

The Unemployment Rate: A Reliable Statistic?

The release of the monthly unemployment rate causes markets to react and analysts to ponder the health of the economy. Others assign an even more important role to the unemployment rate, believing that if it drops below some crucial point a surge in inflation is inevitable. But how reliable is the unemployment rate as an economic indicator?

While low unemployment rates are generally associated with a strong economy, and high unemployment rates with a weak economy, the month-to-month fluctuations may indicate little about the economy's underlying strength.

The unemployment rate doesn't measure the change in the number of individuals without a job; instead, it measures the number of unemployed individuals as a fraction of the labor force. The labor force consists of individuals 16 and over who currently have a job (the employed) or do not have a job but are actively seeking work (the unemployed). Individuals who do not have jobs and have not looked for work in the past four weeks are not considered part of the labor force.

The labor force has increased over time, with its growth determined primarily by the growth of the population. In any particular month, however, the labor force may be rising or falling as individuals decide to enter and exit. People may exit the labor force because they no longer want jobs, are retiring, are returning to school or are raising children. Or they may have become discouraged looking for work and stopped searching.

During economic contractions, the number of discouraged job seekers is likely to increase and more individuals are likely to delay entry into the labor force, through additional schooling, for example. During economic expansions the opposite is likely to happen. Discouraged individuals may notice more help-wanted

signs and decide to re-enter the labor force. If job prospects are good, graduating students may decide to forego further education and enter the labor force.

While surges in the labor force may indicate a strong economy, the number of unemployed will actually rise if the entrants do not immediately find jobs. After all, an individual's status switches from not being in the labor force to being unemployed by merely looking for a job. Thus, these jumps in the labor force are often associated with increases in the unemployment rate. Then, as the entrants find jobs, the number of unemployed and the unemployment rate will decline. The surge in the labor force in January of 1996 fits this pattern, as shown in the graph.

In other periods, an initial surge in the labor force is followed by a sharp decline, with unemployment also exhibiting this pattern, as in March-May of 1995. One possible explanation is that individuals entering the labor market leave if they do not quickly find a job. Furthermore, declines in the unemployment rate associated with declines in the labor force, as in April 1997, are generally reversed when the labor force resumes its rise.

In summary, although the unemployment rate is an important indicator of the strength of the economy, its monthly movements need to be interpreted with care. Specifically, one needs to look at the underlying factors driving the changes.

—Patricia S. Pollard

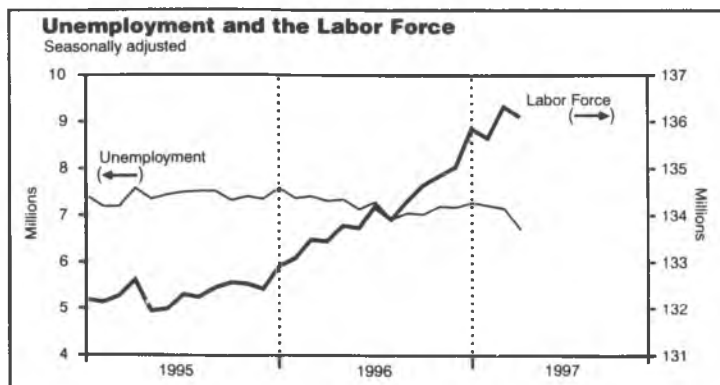


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Conventions used in this publication:

1. Charts and tables contain data that was current on June 2, 1997.
2. Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.
3. *Percent change* refers to simple percent changes. *Percent change from year ago* refers to the percent change from the same month or quarter in the previous year. The *percent change at annual rate* 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 percent change at annual rate of X between the previous quarter $t-1$ and the current quarter t is:

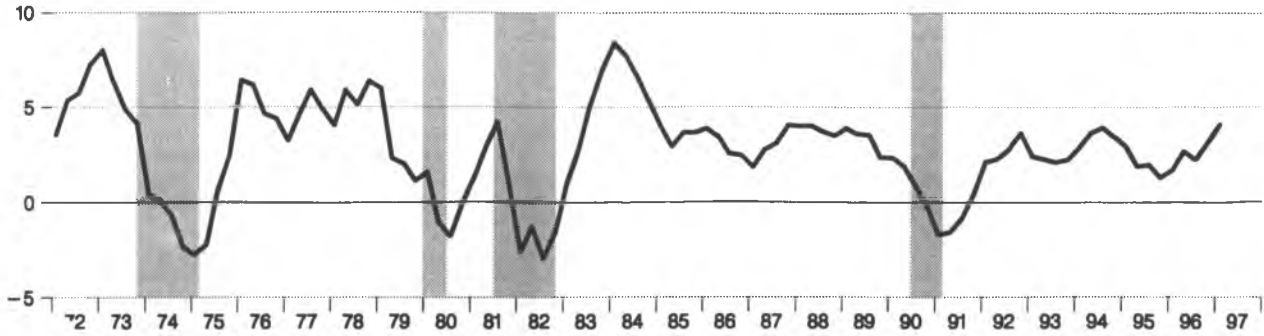
$$100 \times \left[\left(\frac{X_t}{X_{t-1}} \right)^4 - 1 \right]$$

For monthly data replace 4 with 12.

