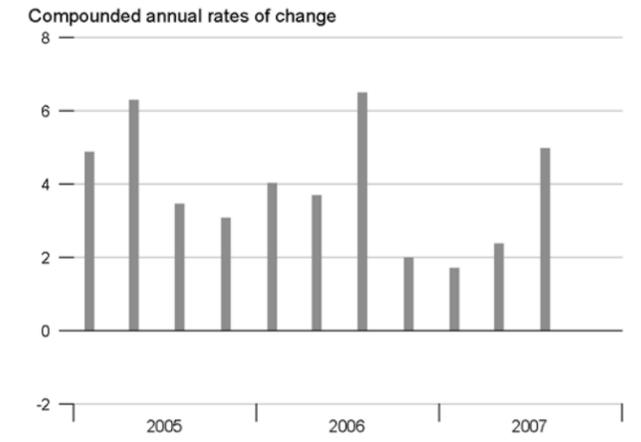
Employment Cost Index and Compensation per Hour



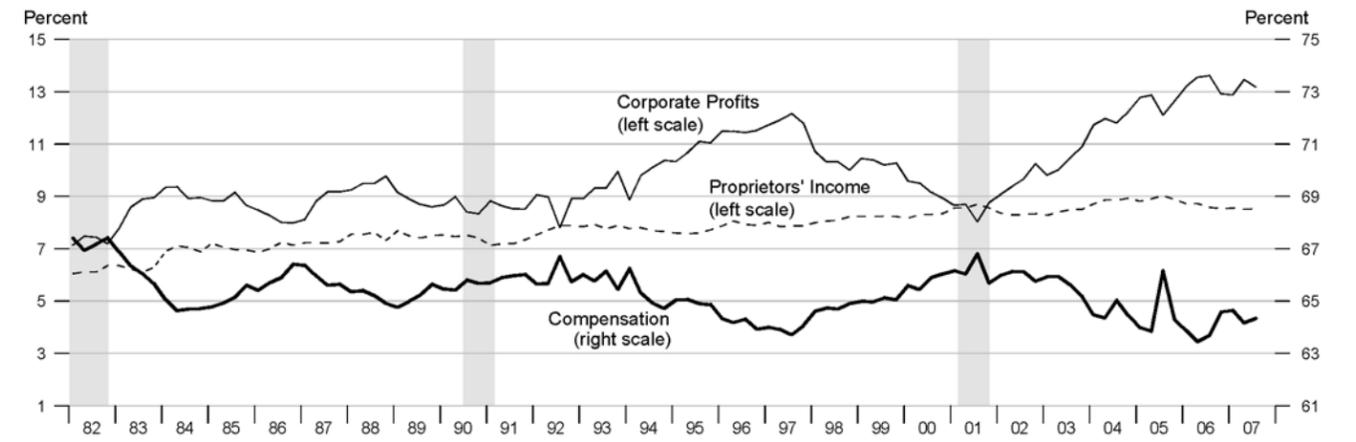
Nonfarm Output per Hour



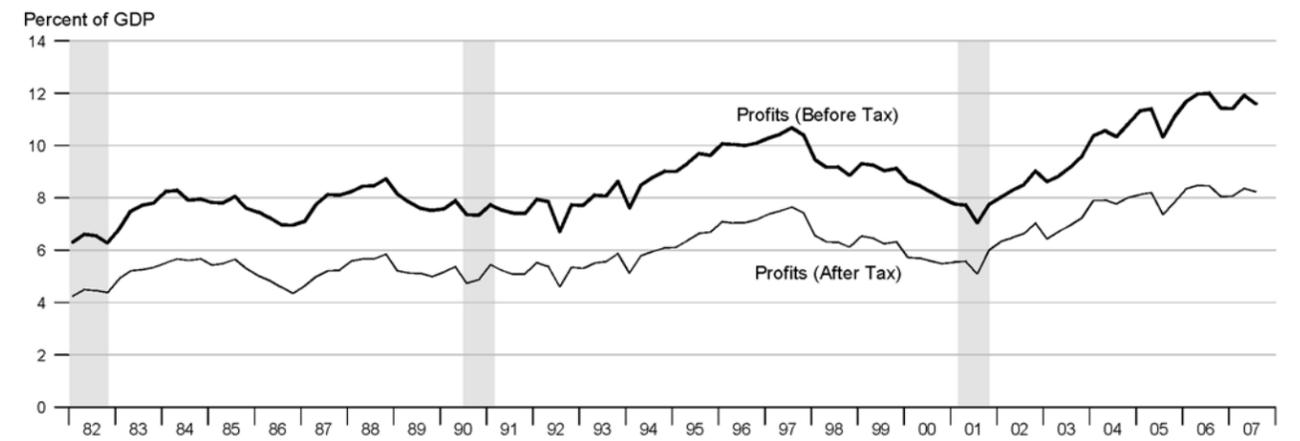
Manufacturing Output per Hour



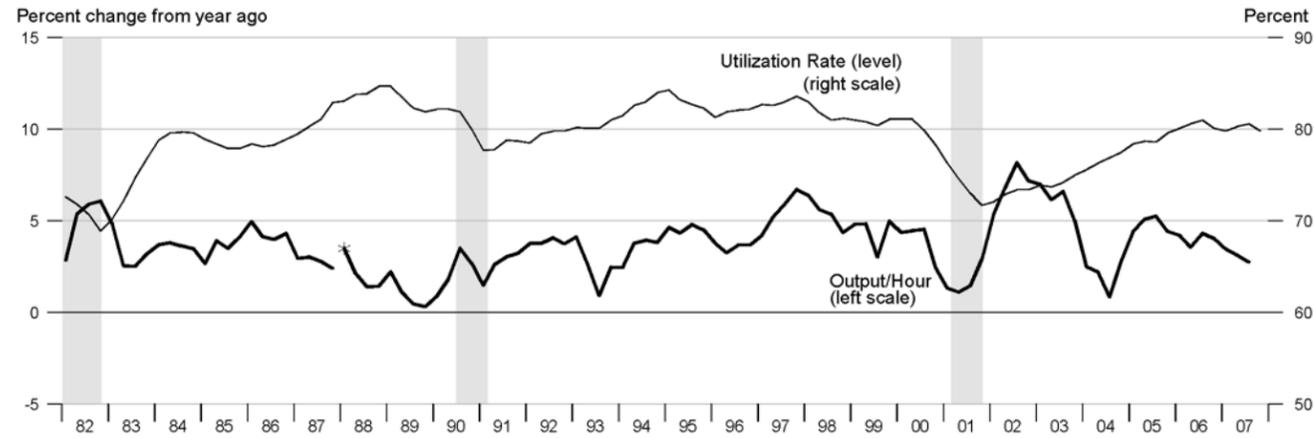
Selected Component Shares of National Income