4. All data with significant seasonal patterns are seasonally adjusted, unless labeled NSA.

Real Gross Domestic Product

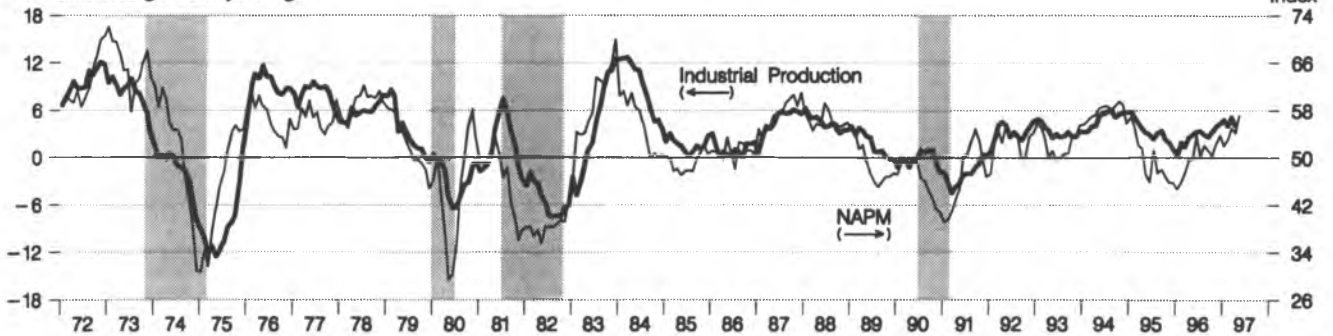
Percent change from year ago



Industrial Production and Purchasing Managers' (NAPM) Indexes

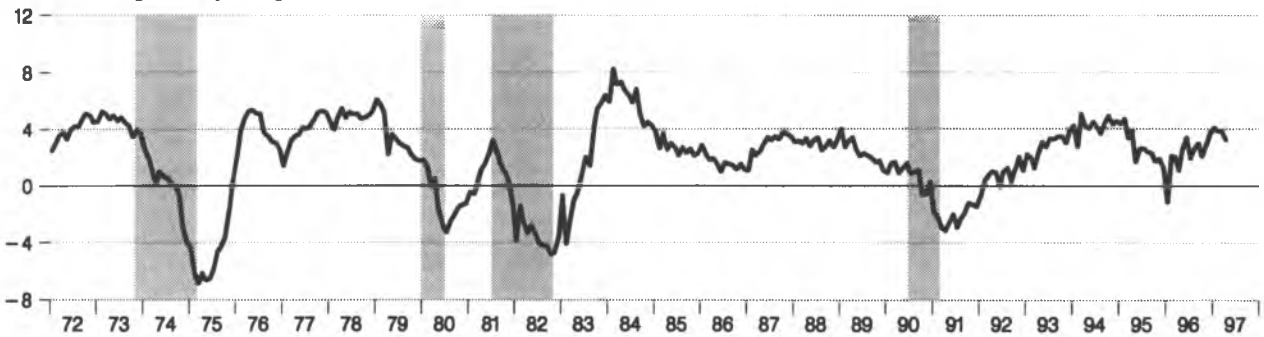
Percent change from year ago

Index



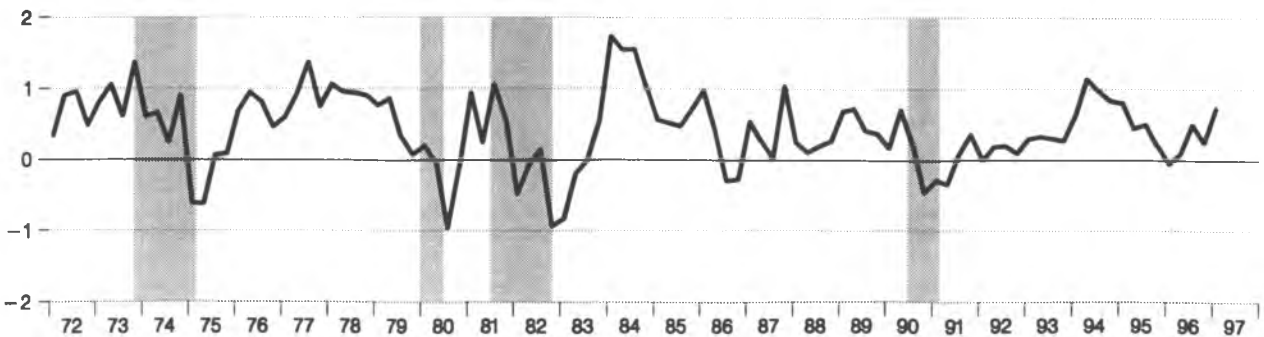
Aggregate Private Nonfarm Hours

Percent change from year ago



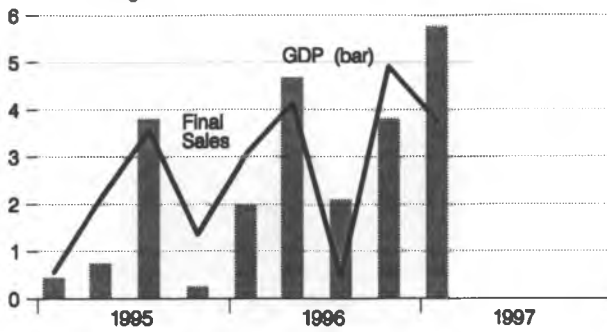
Real Change in Business Inventories

Percent of GDP



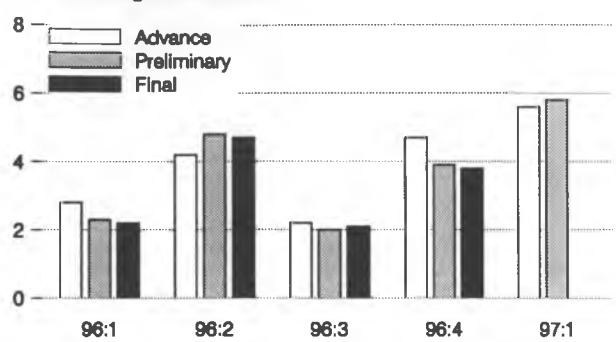
Real Final Sales and GDP

Percent change at annual rate



Real GDP Revisions

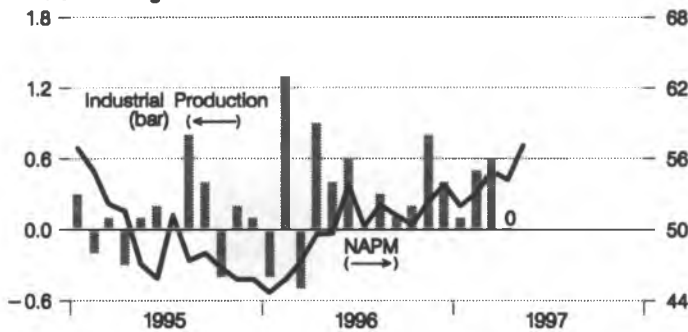
Percent change at annual rate



Industrial Production and NAPM Index

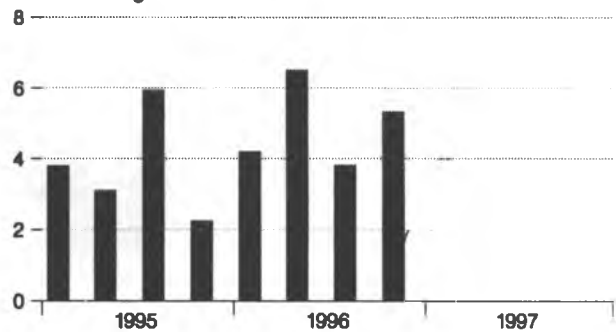
Percent change

Index



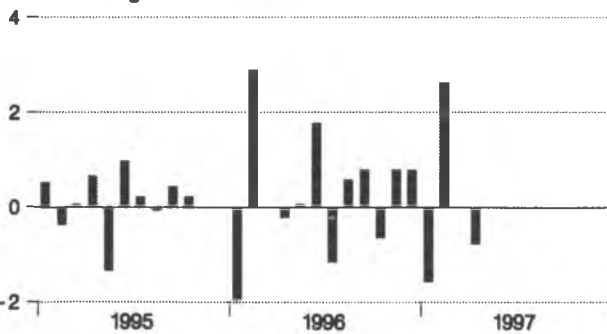
Nominal Gross Domestic Product

Percent change at annual rate



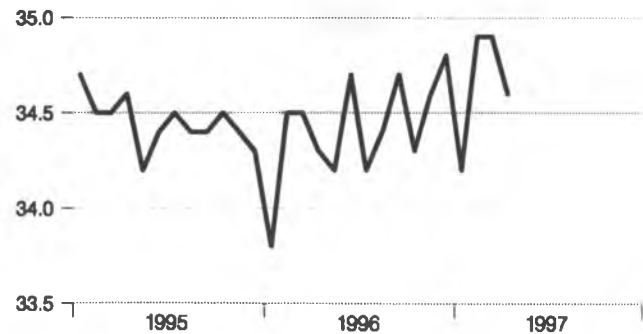
Aggregate Private Nonfarm Hours

Percent change



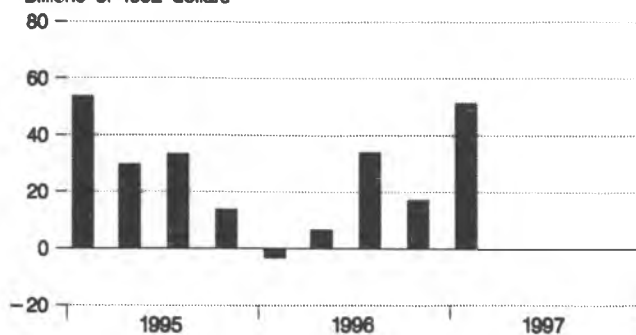
Average Weekly Private Nonfarm Hours

Hours



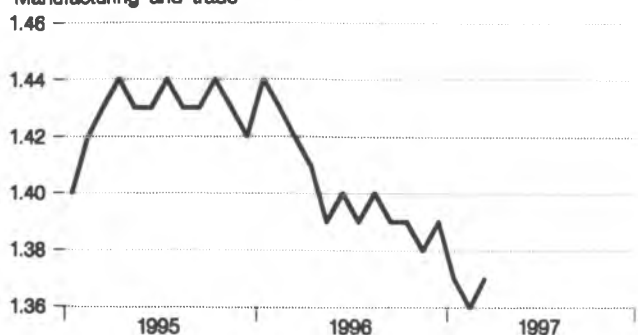
Real Change in Business Inventories

Billions of 1992 dollars



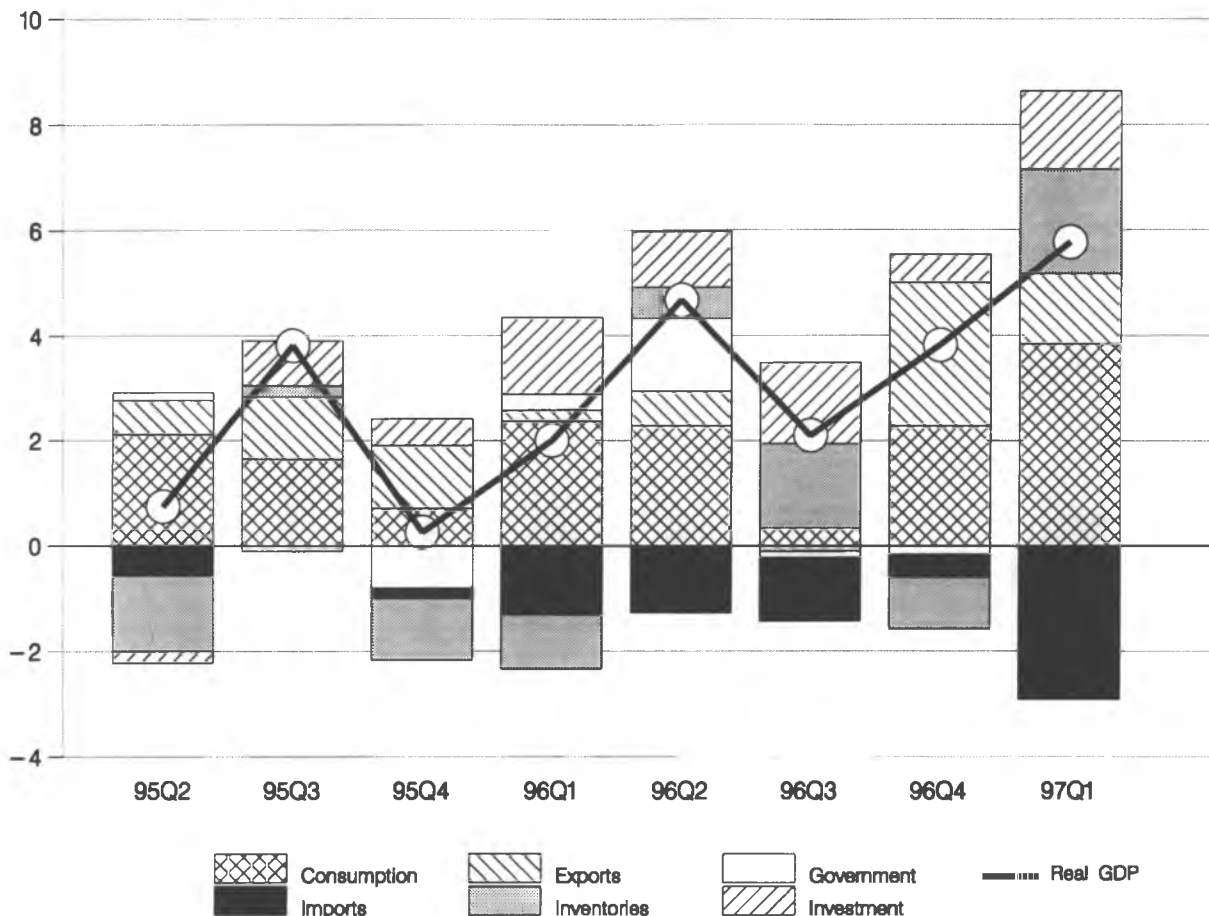
Inventory-Sales Ratio

Manufacturing and trade



Contribution of Components to Real GDP Growth

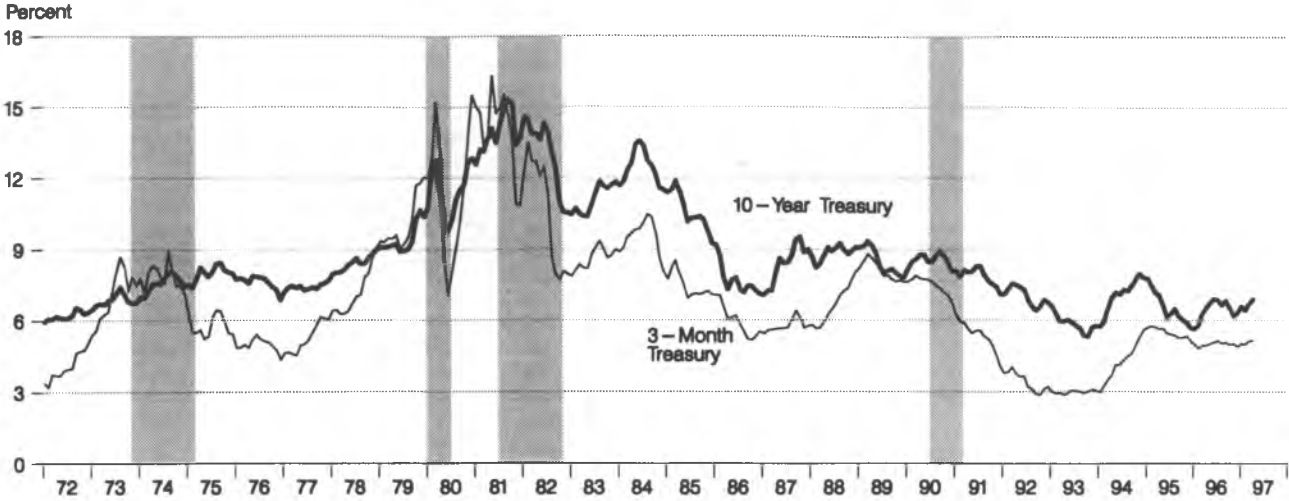
Percent change at annual rate



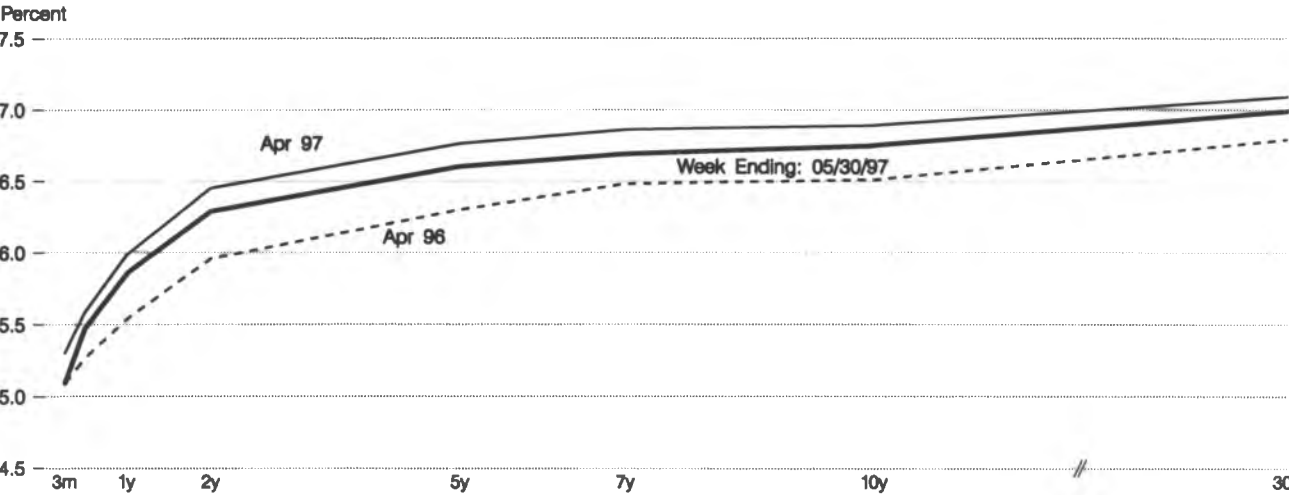
Contributions to Real GDP Growth Rate

	1995			1996				1997
	2nd	3rd	4th	1st	2nd	3rd	4th	1st
Real GDP	0.75	3.81	0.26	2.00	4.68	2.10	3.82	5.77
Final Sales	2.11	3.56	1.35	3.04	4.15	0.47	4.89	3.77
Change in Inventory	-1.42	0.22	-1.16	-1.01	0.60	1.60	-0.98	1.97
Consumption	2.11	1.65	0.71	2.36	2.28	0.34	2.28	3.84
Fixed Investment	-0.23	0.85	0.51	1.47	1.05	1.54	0.53	1.47
Nonresidential	0.36	0.51	0.26	1.19	0.41	1.80	0.61	1.25
Residential	-0.56	0.34	0.24	0.28	0.61	-0.22	-0.07	0.23
Government	0.15	-0.11	-0.81	0.30	1.39	-0.12	-0.16	0.01
Federal	-0.10	-0.41	-0.96	0.40	0.62	-0.24	-0.37	-0.21
State and Local	0.25	0.31	0.17	-0.11	0.76	0.13	0.22	0.23
Net Exports	0.07	1.19	0.99	-1.12	-0.63	-1.31	2.27	-1.62
Exports	0.65	1.18	1.19	0.21	0.66	-0.10	2.73	1.33
Imports	-0.58	0.00	-0.21	-1.33	-1.28	-1.21	-0.45	-2.92
Residual	0.06	-0.02	0.03	0.02	-0.03	0.01	-0.15	0.03

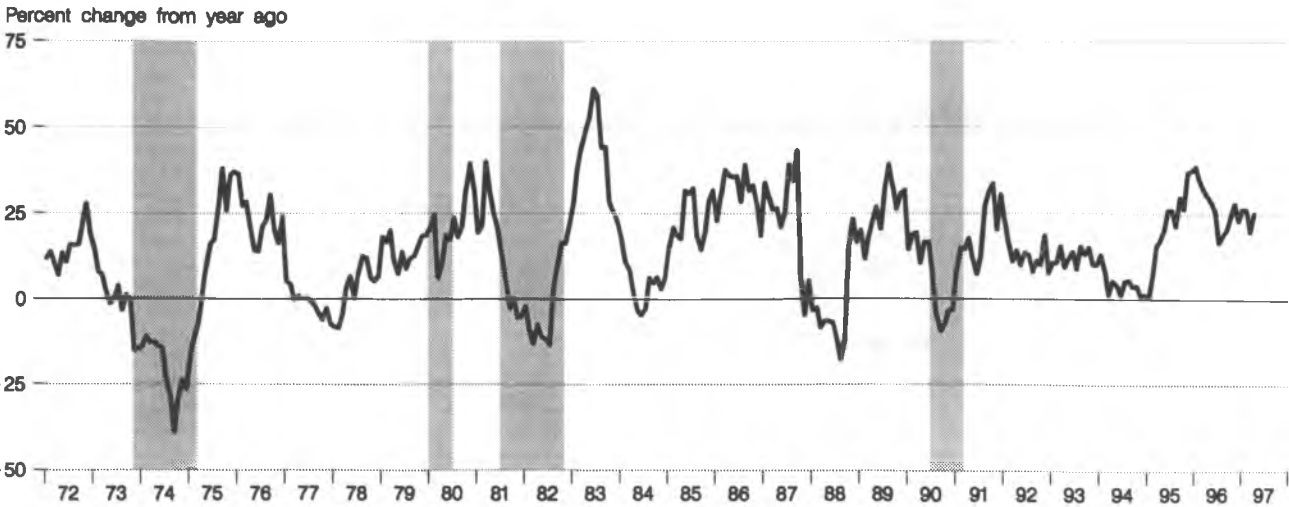
Interest Rates



Treasury Yield Curve

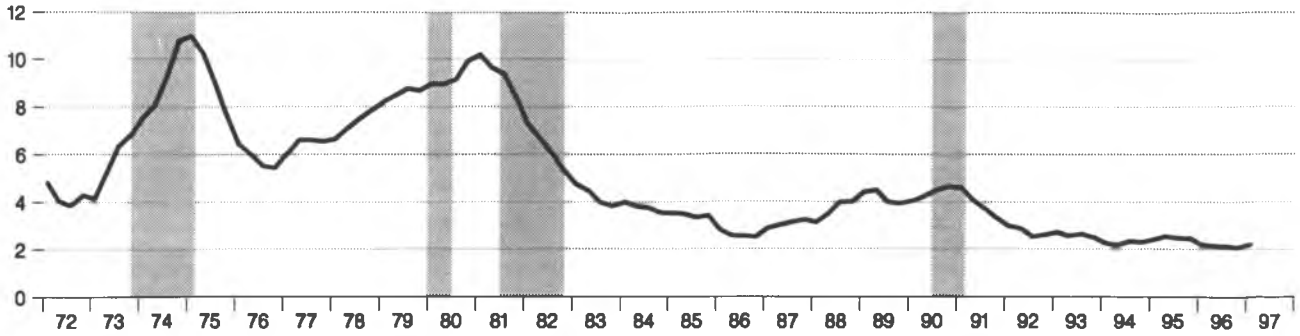


Total Return on Standard and Poor's 500



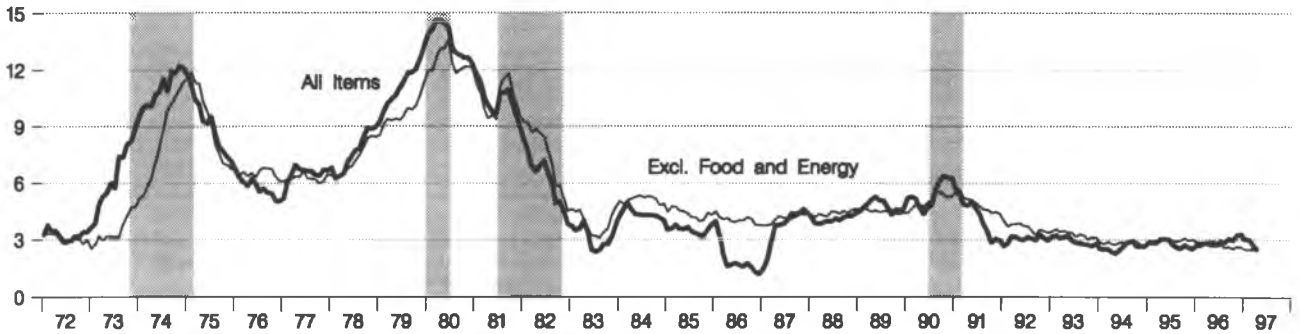
GDP Chain Price Index

Percent change from year ago



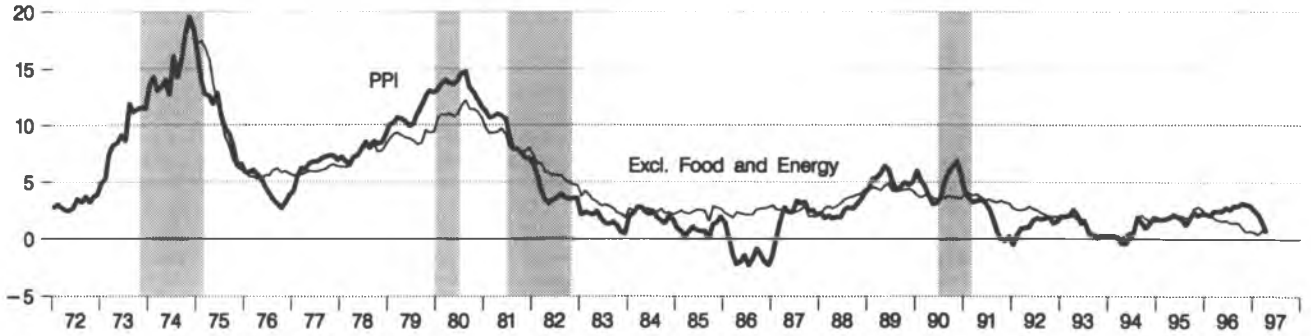
Consumer Price Index

Percent change from year ago



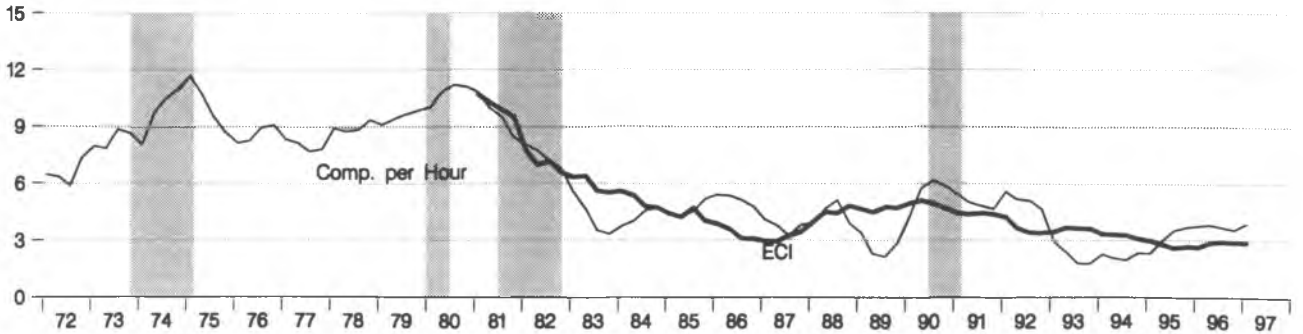
Producer Price Index, Finished Goods

Percent change from year ago



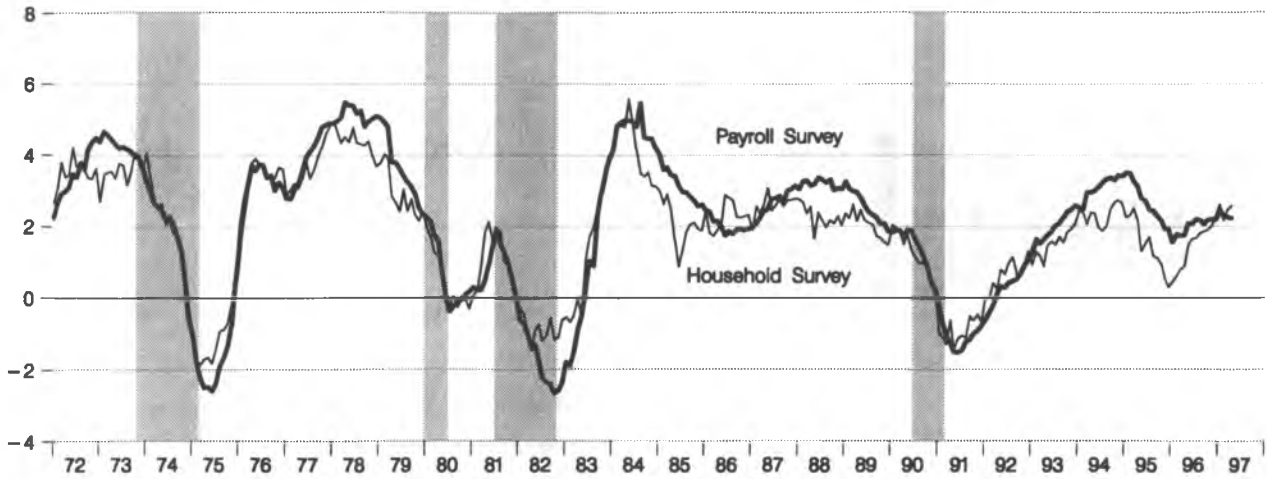
Employment Cost Index and Compensation per Hour

Percent change from year ago



Employment

Percent change from year ago



Unemployment, Labor Force Participation and Employment Rates

Percent of labor force

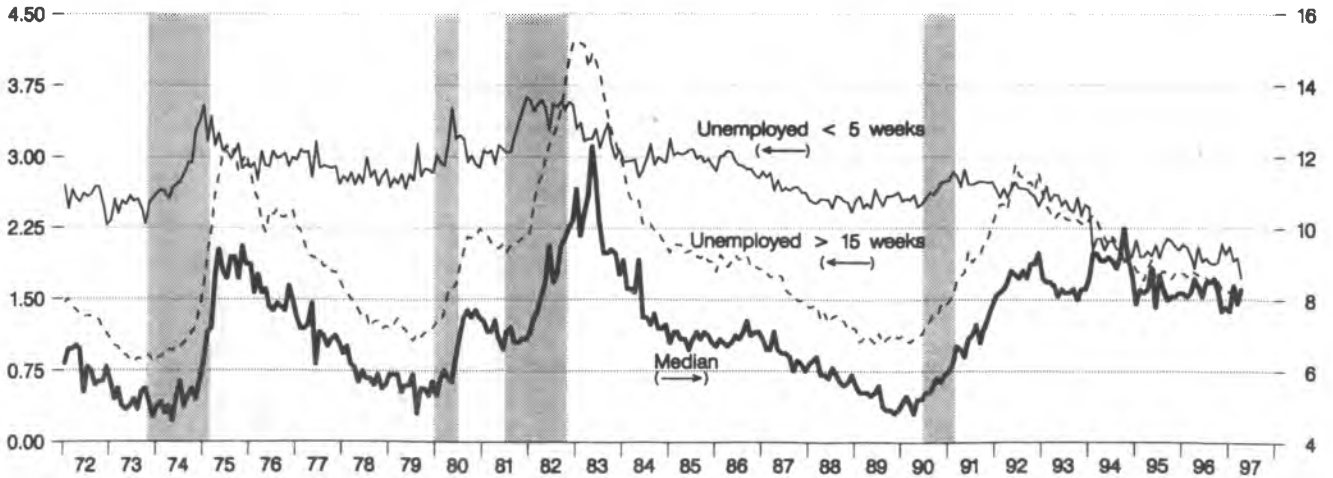
Percent of population



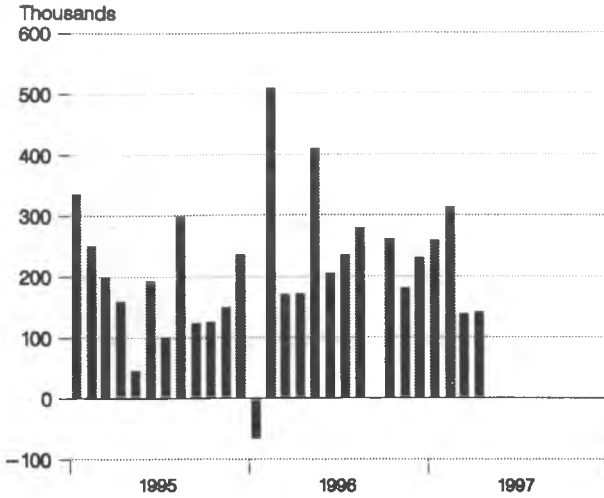
Duration of Unemployment

Percent of labor force

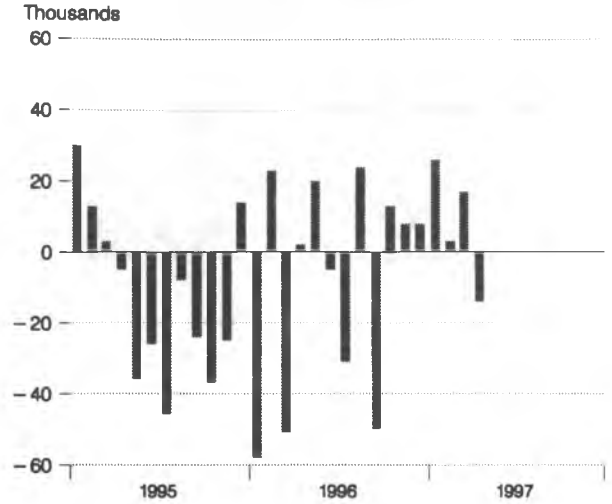
Weeks



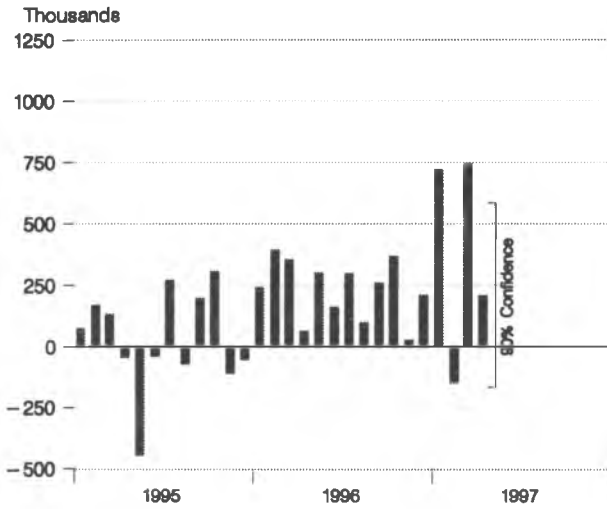
Change in Nonfarm Payrolls



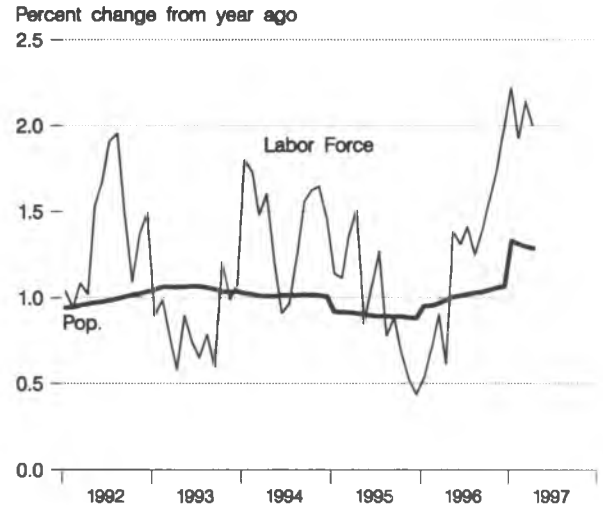
Change in Manufacturing Payrolls



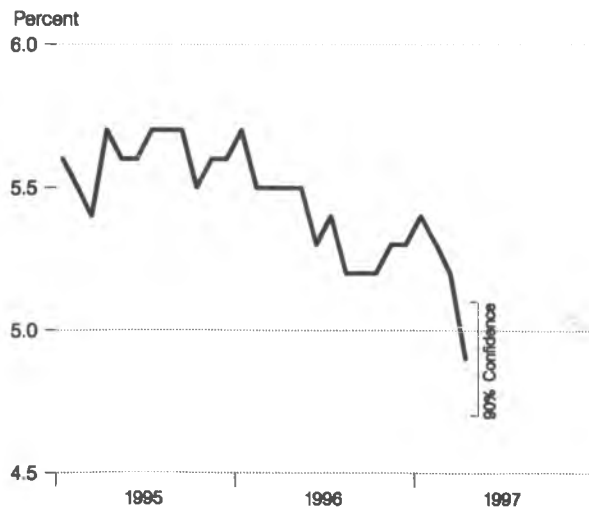
Change in Household Employment



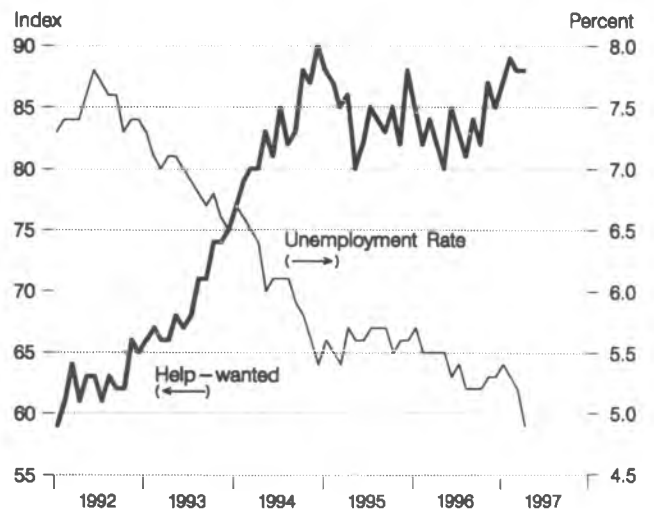
Labor Force and Population



Unemployment Rate

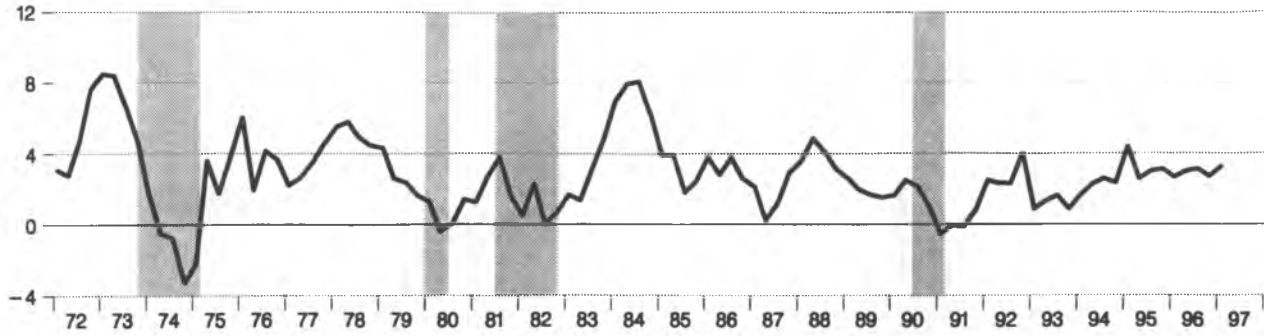


Help-Wanted Advertising



Real Disposable Income

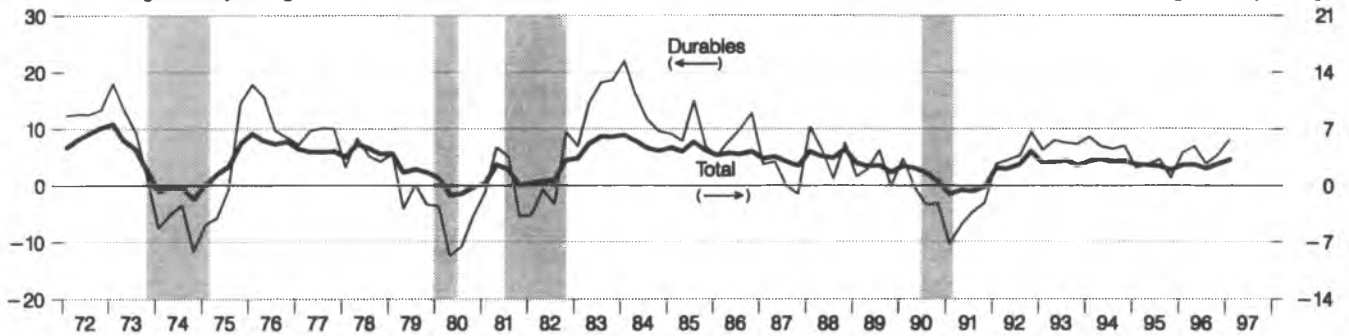
Percent change from year ago, quarterly data