Corporate Profits

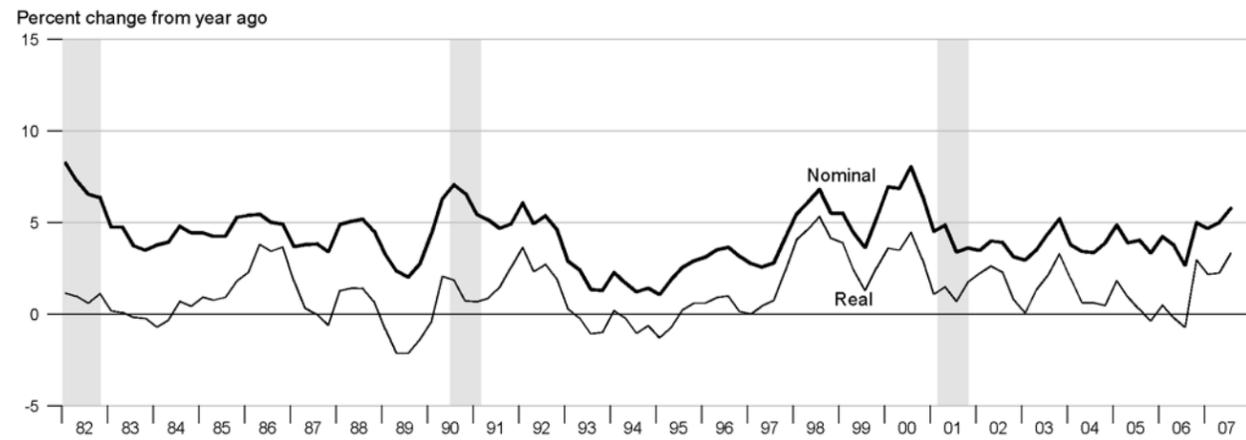


Output per Hour and Capacity Utilization, Manufacturing

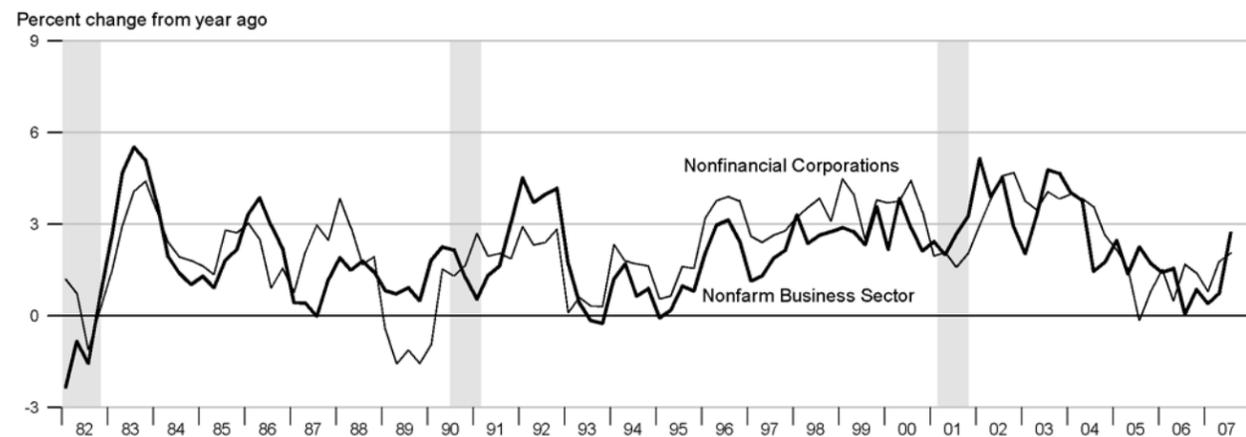


*Data from 1987 to the present are on a NAICS basis; data prior to 1987 are on an SIC basis and are not strictly comparable (see End Note).

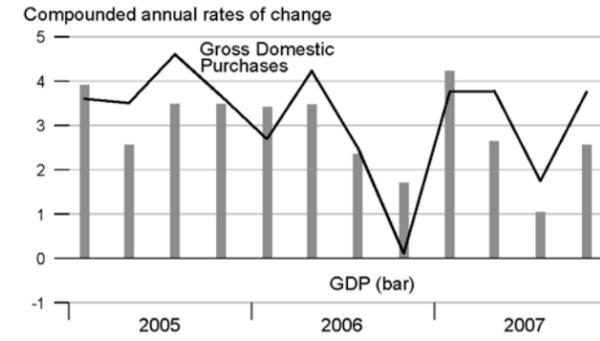
Nonfarm Compensation per Hour



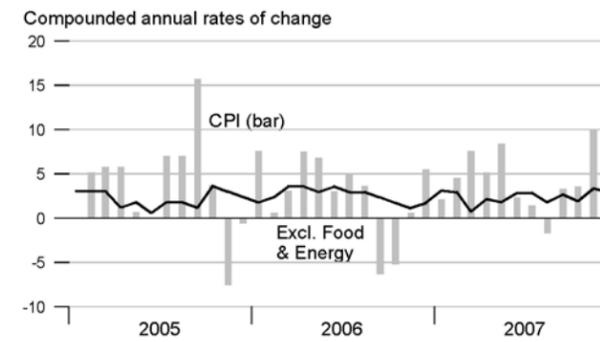
Output per Hour, Nonfarm Business and Nonfinancial Corporations



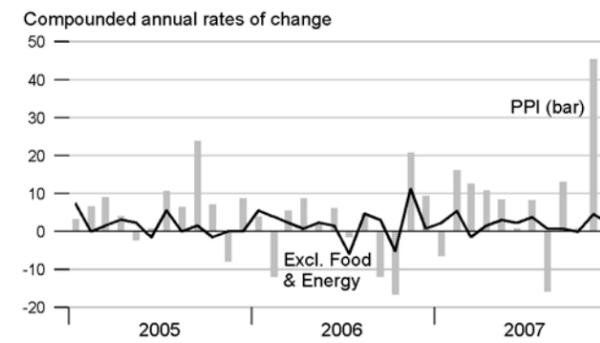
NIPA Chain Price Indexes



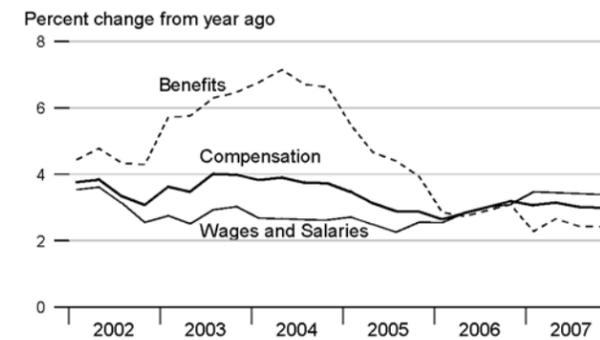
Consumer Price Index



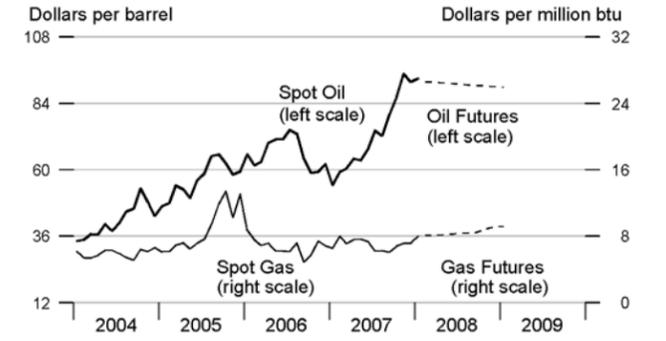
Producer Price Index, Finished Goods



Employment Cost Index

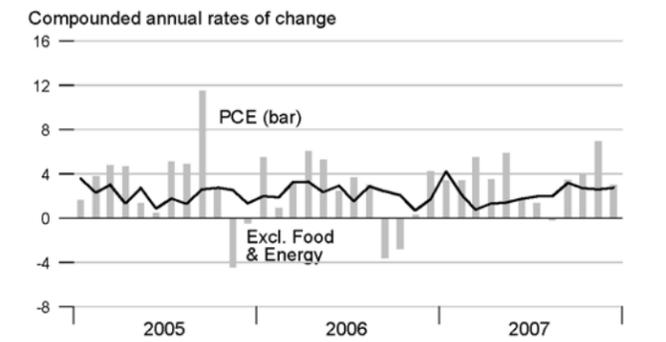


Oil & Natural Gas Prices: Spot & Futures

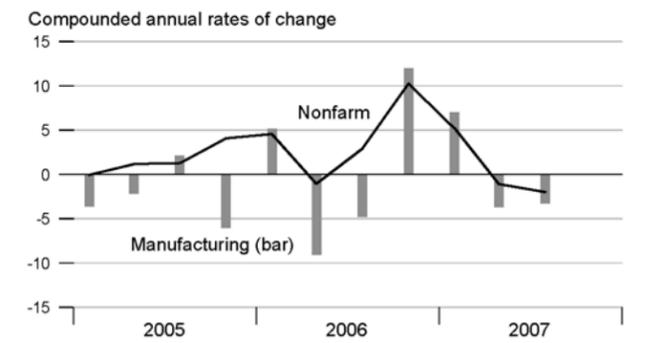


Note: Futures prices as of 01/31/2008.