Real Consumption

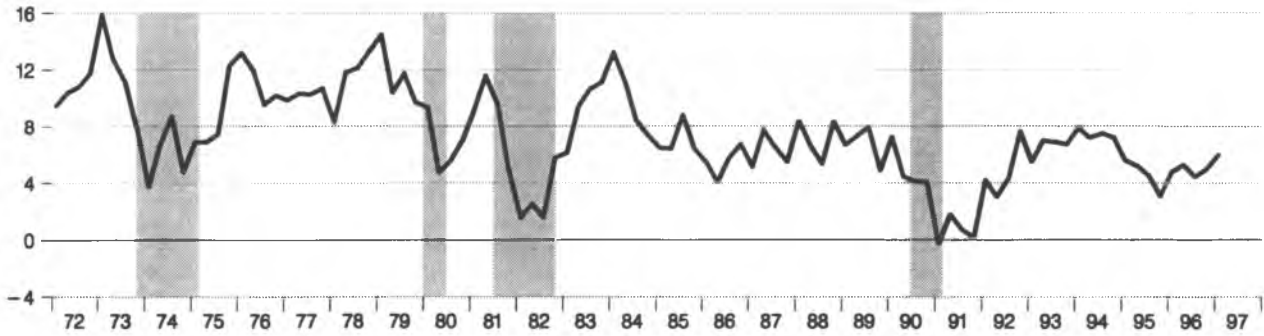
Percent change from year ago

Percent change from year ago



Retail Sales

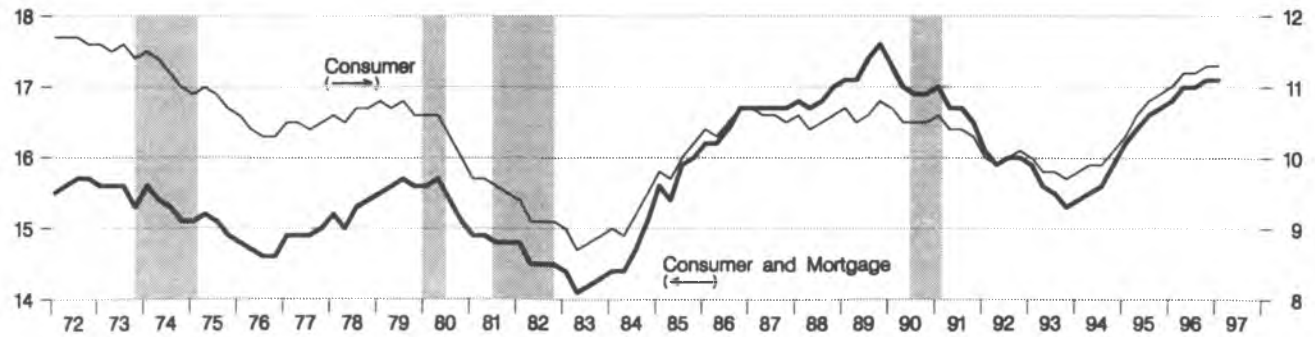
Percent change from year ago of quarterly average



Debt Service as Percent of Disposable Income

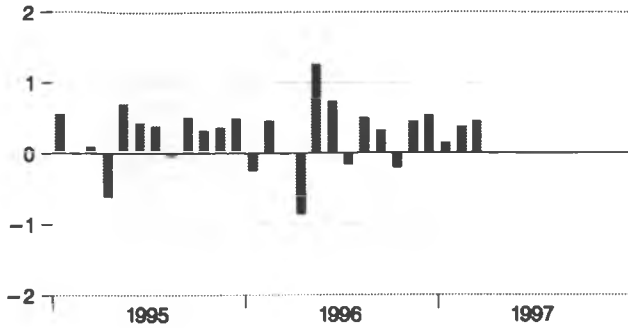
Percent

Percent



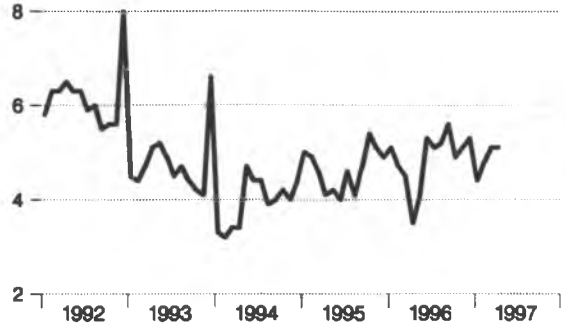
Real Disposable Income

Percent change



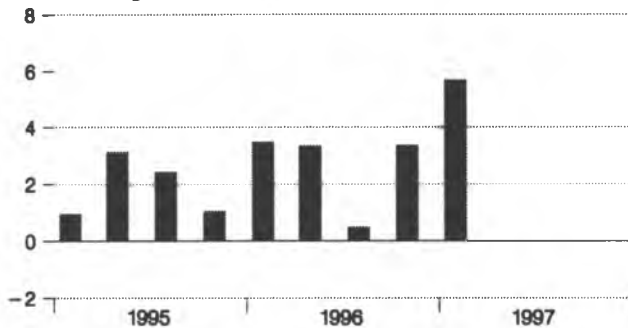
Personal Saving Rate

Percent



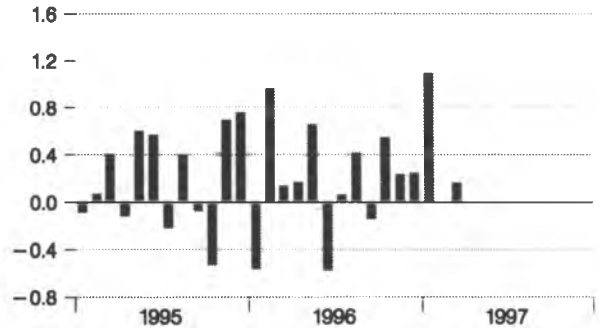
Real Consumption

Percent change



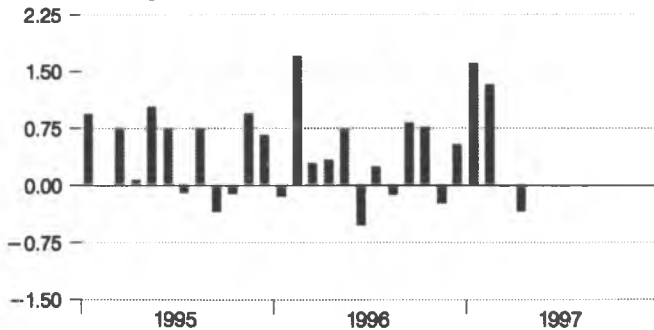
Real Consumption

Percent change



Retail Sales

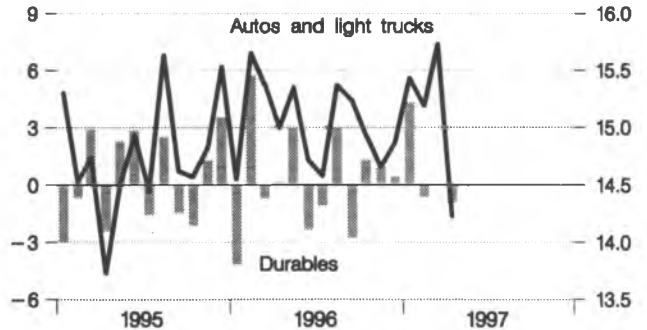
Percent change



Real Durables Consumption and Vehicle Sales

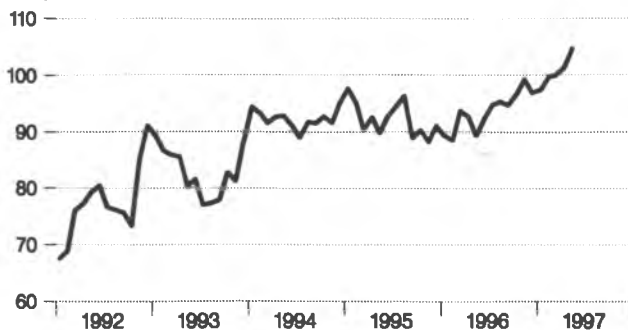
Percent change

Millions of vehicles, annual rate



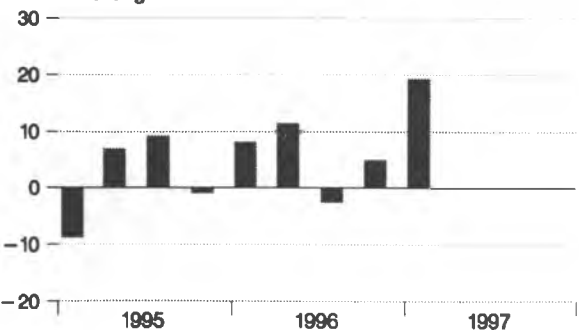
Consumer Sentiment (U. of Michigan)

Index



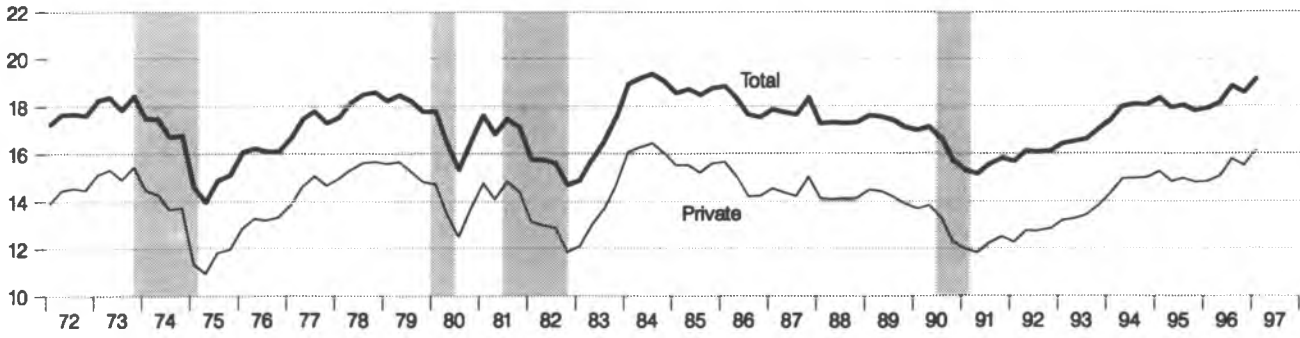
Real Durables Consumption

Percent change



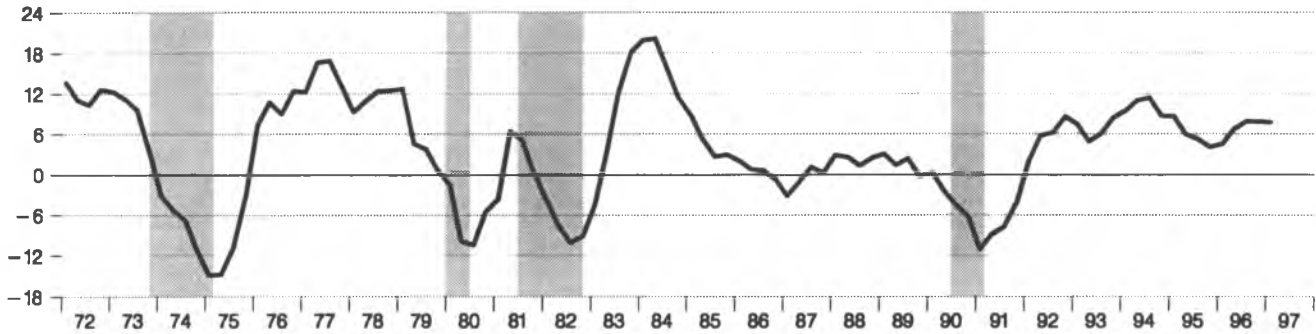
Real Investment

Percent of GDP



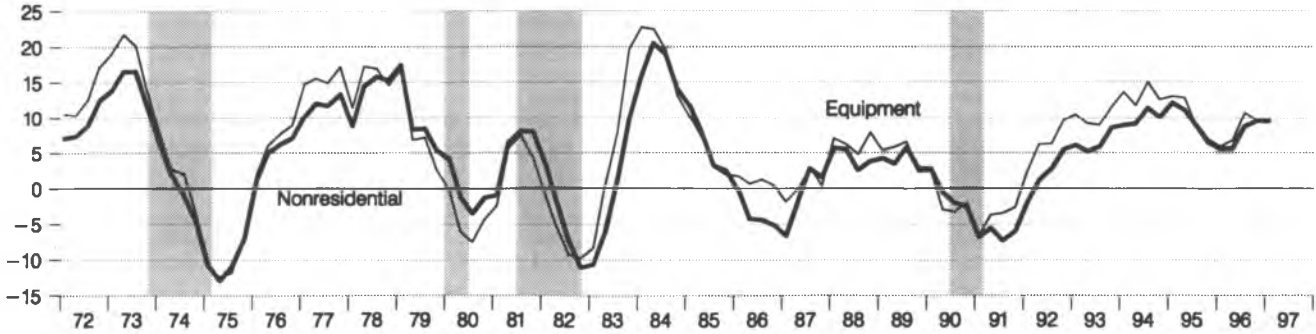
Real Private Fixed Investment

Percent change from year ago



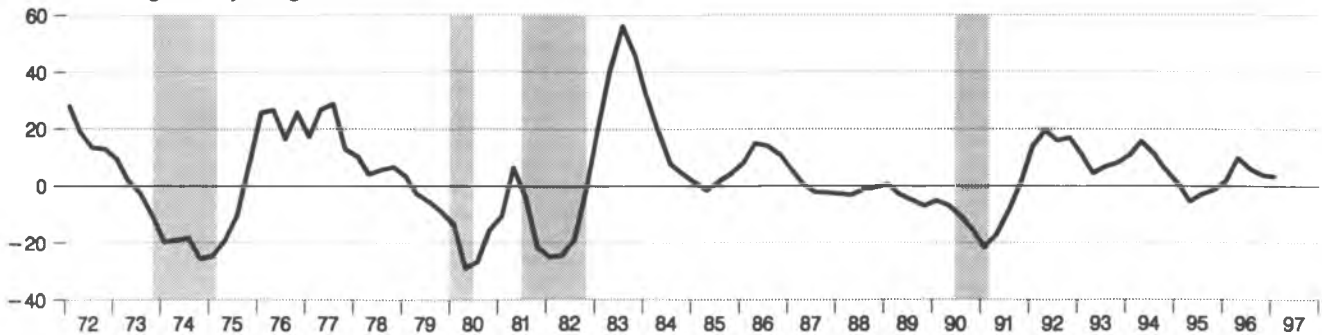
Real Nonresidential and Producers Durable Equipment Investment

Percent change from year ago

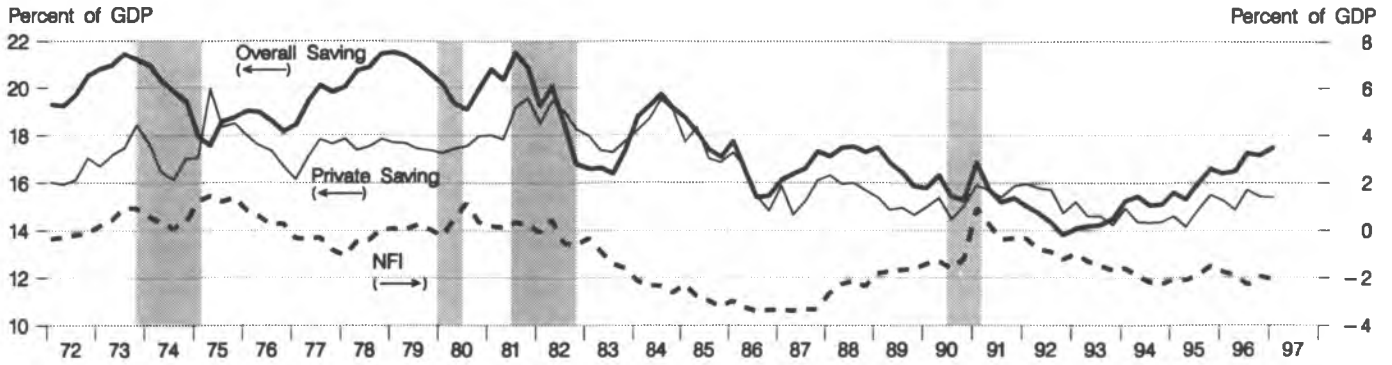


Real Residential Investment

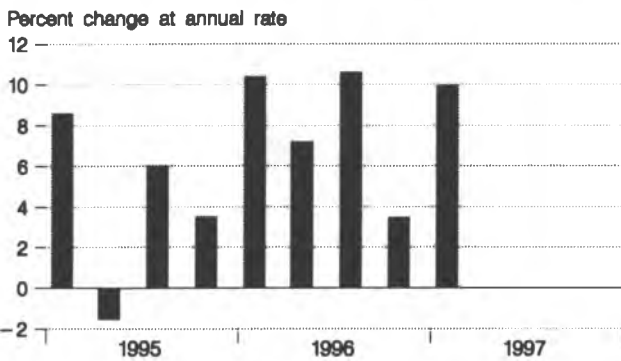
Percent change from year ago



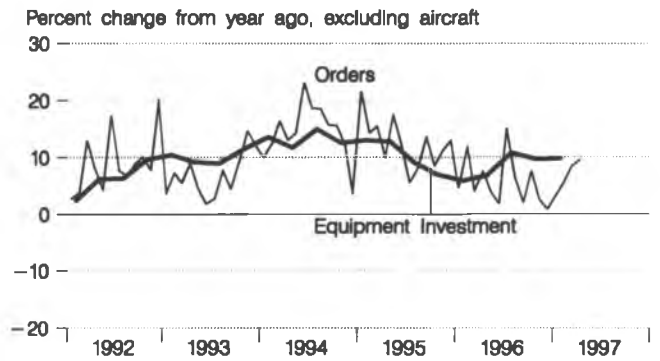
Gross Saving Rates and Net Foreign Investment