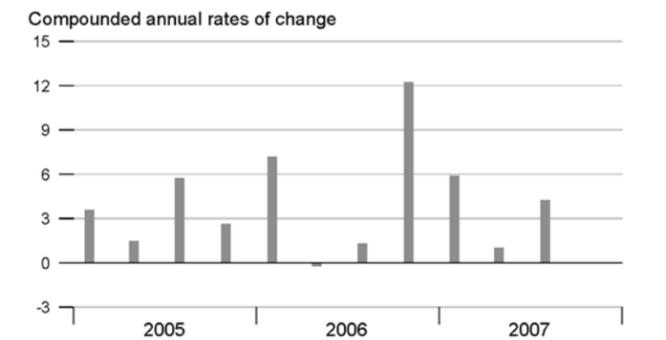
Consumption Chain Price Index



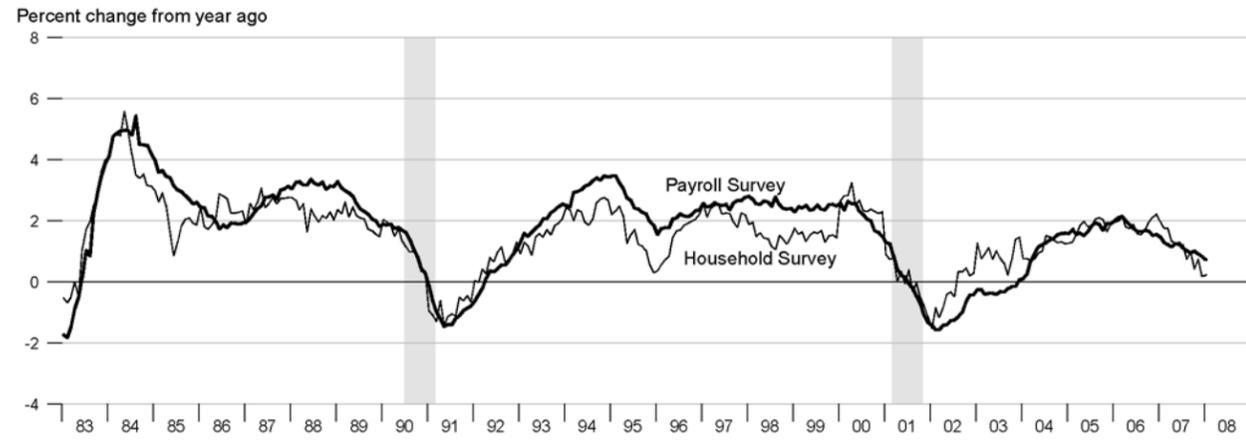
Unit Labor Cost



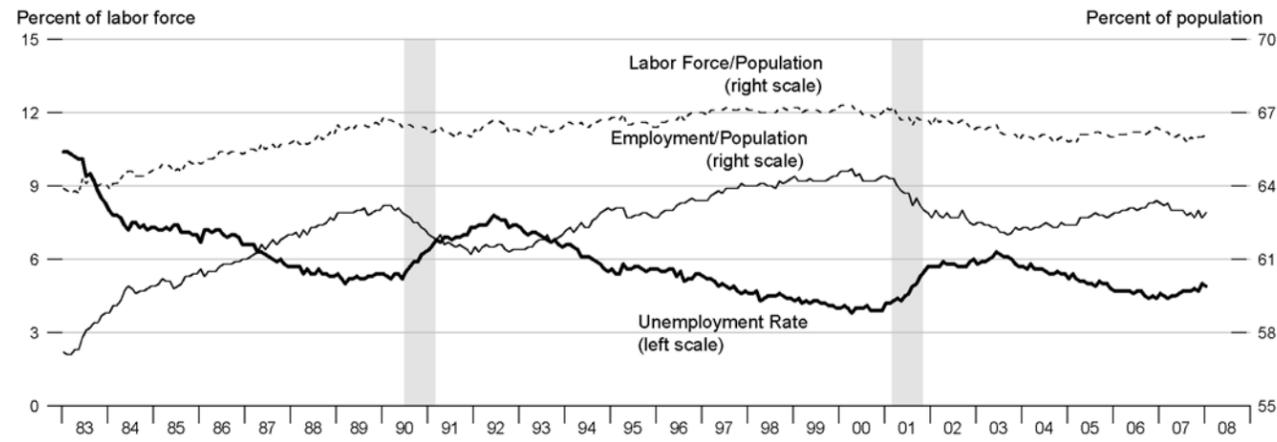
Compensation per Hour



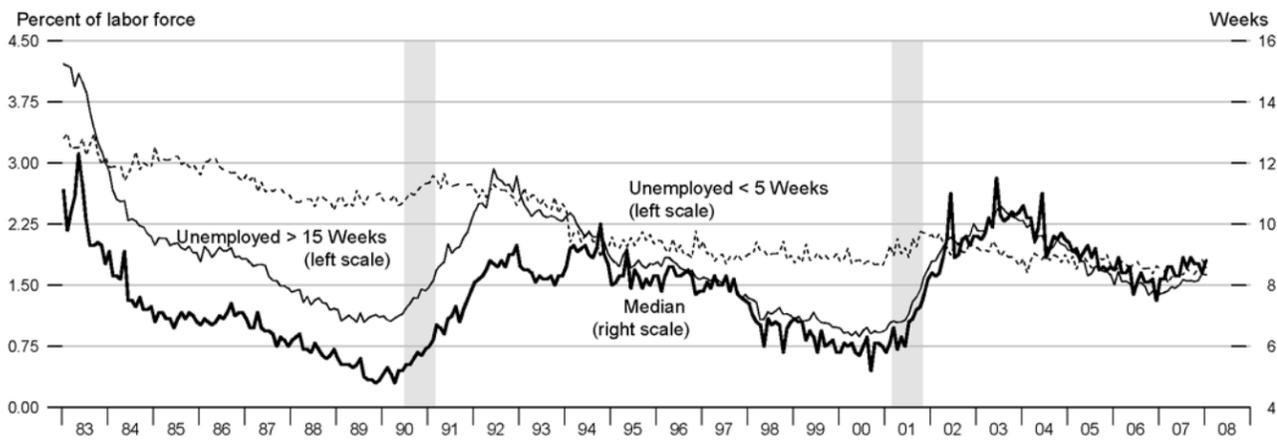
Employment



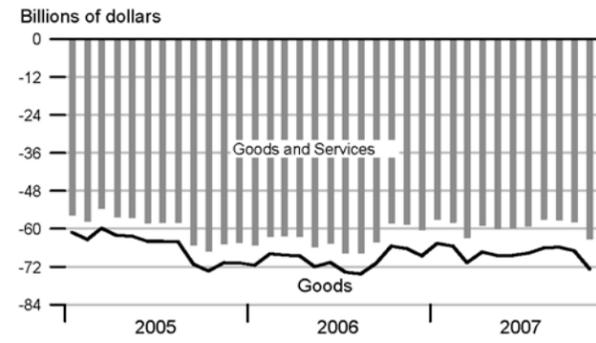
Unemployment, Labor Force Participation, and Employment Rates