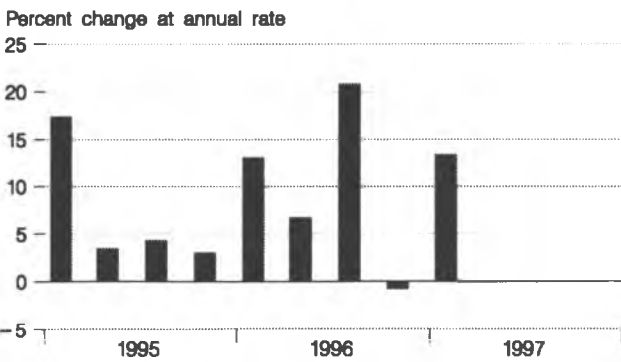
Real Private Fixed Investment



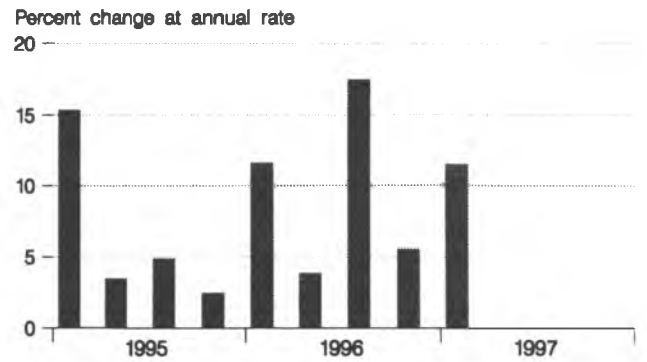
Nondefense Capital Goods Orders



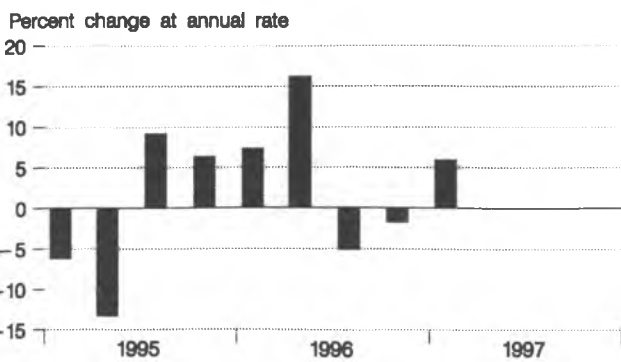
Real Equipment Investment



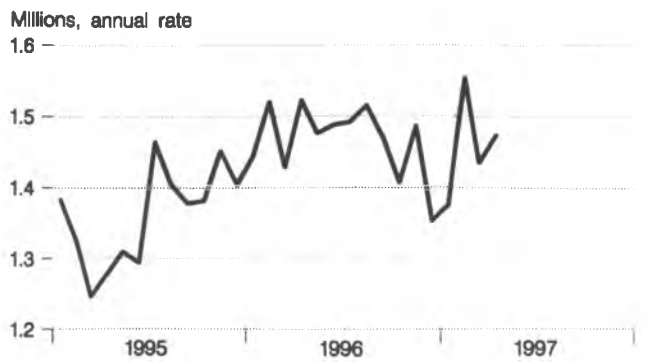
Real Nonresidential Investment



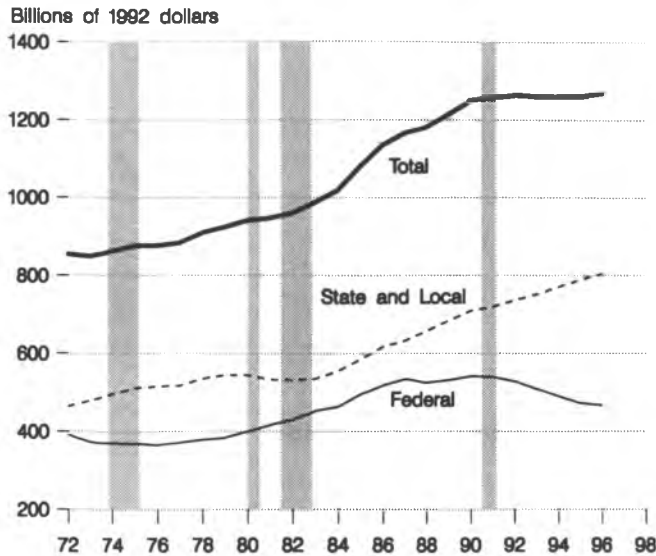
Real Residential Investment



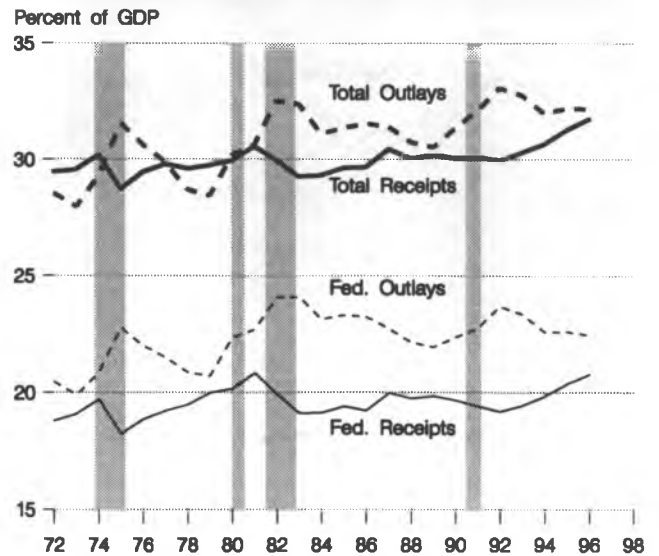
Housing Starts



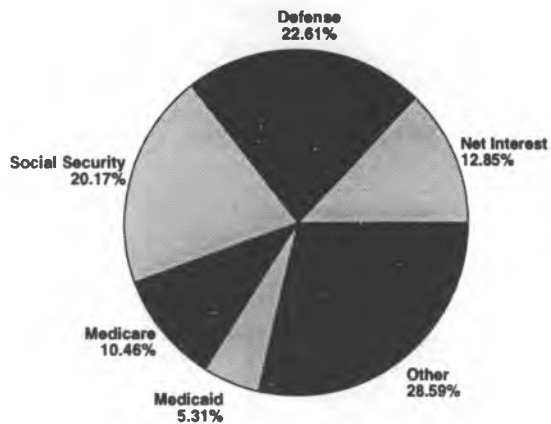
Govt. Consumption and Investment



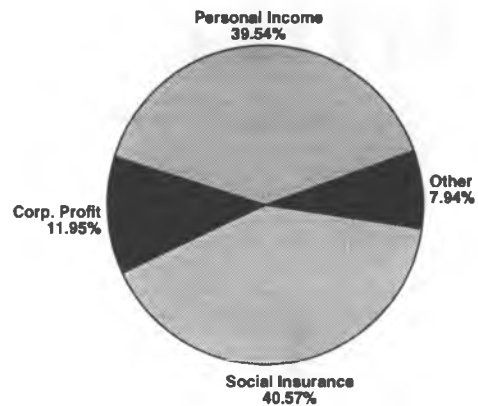
Government Receipts and Outlays



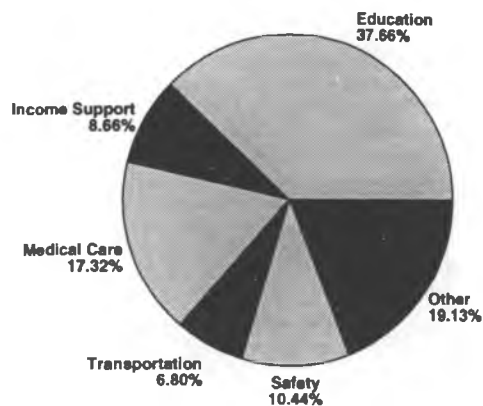
Federal Outlays, 1994



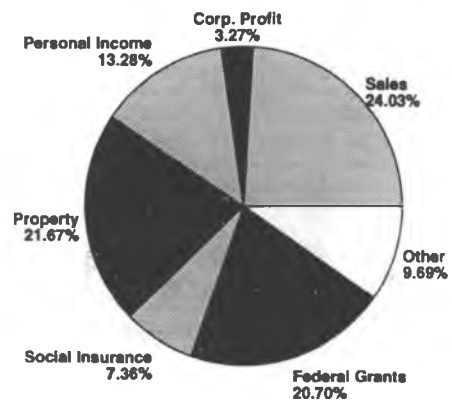
Federal Receipts, 1994



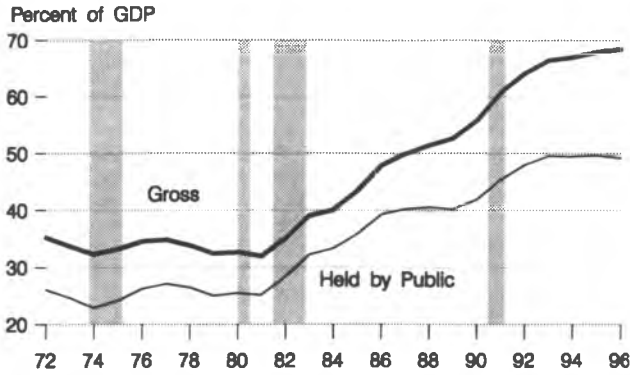
State and Local Outlays, 1994



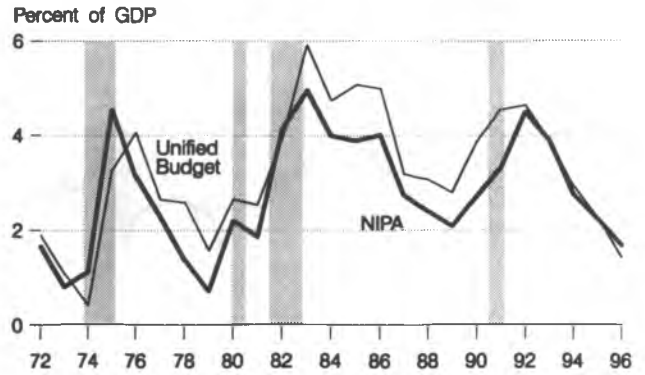
State and Local Receipts, 1994



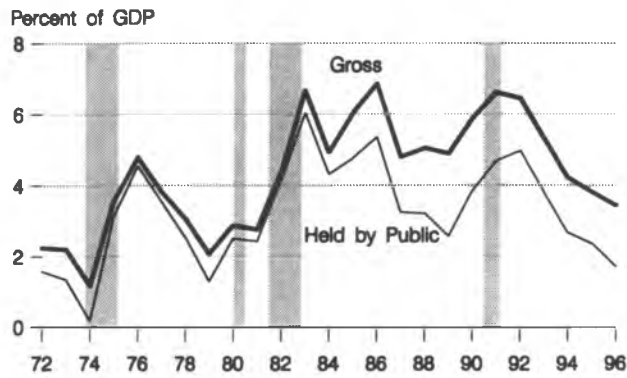
Gross Federal Debt



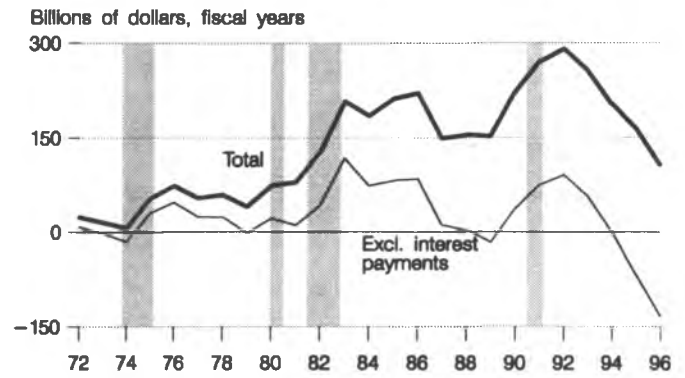
Federal Deficit



Change in Gross Federal Debt



Federal Deficit, Unified Basis



Government Budgets

Billions of dollars

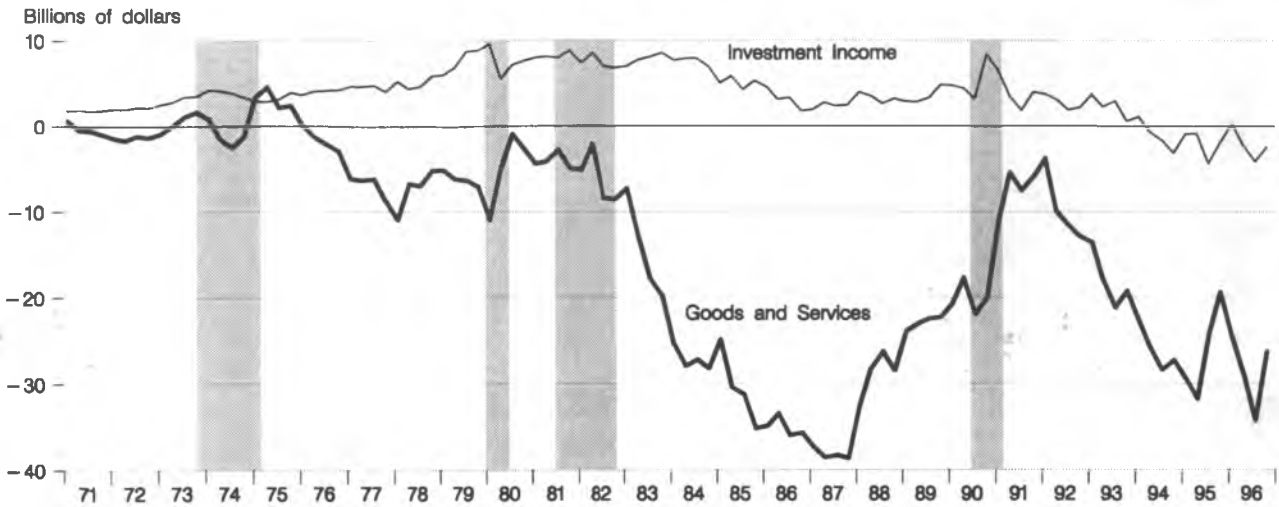
National Income Accounts Calendar Years

	State and Local			Federal		
	Receipts	Expenditures	Surplus or Deficit(-)	Receipts	Expenditures	Surplus or Deficit(-)
1980	361.4	307.0	54.4	561.5	622.5	-61.0
1981	390.8	335.4	55.4	649.3	707.1	-57.8
1982	409.0	357.7	51.3	646.4	781.0	-134.6
1983	443.6	378.8	64.8	671.9	846.3	-174.4
1984	492.0	405.1	86.9	746.9	902.9	-156.0
1985	528.7	437.8	90.9	811.3	974.2	-162.9
1986	570.6	475.7	94.9	850.1	1027.6	-177.5
1987	594.9	511.1	83.8	937.4	1066.3	-128.9
1988	631.4	545.5	85.9	997.2	1118.5	-121.3
1989	681.0	585.9	95.1	1079.3	1192.7	-113.4
1990	728.9	648.8	80.1	1129.8	1284.5	-154.7
1991	784.2	708.4	75.8	1149.0	1345.0	-196.0
1992	844.3	758.0	86.3	1198.5	1479.4	-280.9
1993	897.1	802.2	94.9	1275.3	1530.9	-255.6
1994	946.4	846.6	99.8	1377.0	1567.3	-190.3
1995	996.1	901.1	95.0	1478.4	1640.1	-161.7
1996	1044.0	951.0	93.0	1575.0	1702.1	-127.1

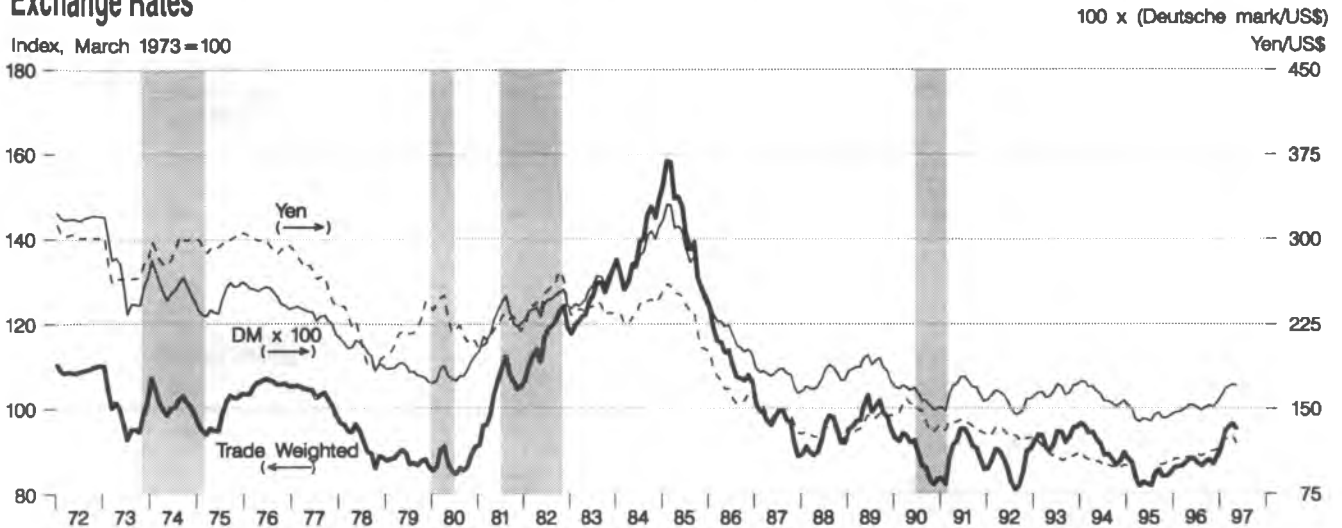
Unified Budget Fiscal Years

	Federal		
	Receipts	Outlays	Surplus or Deficit(-)
1980	517.1	590.9	-73.8
1981	599.3	678.2	-79.0
1982	617.8	745.8	-128.0
1983	600.6	808.4	-207.8
1984	666.5	851.8	-185.4
1985	734.1	946.4	-212.3
1986	769.1	990.3	-221.2
1987	854.1	1003.9	-149.8
1988	909.0	1064.1	-155.2
1989	990.7	1143.2	-152.5
1990	1031.3	1252.5	-221.2
1991	1054.3	1323.6	-269.4
1992	1090.5	1380.9	-290.4
1993	1153.5	1408.7	-255.1
1994	1257.7	1460.8	-203.1
1995	1351.5	1515.4	-163.9
1996	1452.8	1560.1	-107.3

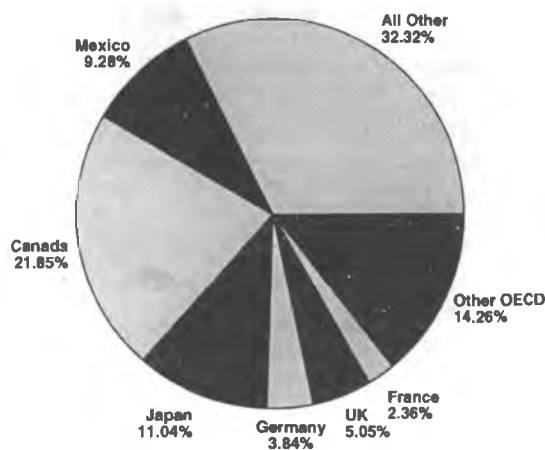
Trade and Investment Income Balances



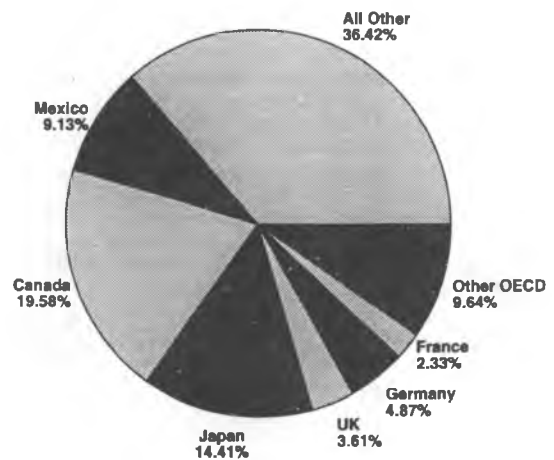
Exchange Rates



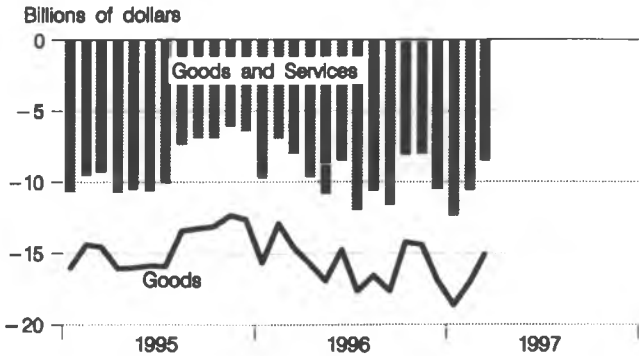
Goods Export Shares, 1996



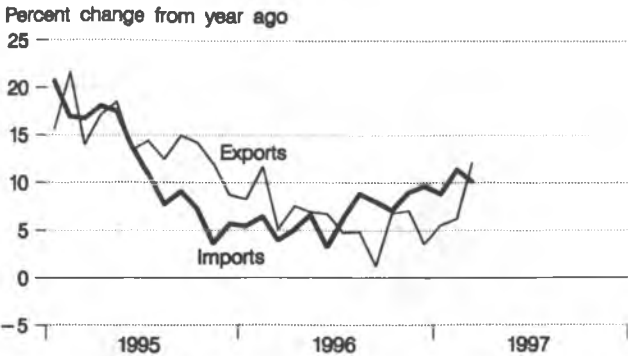
Goods Import Shares, 1996



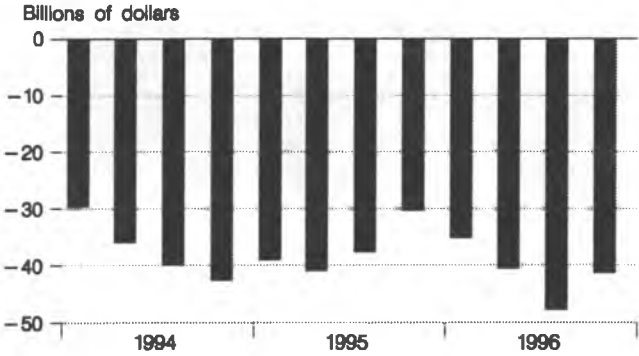
Trade Balance



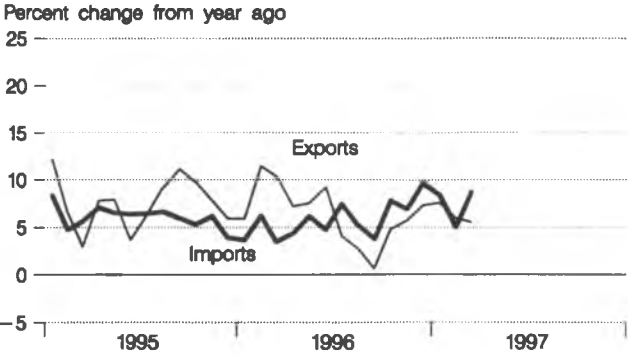
Goods Trade



Current Account Balance



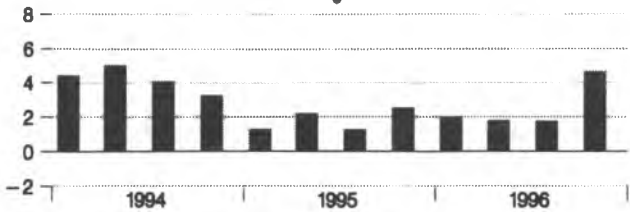
Services Trade



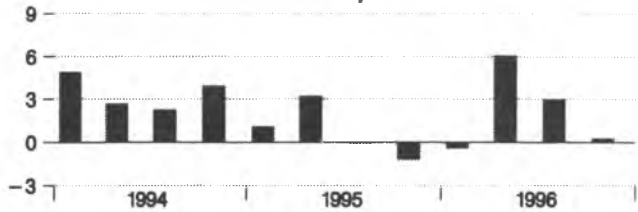
Real GDP Growth of Major Trading Partners

Percent change at annual rate

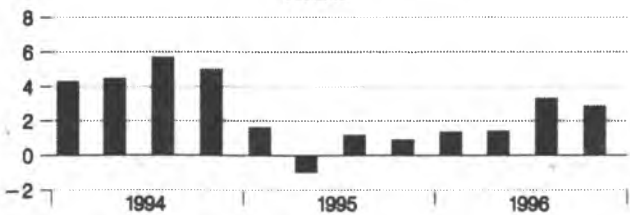
United Kingdom



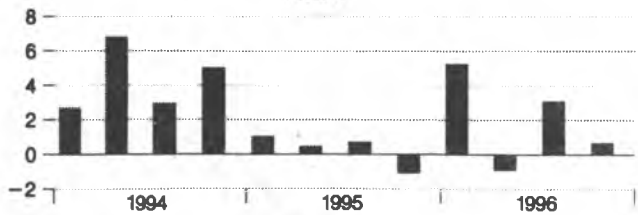
Germany



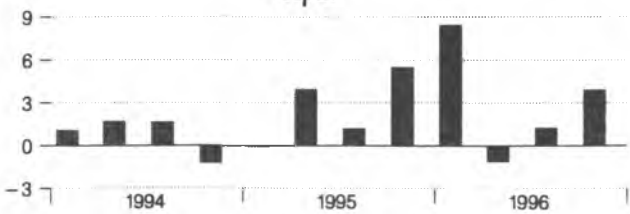
Canada



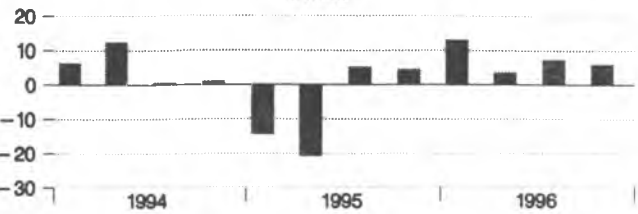
France



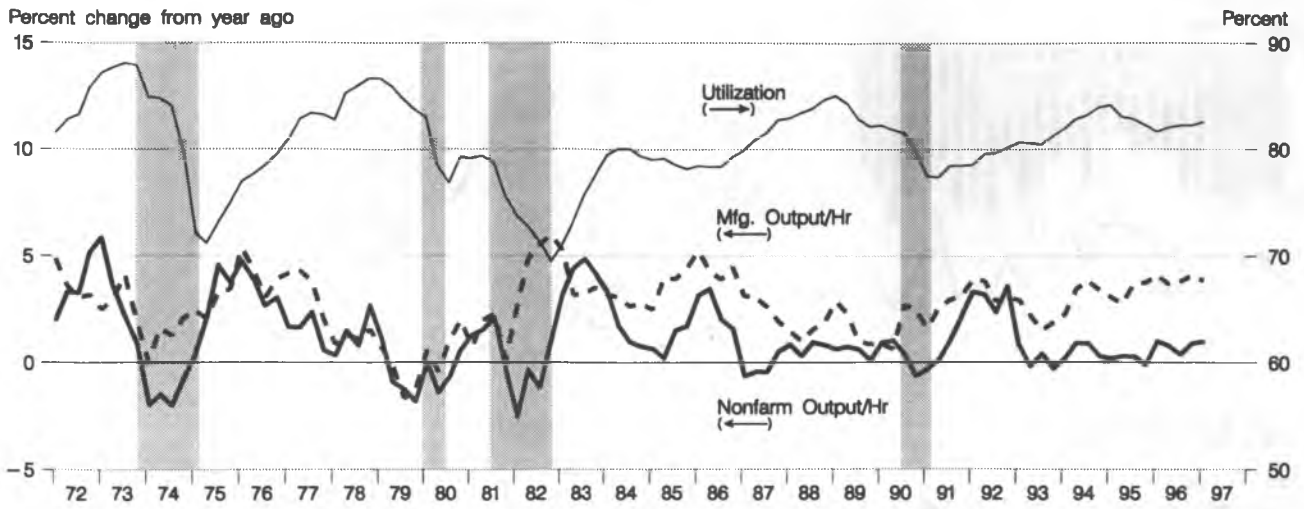
Japan



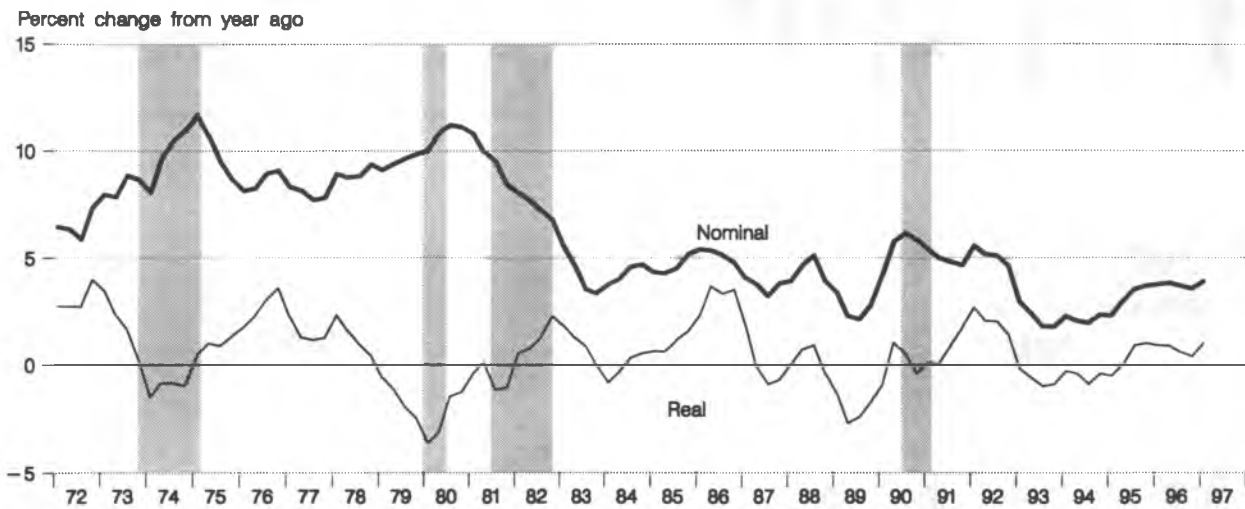
Mexico



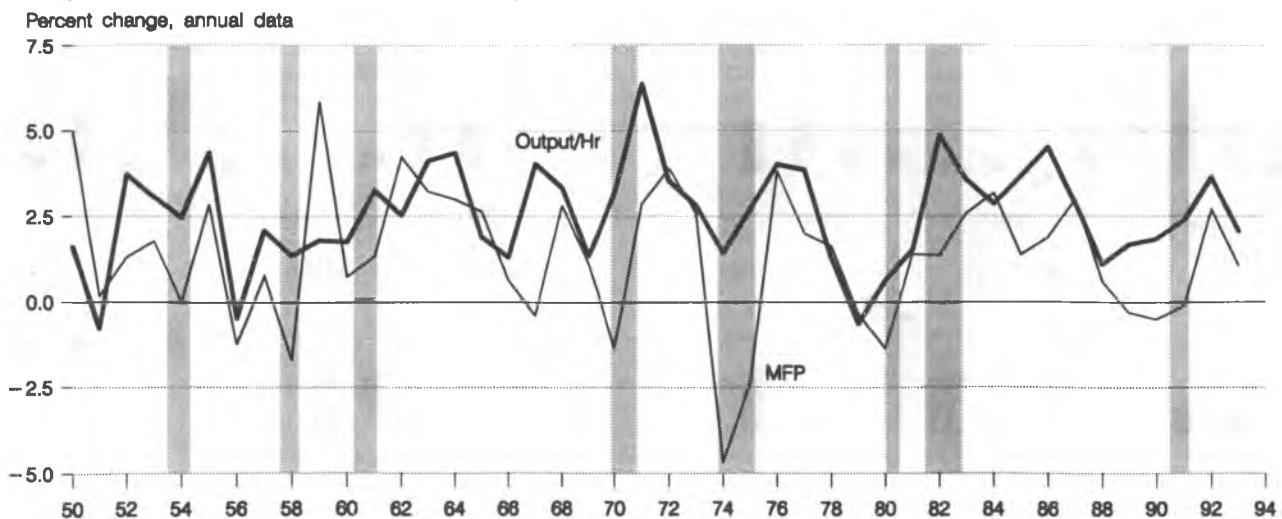
Output per Hour and Manufacturing Capacity Utilization



Nonfarm Compensation per Hour

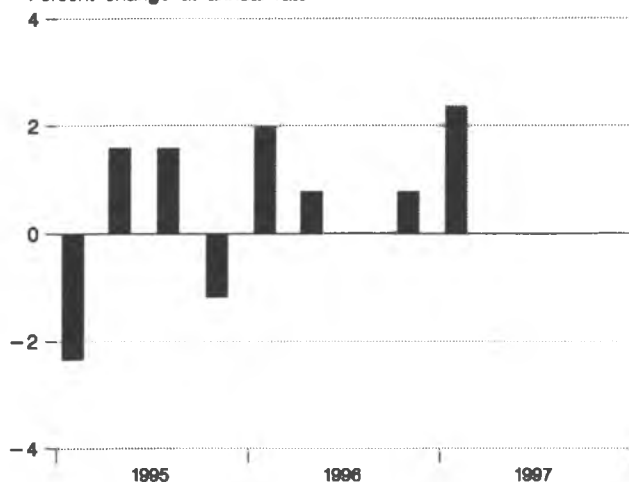


Output per Hour and Multifactor Productivity, Manufacturing



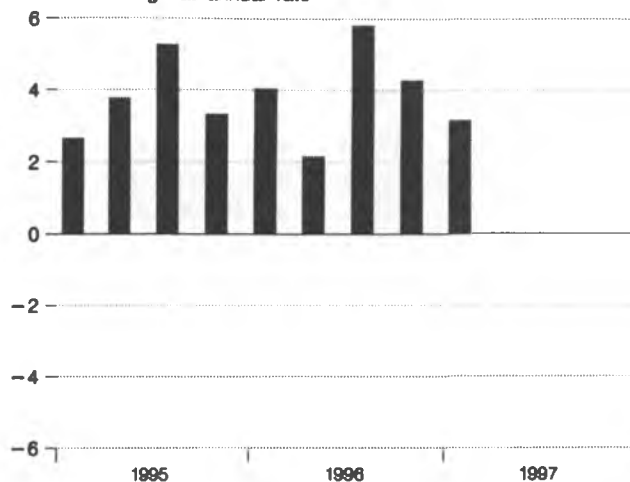
Nonfarm Output per Hour

Percent change at annual rate



Manufacturing Output per Hour

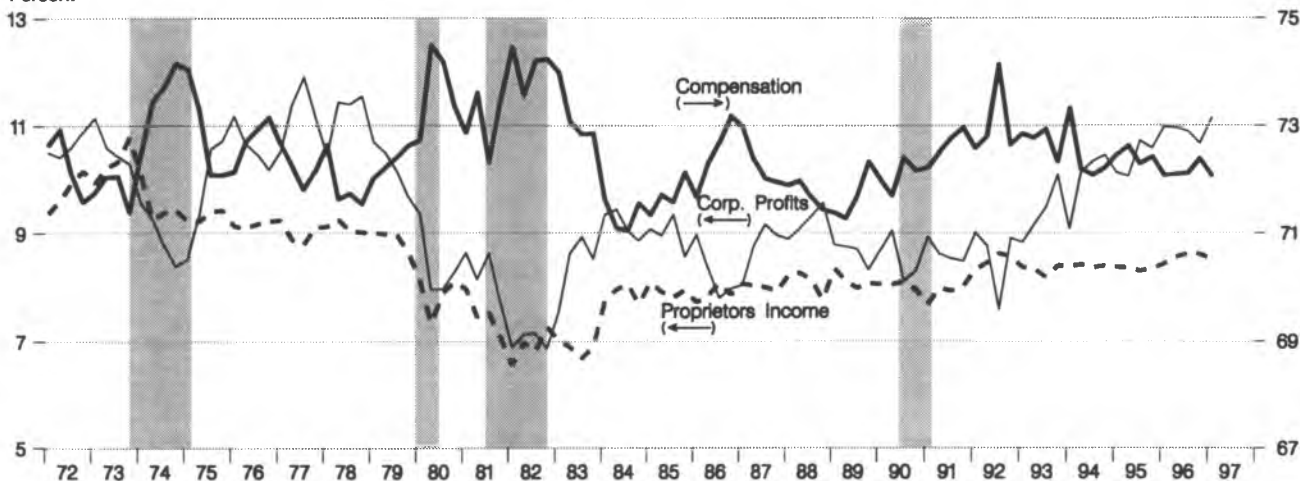
Percent change at annual rate



Selected Component Shares of National Income

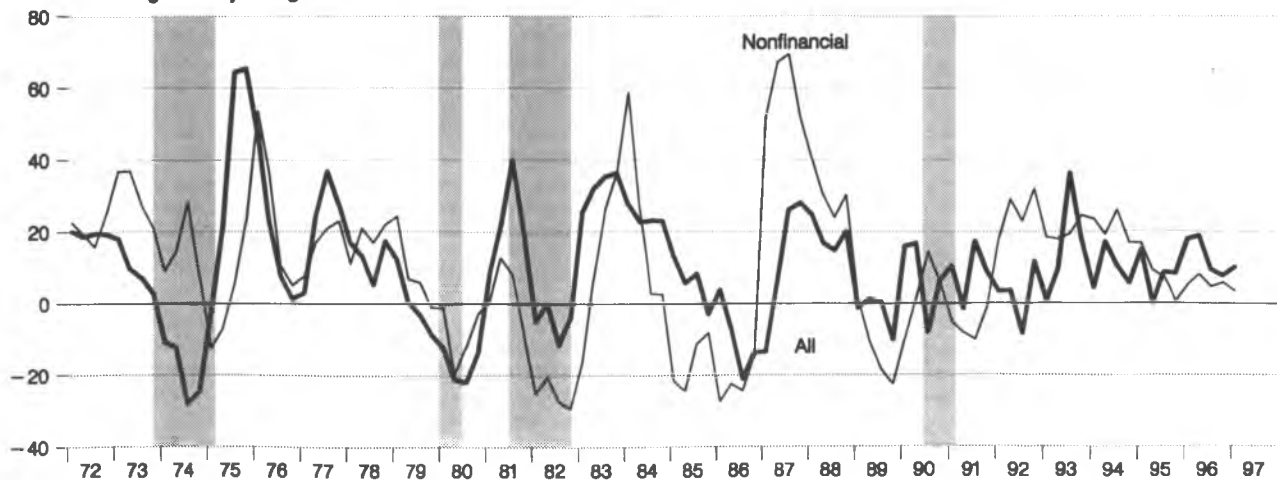
Percent

Percent



Corporate Profits after Tax (with IVA and CCAAdj)

Percent change from year ago



National Economic Trends

	Household Survey Employment				Nonfarm Payroll Employment				Nonfarm Aggregate Hours				
	Thousands	Change	Percent change		Thousands	Change	Percent change		Index	Percent change			
			Annual rate	Year ago			Annual rate	Year ago		Monthly rate	Annual rate	Year ago	
1992	118488	775		0.7	108592	331		0.3	121.2			0.7	
1993	120259	1771		1.5	110726	2134		2.0	124.6			2.8	
1994	123067	2808		2.3	114153	3427		3.1	129.9			4.2	
1995	124899	1833		1.5	117202	3050		2.7	133.4			2.7	
1996	126705	1806		1.4	119549	2347		2.0	136.4			2.2	
1995	1	124924	519	1.7	2.4	116484	874	3.1	3.4	132.9	0.6	2.4	4.2
	2	124711	-213	-0.7	1.7	116956	472	1.6	2.9	132.9	0.0	0.1	2.7
	3	124820	109	0.4	1.3	117441	485	1.7	2.4	133.6	0.5	2.1	2.4
	4	125142	322	1.0	0.6	117928	487	1.7	2.0	134.3	0.5	2.0	1.7
1996	1	125693	551	1.8	0.6	118466	538	1.8	1.7	134.2	-0.0	-0.2	1.0
	2	126381	688	2.2	1.3	119264	797	2.7	2.0	136.1	1.4	5.6	2.4
	3	127042	661	2.1	1.8	119958	694	2.3	2.1	137.0	0.7	2.8	2.5
	4	127705	664	2.1	2.0	120509	551	1.8	2.2	138.2	0.9	3.5	2.9
1997	1	128728	1023	3.2	2.4	121238	729	2.4	2.3	139.5	0.9	3.8	3.9
1995	Apr	125023	-47	-0.5	2.2	116861	160	1.7	3.1	133.7	0.7	8.4	3.8
	May	124577	-446	-4.2	1.3	116907	46	0.5	2.8	131.9	-1.3	-15.0	1.7
	Jun	124533	-44	-0.4	1.5	117100	193	2.0	2.7	133.2	1.0	12.5	2.6
	Jul	124804	271	2.6	1.7	117201	101	1.0	2.5	133.5	0.2	2.7	2.6
	Aug	124729	-75	-0.7	1.2	117499	298	3.1	2.4	133.4	-0.1	-0.9	2.4
	Sep	124927	198	1.9	1.1	117623	124	1.3	2.3	134.0	0.4	5.5	2.3
	Oct	125235	308	3.0	1.0	117749	126	1.3	2.2	134.3	0.2	2.7	1.7
	Nov	125124	-111	-1.1	0.5	117899	150	1.5	1.9	134.3	0.0	0.0	1.9
	Dec	125068	-56	-0.5	0.3	118136	237	2.4	1.9	134.3	0.0	0.0	1.4
1996	Jan	125311	243	2.4	0.4	118070	-66	-0.7	1.6	131.7	-1.9	-20.9	-1.1
	Feb	125706	395	3.8	0.6	118579	509	5.3	1.8	135.5	2.9	40.7	2.1
	Mar	126062	356	3.5	0.8	118750	171	1.7	1.8	135.5	0.0	0.0	2.0
	Apr	126125	63	0.6	0.9	118922	172	1.8	1.8	135.2	-0.2	-2.6	1.1
	May	126428	303	2.9	1.5	119332	410	4.2	2.1	135.3	0.1	0.9	2.6
	Jun	126590	162	1.5	1.7	119537	205	2.1	2.1	137.7	1.8	23.5	3.4
	Jul	126889	299	2.9	1.7	119772	235	2.4	2.2	136.1	-1.2	-13.1	1.9
	Aug	126988	99	0.9	1.8	120052	280	2.8	2.2	136.9	0.6	7.3	2.6
	Sep	127248	260	2.5	1.9	120050	-2	-0.0	2.1	138.0	0.8	10.1	3.0
	Oct	127617	369	3.5	1.9	120311	261	2.6	2.2	137.1	-0.7	-7.6	2.1
	Nov	127644	27	0.3	2.0	120492	181	1.8	2.2	138.2	0.8	10.1	2.9
	Dec	127855	211	2.0	2.2	120723	231	2.3	2.2	139.3	0.8	10.0	3.7
1997	Jan	128580	725	7.0	2.6	120982	259	2.6	2.5	137.1	-1.6	-17.4	4.1
	Feb	128430	-150	-1.4	2.2	121296	314	3.2	2.3	140.7	2.6	36.5	3.8
	Mar	129175	745	7.2	2.5	121435	139	1.4	2.3	140.7	0.0	0.0	3.8
	Apr	129384	209	2.0	2.6	121577	142	1.4	2.2	139.6	-0.8	-9.0	3.3