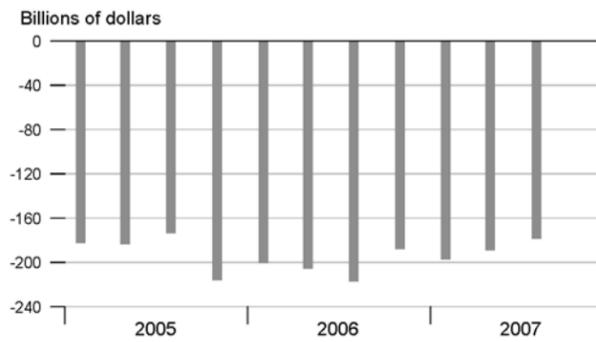
Duration of Unemployment



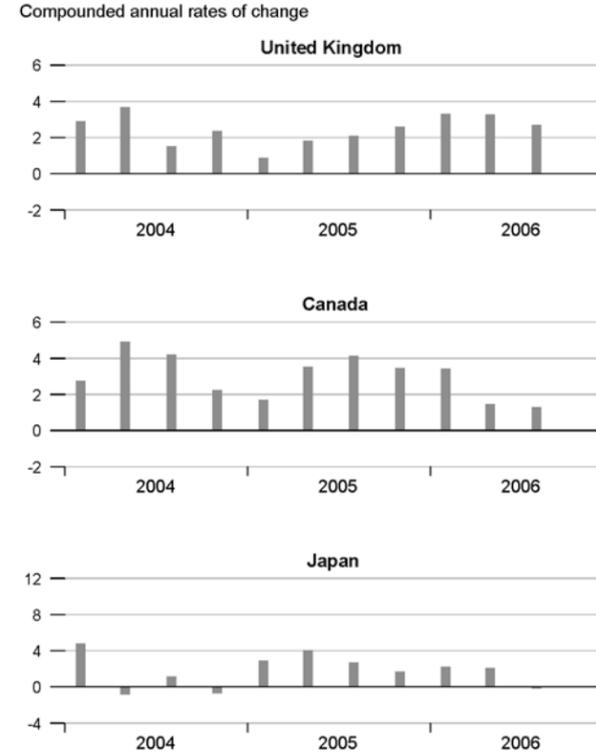
Trade Balance



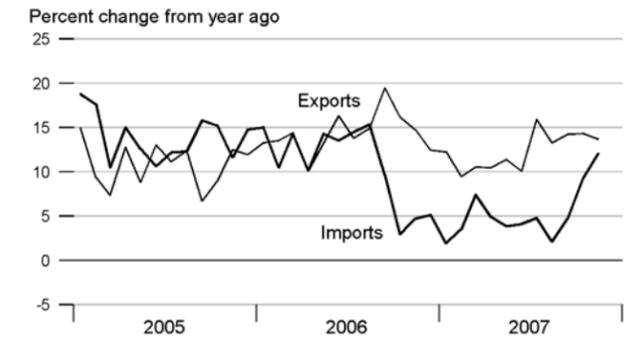
Current Account Balance



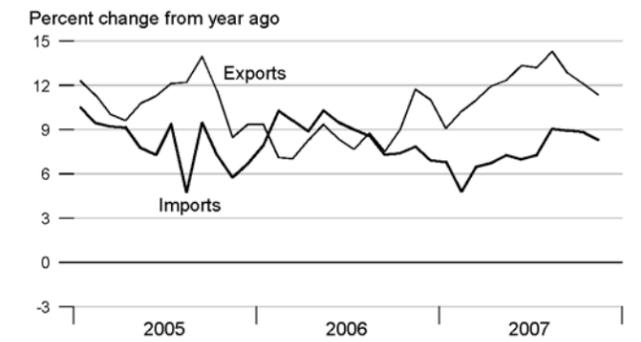
Real GDP Growth of Major Trading Partners



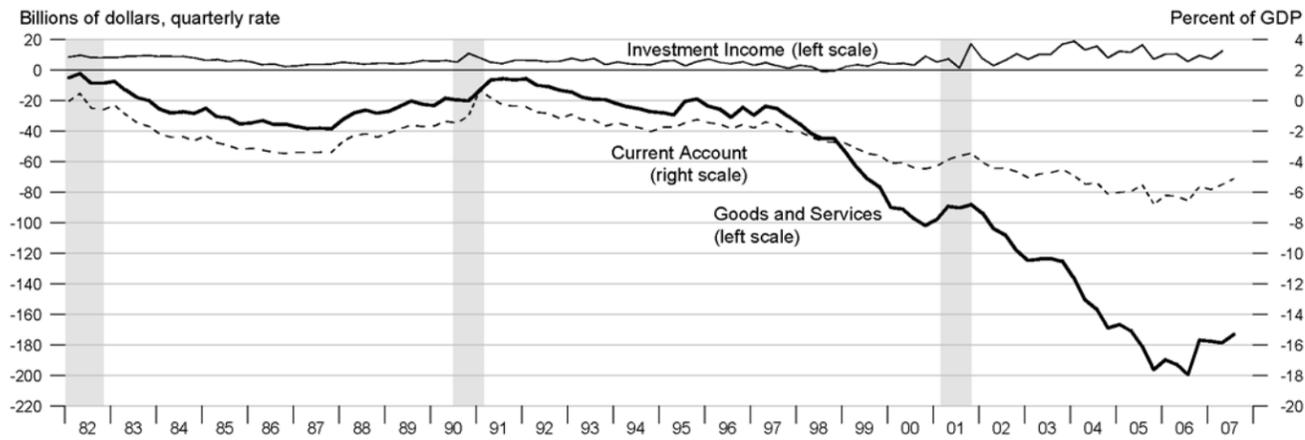
Goods Trade



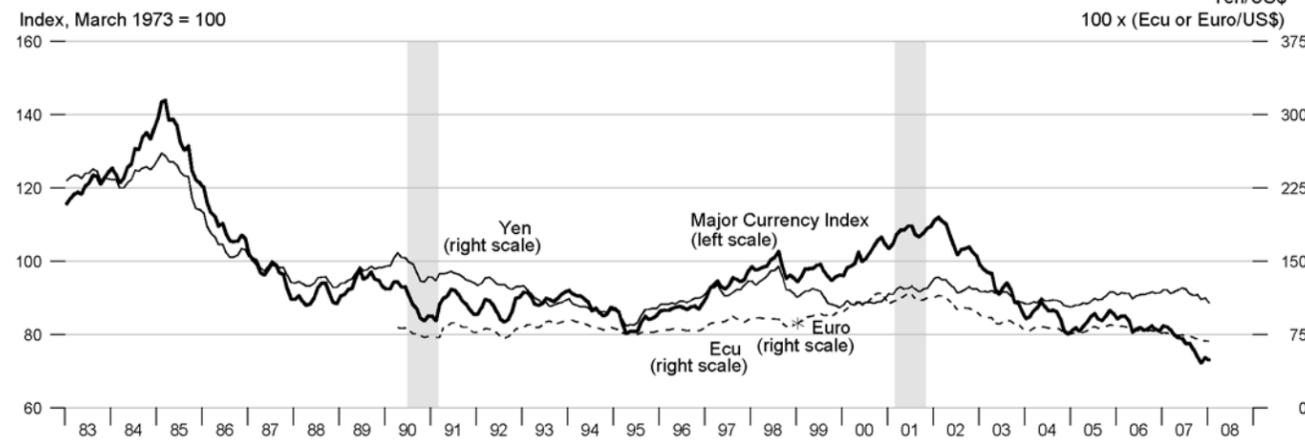
Services Trade



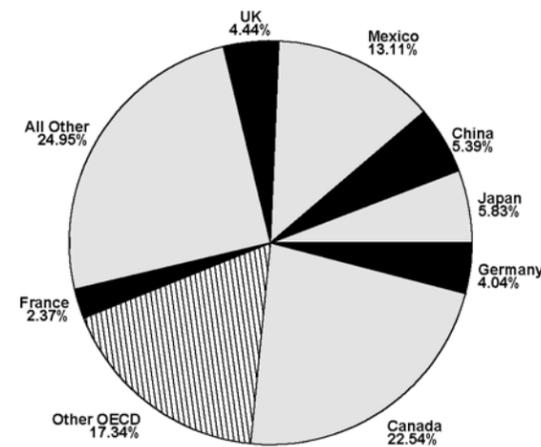
Current Account, Trade and Investment Income Balances