	Unempl. Rate	Retail Sales				Industrial Production				Treasury Yields	
		Billions of dollars	Percent change			Index	Percent change			3-mo	10-yr
			Monthly/ quarterly	Annual rate	Year ago		Monthly/ quarterly	Annual rate	Year ago		
1992	7.5	1944.605			4.8	100.000			3.2	3.43	7.01
1993	6.9	2071.178			6.5	103.366			3.4	3.00	5.86
1994	6.1	2224.913			7.4	108.558			5.0	4.25	7.08
1995	5.6	2326.536			4.6	112.109			3.3	5.49	6.58
1996	5.4	2439.513			4.9	115.198			2.8	5.01	6.44
1995	1	573.137	0.2	0.8	5.6	111.764	1.0	3.9	5.1	5.74	7.48
	2	578.680	1.0	3.9	5.2	111.561	-0.2	-0.7	3.3	5.60	6.62
	3	585.146	1.1	4.5	4.5	112.441	0.8	3.2	3.0	5.37	6.32
	4	589.573	0.8	3.1	3.1	112.671	0.2	0.8	1.8	5.26	5.89
1996	1	600.484	1.9	7.6	4.8	113.128	0.4	1.6	1.2	4.93	5.91
	2	609.029	1.4	5.8	5.2	114.844	1.5	6.2	2.9	5.02	6.72
	3	611.040	0.3	1.3	4.4	115.774	0.8	3.3	3.0	5.10	6.78
	4	618.960	1.3	5.3	5.0	117.048	1.1	4.5	3.9	4.98	6.34
1997	1	636.220	2.8	11.6	6.0	118.392	1.1	4.7	4.7	5.06	6.56
1995	Apr	191.094	0.1	0.9	4.4	111.421	-0.3	-3.2	3.7	5.65	7.06
	May	193.074	1.0	13.2	5.7	111.523	0.1	1.1	3.2	5.67	6.63
	Jun	194.512	0.7	9.3	5.5	111.739	0.2	2.3	2.9	5.47	6.17
	Jul	194.315	-0.1	-1.2	5.3	111.716	-0.0	-0.2	2.4	5.42	6.28
	Aug	195.752	0.7	9.2	4.5	112.603	0.8	10.0	3.1	5.40	6.49
	Sep	195.079	-0.3	-4.0	3.8	113.003	0.4	4.3	3.4	5.28	6.20
	Oct	194.865	-0.1	-1.3	2.3	112.522	-0.4	-5.0	2.3	5.28	6.04
	Nov	196.702	0.9	11.9	3.1	112.704	0.2	2.0	1.9	5.36	5.93
	Dec	198.006	0.7	8.3	3.8	112.788	0.1	0.9	1.1	5.14	5.71
1996	Jan	197.714	-0.1	-1.8	2.6	112.361	-0.4	-4.4	0.4	5.00	5.65
	Feb	201.085	1.7	22.5	6.1	113.782	1.3	16.3	1.9	4.83	5.81
	Mar	201.685	0.3	3.6	5.6	113.241	-0.5	-5.6	1.4	4.96	6.27
	Apr	202.375	0.3	4.2	5.9	114.284	0.9	11.6	2.6	4.95	6.51
	May	203.865	0.7	9.2	5.6	114.782	0.4	5.4	2.9	5.02	6.74
	Jun	202.789	-0.5	-6.2	4.3	115.466	0.6	7.4	3.3	5.09	6.91
	Jul	203.291	0.2	3.0	4.6	115.495	0.0	0.3	3.4	5.15	6.87
	Aug	203.036	-0.1	-1.5	3.7	115.848	0.3	3.7	2.9	5.05	6.64
	Sep	204.713	0.8	10.4	4.9	115.978	0.1	1.4	2.6	5.09	6.83
	Oct	206.277	0.8	9.6	5.9	116.231	0.2	2.6	3.3	4.99	6.53
	Nov	205.789	-0.2	-2.8	4.6	117.216	0.8	10.7	4.0	5.03	6.20
	Dec	206.894	0.5	6.6	4.5	117.697	0.4	5.0	4.4	4.91	6.30
1997	Jan	210.233	1.6	21.2	6.3	117.765	0.1	0.7	4.8	5.03	6.58
	Feb	213.022	1.3	17.1	5.9	118.369	0.5	6.3	4.0	5.01	6.42
	Mar	212.965	-0.0	-0.3	5.6	119.043	0.6	7.1	5.1	5.14	6.69
	Apr	212.241	-0.3	-4.0	4.9	118.994	-0.0	-0.5	4.1	5.16	6.89

National Economic Trends

	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	
1992	140.4			3.0		147.5			3.7		123.2			1.2	
1993	144.6			3.0		152.4			3.3		124.7			1.2	
1994	148.3			2.6		156.7			2.8		125.6			0.7	
1995	152.5			2.8		161.4			3.0		127.9			1.9	
1996	157.0			2.9		165.8			2.7		131.3			2.6	
1995	1	151.0	0.7	2.8	2.9	2.8	159.6	0.8	3.3	3.0	3.3	127.1	0.7	3.0	1.7
	2	152.1	0.8	3.1	3.0	3.0	161.0	0.8	3.4	3.0	3.4	127.6	0.4	1.7	2.0
	3	152.9	0.5	2.1	2.6	2.7	162.0	0.6	2.6	3.0	3.1	128.0	0.3	1.3	1.6
	4	153.9	0.6	2.5	2.6	2.6	163.1	0.7	2.8	3.0	3.0	129.0	0.7	2.9	2.2
1996	1	155.1	0.8	3.3	2.8	3.3	164.2	0.7	2.6	2.9	2.6	129.9	0.7	3.0	2.2
	2	156.4	0.8	3.4	2.8	3.4	165.3	0.6	2.6	2.7	2.6	130.9	0.7	2.9	2.5
	3	157.5	0.7	2.7	3.0	3.1	166.3	0.6	2.5	2.7	2.6	131.6	0.6	2.3	2.8
	4	158.8	0.8	3.3	3.2	3.2	167.4	0.6	2.6	2.6	2.6	132.9	1.0	3.9	3.0
1997	1	159.7	0.6	2.4	2.9	2.4	168.3	0.6	2.2	2.5	2.2	132.6	-0.2	-0.7	2.1
1995	Apr	151.8	0.3	4.0	3.1	3.0	160.6	0.3	3.8	3.1	3.8	127.5	0.2	1.9	1.9
	May	152.1	0.2	2.4	3.0	2.9	161.0	0.2	3.0	3.1	3.7	127.7	0.2	1.9	2.2
	Jun	152.5	0.3	3.2	3.0	2.9	161.3	0.2	2.3	2.9	3.4	127.7	0.0	0.0	2.0
	Jul	152.6	0.1	0.8	2.8	2.6	161.6	0.2	2.3	3.0	3.3	127.9	0.2	1.9	1.8
	Aug	153.0	0.3	3.2	2.6	2.7	162.0	0.2	3.0	2.9	3.2	127.9	0.0	0.0	1.3
	Sep	153.2	0.1	1.6	2.5	2.6	162.4	0.2	3.0	3.0	3.2	128.3	0.3	3.8	1.8
	Oct	153.7	0.3	4.0	2.7	2.7	162.9	0.3	3.8	3.1	3.3	128.5	0.2	1.9	2.4
	Nov	153.8	0.1	0.8	2.6	2.5	163.1	0.1	1.5	3.0	3.1	128.8	0.2	2.8	2.1
	Dec	154.1	0.2	2.4	2.5	2.5	163.4	0.2	2.2	3.0	3.0	129.6	0.6	7.7	2.2
1996	Jan	154.7	0.4	4.8	2.7	4.8	163.8	0.2	3.0	2.9	3.0	129.7	0.1	0.9	2.2
	Feb	155.1	0.3	3.1	2.7	4.0	164.2	0.2	3.0	2.9	3.0	129.7	0.0	0.0	2.0
	Mar	155.6	0.3	3.9	2.8	4.0	164.6	0.2	3.0	2.8	3.0	130.4	0.5	6.7	2.4
	Apr	156.1	0.3	3.9	2.8	3.9	164.9	0.2	2.2	2.7	2.8	130.6	0.2	1.9	2.4
	May	156.5	0.3	3.1	2.9	3.8	165.3	0.2	3.0	2.7	2.8	130.8	0.2	1.9	2.4
	Jun	156.7	0.1	1.5	2.8	3.4	165.6	0.2	2.2	2.7	2.7	131.2	0.3	3.7	2.7
	Jul	157.1	0.3	3.1	2.9	3.4	166.0	0.2	2.9	2.7	2.7	131.2	0.0	0.0	2.6
	Aug	157.4	0.2	2.3	2.9	3.2	166.2	0.1	1.5	2.6	2.6	131.6	0.3	3.7	2.9
	Sep	157.9	0.3	3.9	3.1	3.3	166.7	0.3	3.7	2.6	2.7	132.0	0.3	3.7	2.9
	Oct	158.3	0.3	3.1	3.0	3.3	167.0	0.2	2.2	2.5	2.6	132.5	0.4	4.6	3.1
	Nov	158.8	0.3	3.9	3.3	3.3	167.4	0.2	2.9	2.6	2.7	132.7	0.2	1.8	3.0
	Dec	159.2	0.3	3.1	3.3	3.3	167.7	0.2	2.2	2.6	2.6	133.4	0.5	6.5	2.9
1997	Jan	159.4	0.1	1.5	3.0	1.5	167.9	0.1	1.4	2.5	1.4	133.0	-0.3	-3.5	2.5
	Feb	159.8	0.3	3.1	3.0	2.3	168.3	0.2	2.9	2.5	2.2	132.5	-0.4	-4.4	2.2
	Mar	159.9	0.1	0.8	2.8	1.8	168.7	0.2	2.9	2.5	2.4	132.4	-0.1	-0.9	1.5
	Apr	160.0	0.1	0.8	2.5	1.5	169.2	0.3	3.6	2.6	2.7	131.6	-0.6	-7.0	0.8

Notes

Pages 4, 5: **Final sales** is gross domestic product (GDP) minus change in business 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. The **Purchasing Managers' Index** is a weighted average of diffusion indexes for new orders, production, supplier deliveries, inventories, and employment. The National Association of Purchasing Management (NAPM) surveys over 300 firms in 20 manufacturing industries, weighting responses by industry share of GDP. **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: The **contribution** of a component X_t to the overall GDP growth rate in quarter t is $100 \times [(1 + (X_t - X_{t-1})/GDP_{t-1})^4 - 1]$. The sign is changed for **imports**. This calculation forces components to add up to the GDP growth rate before compounding and does not exactly match *Survey of Current Business*, Table 8.2. The **residual line** is calculated using the finest level of detail in the table.

Page 7: Ten-year **Treasury yields** are adjusted to constant maturity. Three-month yields are secondary market averages, but all rates used in the yield curves are adjusted to constant maturity. The **total return on the Standard and Poor's 500** is dividends as a percent of the value of the index plus the percent change in the index.

Pages 8,9: **Oil prices** are monthly averages of daily spot prices for West Texas intermediate crude (*Wall Street Journal*). **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 non-farm business sector in a given quarter. In both cases, **compensation** is wages and salaries plus benefits.

Pages 10,11: **Nonfarm payroll employment** is counted in a survey of about 390,000 establishments (Current Employment Survey). It excludes self-employed individuals and workers in private households, but double-counts individuals with more than one job. The **household survey** (Current Population Survey) of about 50,000 households provides estimates of civilian employment, unemployment rate, labor force participation rate, and employment-population ratio. **Population** is civilian, noninstitutional, 16 years and over. New population controls introduced in January 1997 affect levels and growth rates of household survey employment, labor force and population. The unemployment rate and other ratios are minimally affected. 90 percent confidence intervals for the unemployment rate (± 0.2 percentage points) and change in household survey employment ($\pm 376,000$) measure uncertainty due to sample size. The household survey was changed in January 1994, so care should be exercised in making short-term comparisons around this date, particularly with the duration data shown on page 10. Other changes in the survey are detailed in Bureau of Labor Statistics, *Employment and Earnings*, Appendix A.

Pages 12, 13: **Debt service** is an estimate of scheduled interest and principal payments on outstanding debt. 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.

Pages 14, 15: Overall **gross saving** includes government saving, which is the sum of the government surplus and capital consumption (see notes for pages 16 and 17). **Net foreign investment (NFI)** is U.S. investment abroad minus foreign investment in the U.S. Aside from a statistical discrepancy, NFI also equals the difference between gross domestic investment and saving.

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 National Income and Product Accounts (NIPA). The **unified federal budget 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** on these pages are from the NIPAs, except as noted. Since 1977, the federal fiscal year starts on October 1. **Federal debt held by the public** includes holdings of the Federal Reserve System and excludes holdings of the social security and other federal trust funds. Federal grants in aid to state and local governments appear in both state and local receipts and federal outlays.

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

Pages 20, 21: **Output per hour (Y/H)**, **unit labor cost (C/Y)**, and **compensation per hour (C/H)** are indexes which approximately obey the following relationship: $\%(Y/H) + \%(C/Y) = \%(C/H)$ with $\%$ meaning percent changes. **Unit labor cost** is shown on page 9. **Real compensation per hour** uses the CPI to adjust for the effects of inflation. **Multifactor productivity** estimates changes in output that do not correspond to changes in quantities of labor, capital, or intermediate inputs. **Inventory valuation adjustments (IVA)** remove the effect of changes in the value of existing inventories from corporate profits and proprietors' income. (This change in value does not correspond to current production and therefore is not part of GDP). **Capital consumption adjustments (CCAdj)** increase profits and proprietors' income by the difference between estimates of economic depreciation and depreciation allowed by the tax code. Components of national income not shown are rental income of persons and net interest.

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, total factor productivity

United States Department of Treasury
Unified budget receipts, outlays, deficit

Federal Reserve Board
Index of industrial production, treasury yields, exchange rates, capacity utilization, consumer debt service

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

The Conference Board
Help-wanted advertising index

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

Federal Reserve Bank of St. Louis
Post Office Box 442
St. Louis, Missouri 63166

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