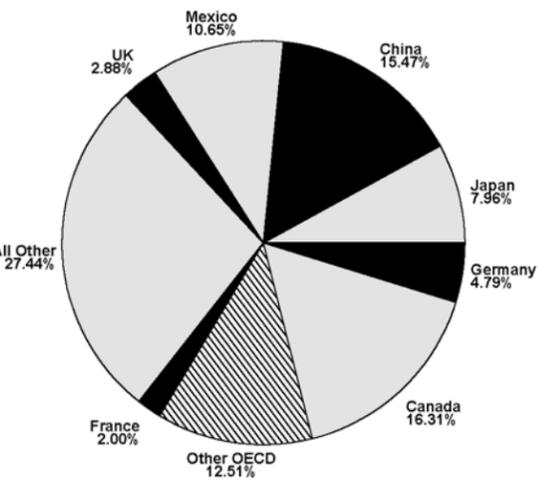
Exchange Rates



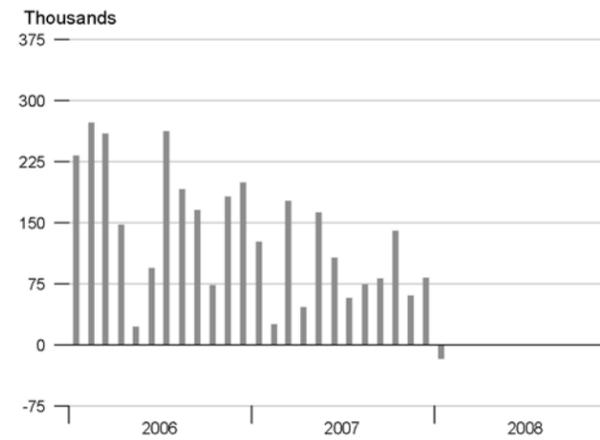
Goods Export Shares, 2006



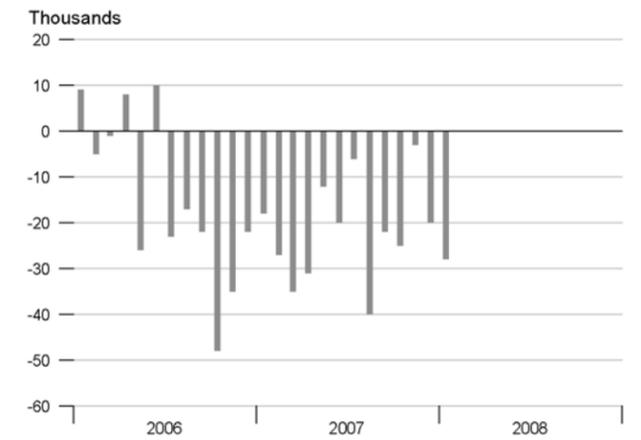
Goods Import Shares, 2006



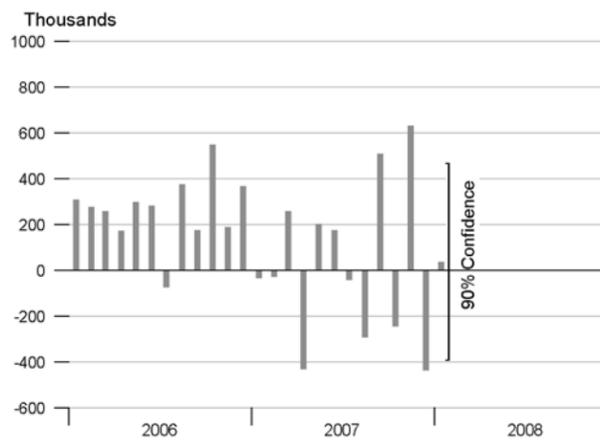
Change in Nonfarm Payrolls



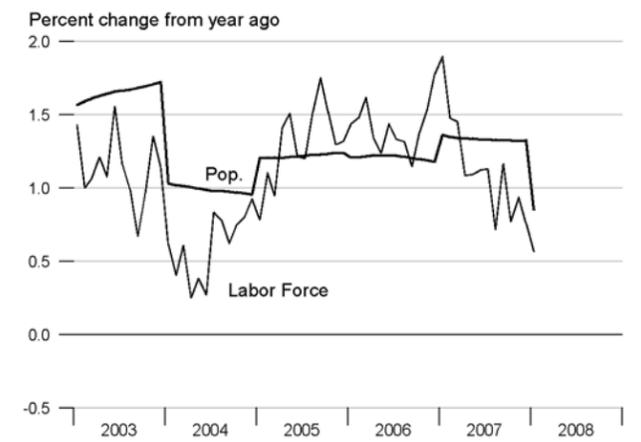
Change in Manufacturing Payrolls



Change in Household Employment



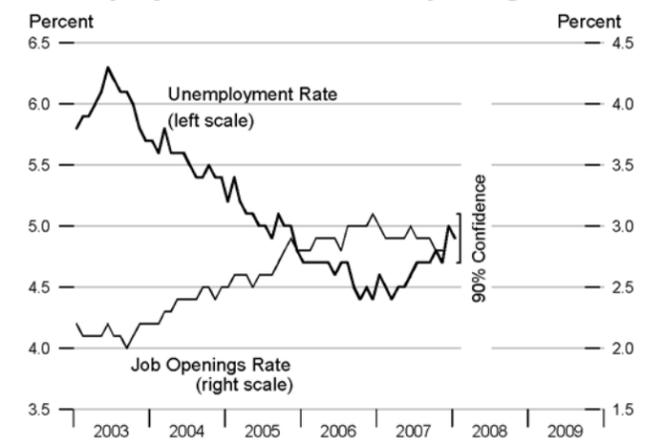
Labor Force and Population



Available Labor Supply and Components

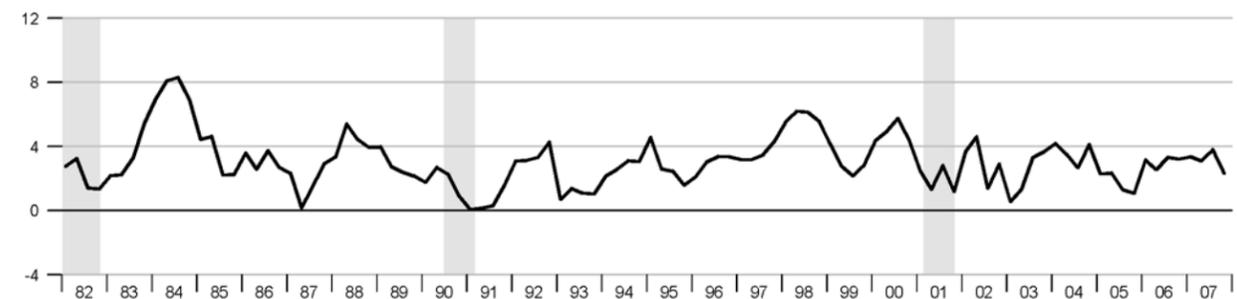


Unemployment Rate & Job Openings Rate



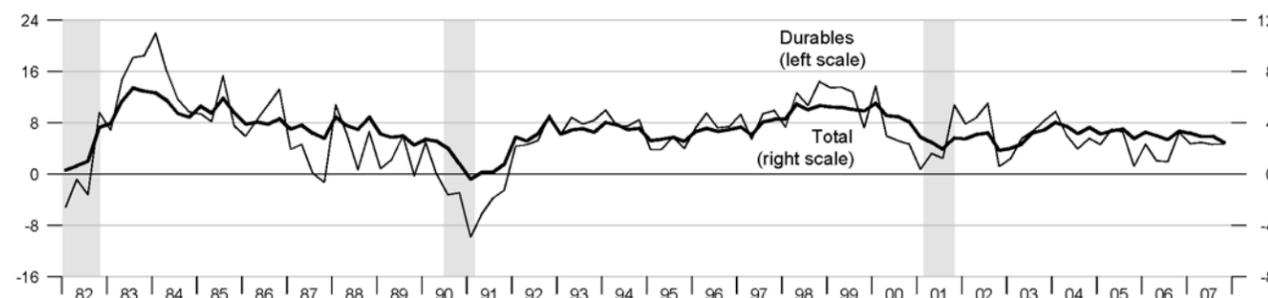
Real Disposable Personal Income

Percent change from year ago, quarterly data



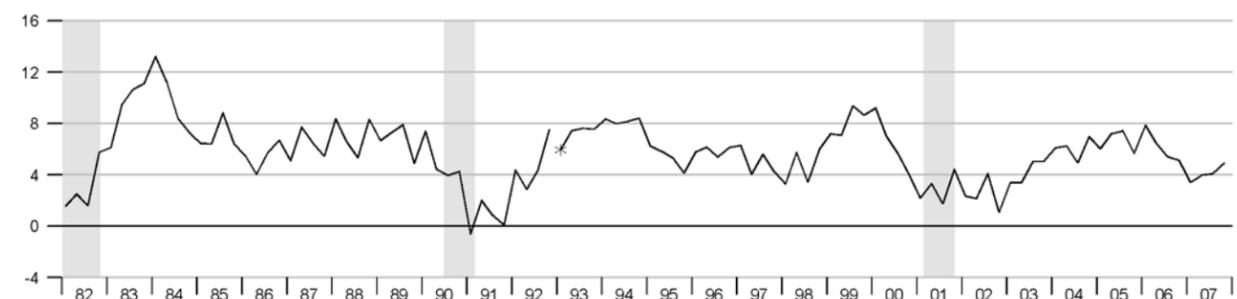
Real Consumption

Percent change from year ago, quarterly data



Retail and Food Services Sales

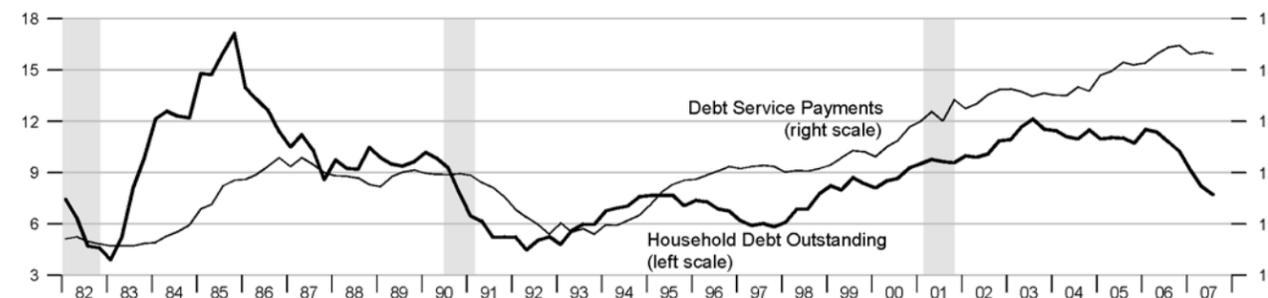
Percent change from year ago, quarterly average



*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).

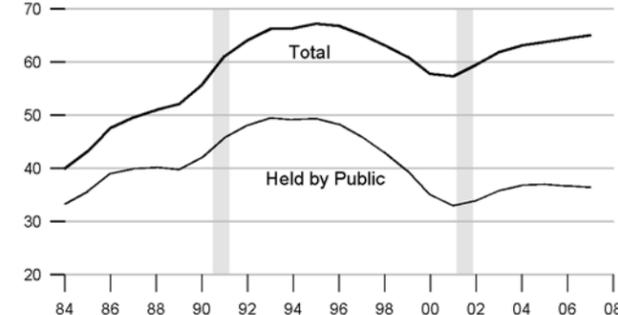
Debt Service Payments and Household Debt Outstanding

Percent change from year ago, quarterly data



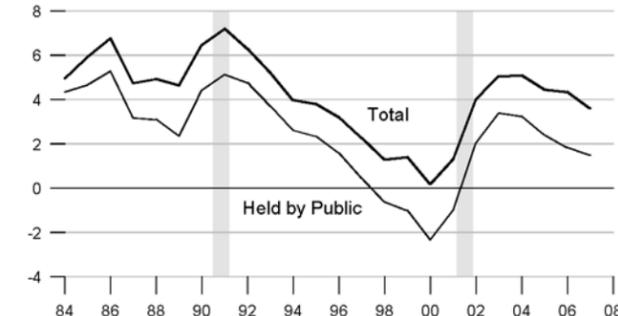
Federal Debt

Percent of GDP



Change in Federal Debt

Percent of GDP



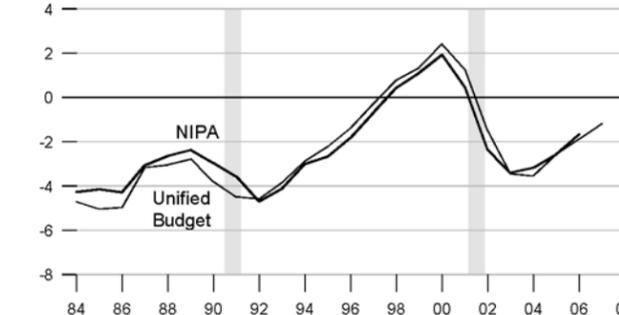
Federal Government Debt

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
2005		7932.7	3331.1	4601.6	736.4	3864.9	1930.6
2006		8507.0	3663.8	4843.2	768.9	4074.2	2027.3
2007		9007.7	3958.4	5049.2	779.6	4269.7	2248.9
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	3690.6	1853.4
2005	March	7776.9	3204.5	4572.4	717.3	3855.4	1956.3
	June	7836.5	3308.9	4527.6	724.7	3803.0	1879.6
	September	7932.7	3331.1	4601.6	736.4	3864.9	1930.6
	December	8170.4	3455.8	4714.6	744.2	3970.6	2036.0
2006	March	8371.2	3498.4	4872.8	758.5	4114.0	2084.5
	June	8420.0	3622.6	4797.5	766.4	4030.8	1979.8
	September	8507.0	3663.8	4843.2	768.9	4074.2	2027.3
	December	8680.2	3779.0	4901.2	778.9	4122.1	2116.7
2007	March	8849.7	3795.4	5054.3	780.9	4273.1	2208.4
	June	8867.7	3924.6	4943.0	790.5	4152.6	2205.4
	September	9007.7	3958.4	5049.2	779.6	4269.7	2248.9

Federal Surplus (+) / Deficit (-)

Percent of GDP



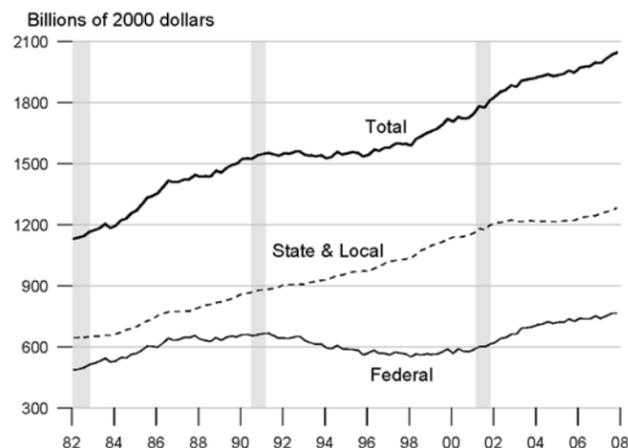
NIPA: Net government saving.

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

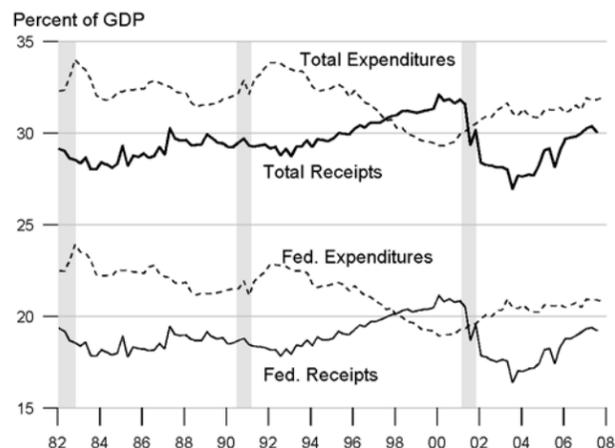
Billions of dollars, fiscal years



Govt. Consumption and Investment



Govt. Current Receipts and Expenditures

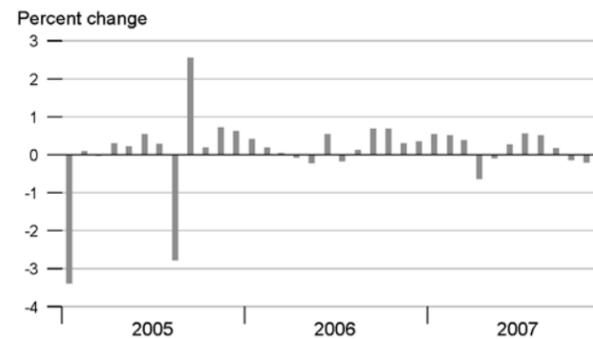


Government Budgets

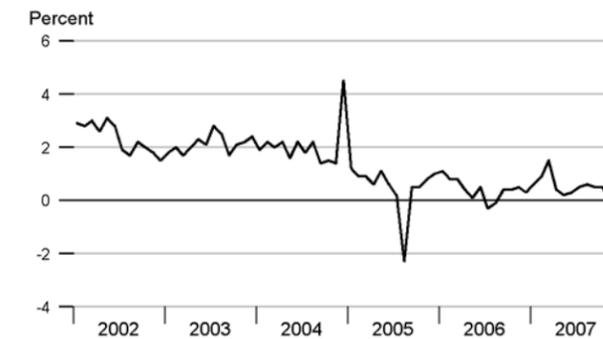
Billions of dollars

Calendar Years	National Income Accounts			Unified Budget		
	State and Local	Federal	Federal	Receipts	Outlays	Surplus or Deficit (-)
	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	1594.3	1592.8	1.5	2008.9	2379.5	-370.6
2005	1706.9	1691.7	15.2	2243.4	2561.6	-318.2
2006	1797.7	1773.0	24.7	2495.8	2715.8	-220.0
2007	1898.8	1898.8	0	2891.1	2891.1	0
2006Q1	1767.8	1732.1	35.7	2436.5	2656.2	-219.7
2006Q2	1803.7	1760.9	42.8	2471.5	2711.4	-239.9
2006Q3	1806.7	1794.4	12.3	2513.1	2752.3	-239.2
2006Q4	1812.4	1804.8	7.6	2561.9	2743.4	-181.5
2007Q1	1856.6	1862.4	-5.8	2619.7	2838.2	-218.5
2007Q2	1889.9	1876.5	13.4	2670.1	2876.9	-206.8
2007Q3	1892.8	1905.8	-13.0	2687.0	2919.7	-232.7
2007Q4	1950.5	1950.5	0	2929.7	2929.7	0

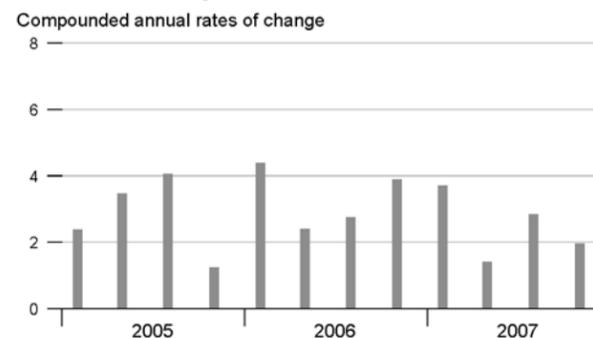
Real Disposable Personal Income



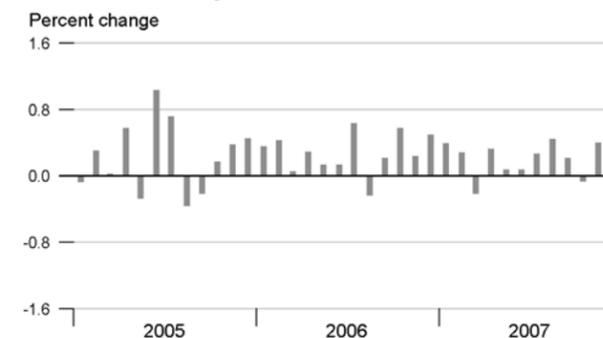
Personal Saving Rate



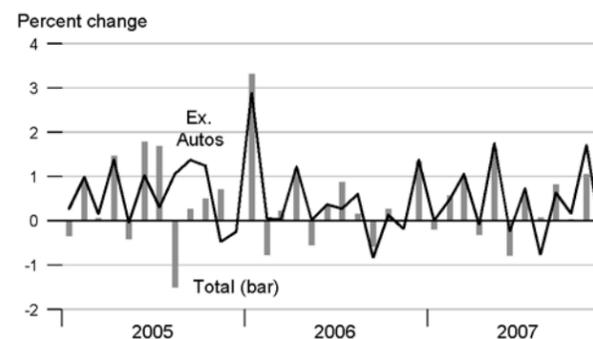
Real Consumption



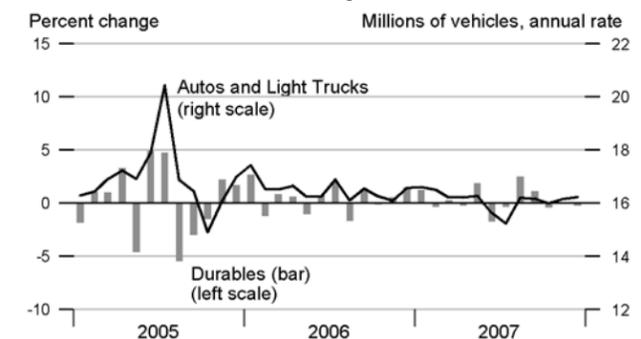
Real Consumption



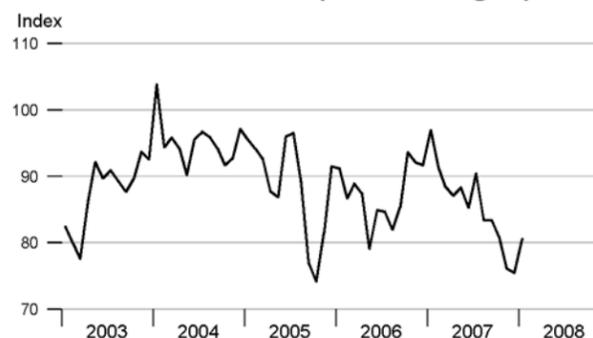
Retail & Food Services



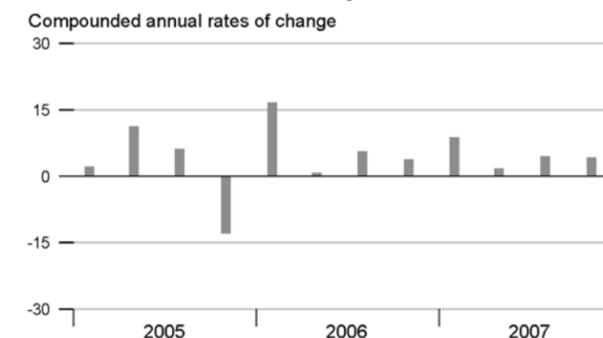
Real Durables Consumption & Vehicle Sales



Consumer Sentiment (U. of Michigan)

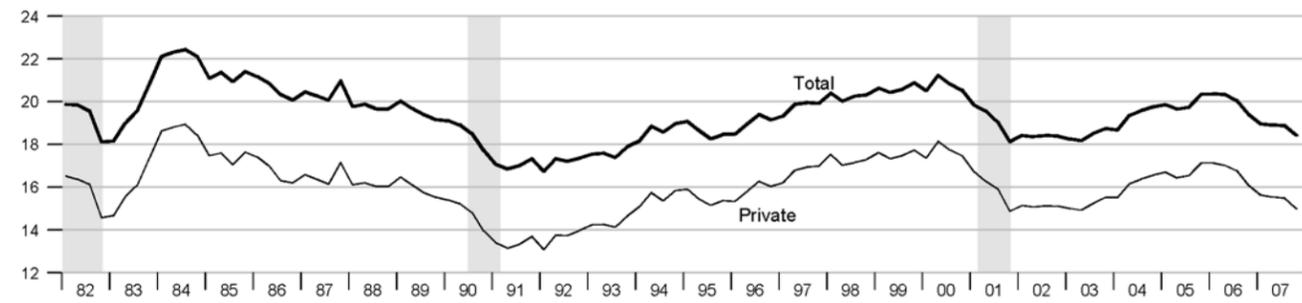


Real Durables Consumption



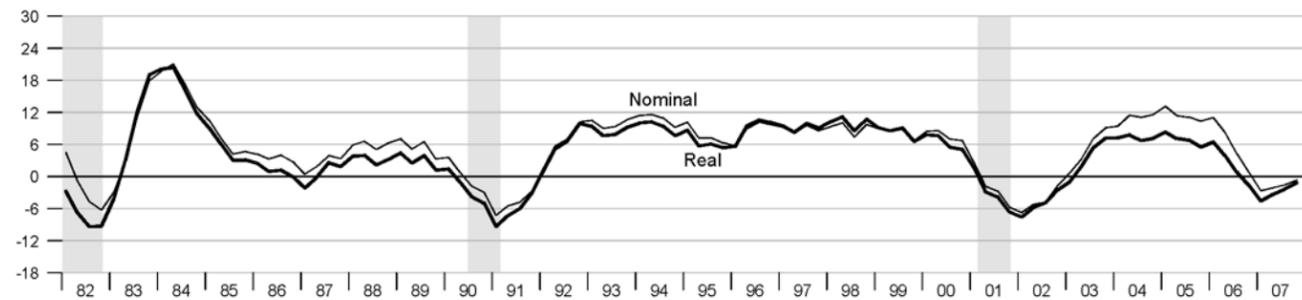
Investment

Percent of nominal GDP



Private Fixed Investment

Percent change from year ago



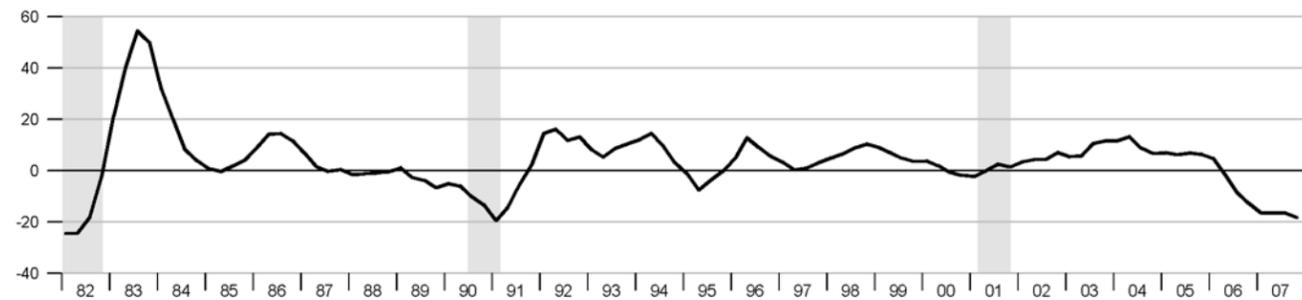
Real Nonresidential Fixed and Equipment & Software Investment

Percent change from year ago



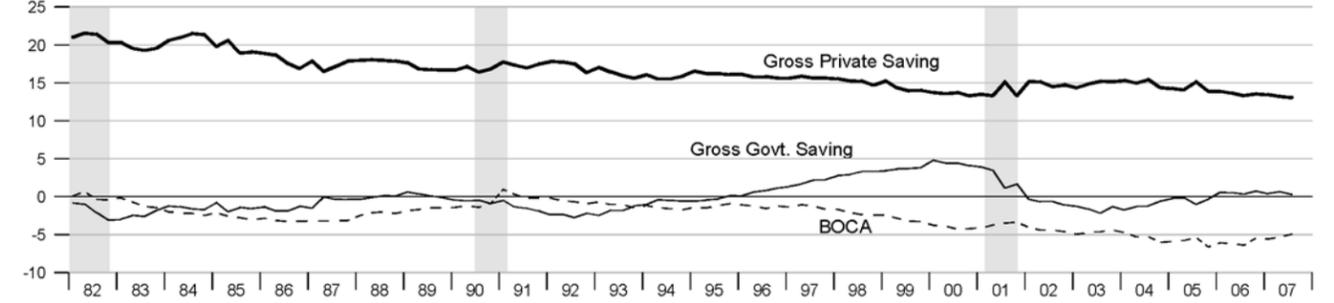
Real Residential Fixed Investment

Percent change from year ago



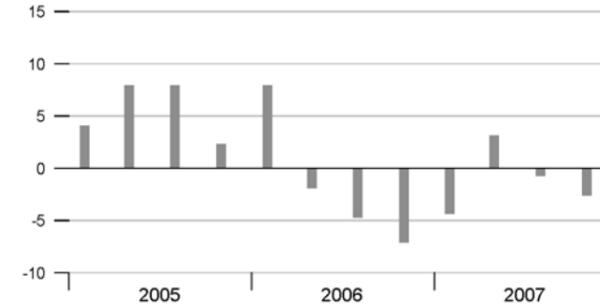
Gross Saving Rates and Balance on Current Account (NIPA)

Percent of GDP



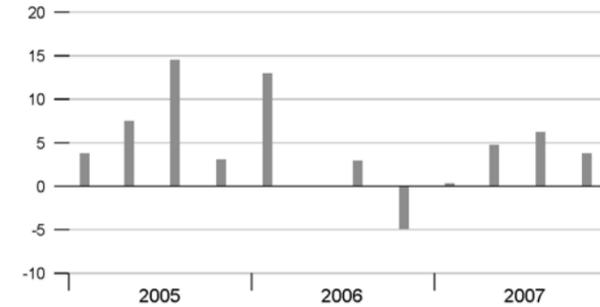
Real Private Fixed Investment

Compounded annual rates of change



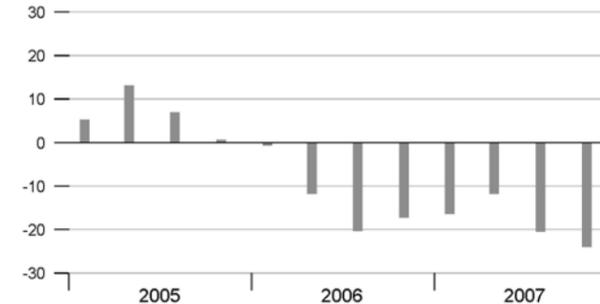
Real Equipment & Software Investment

Compounded annual rates of change



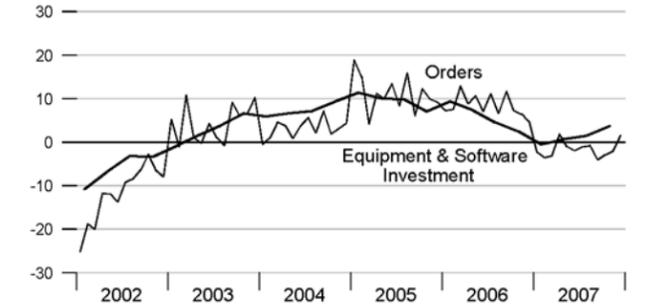
Real Residential Fixed Investment

Compounded annual rates of change



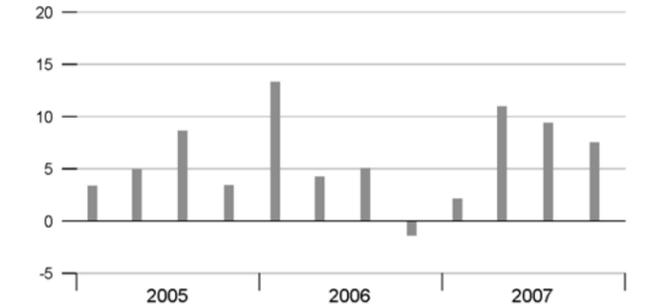
Nondefense Capital Goods Orders

Percent change from year ago, excluding aircraft



Real Nonresidential Fixed Investment

Compounded annual rates of change



Housing Starts and New Home Sales

Millions, annual rate

