

Finally Falling: Unemployment Duration

The median duration of unemployment measures one facet of the severity of unemployment. The median is the point that splits the distribution of unemployment duration in half. For example, in May 1998, half of all unemployed individuals had been without a job for less than 5.9 weeks and half had been without a job for more than 5.9 weeks.

The chart indicates the behavior of the unemployment rate and the duration of unemployment over the past 30 years. The unemployment rate exhibits a cyclical pattern—rising during economic contractions and falling during expansions. The median duration of unemployment has closely followed the path of the unemployment rate throughout most of this period. During the current expansion, however, duration has shown a clear break from this pattern. Although the unemployment rate has been on a downward trend since it peaked at 7.8 percent in June 1992, the median duration of unemployment had remained stuck at about eight weeks. Equally striking is the sharp drop in the median duration of unemployment that has occurred since November 1997—falling from 7.8 weeks to 5.9 weeks.

Why didn't the duration of unemployment fall in conjunction with the decline in the unemployment rate from mid-1992 through the end of 1997? What accounts for the subsequent drop in duration? The answers to these questions can be found by examining more detailed statistics on the duration of unemployment.

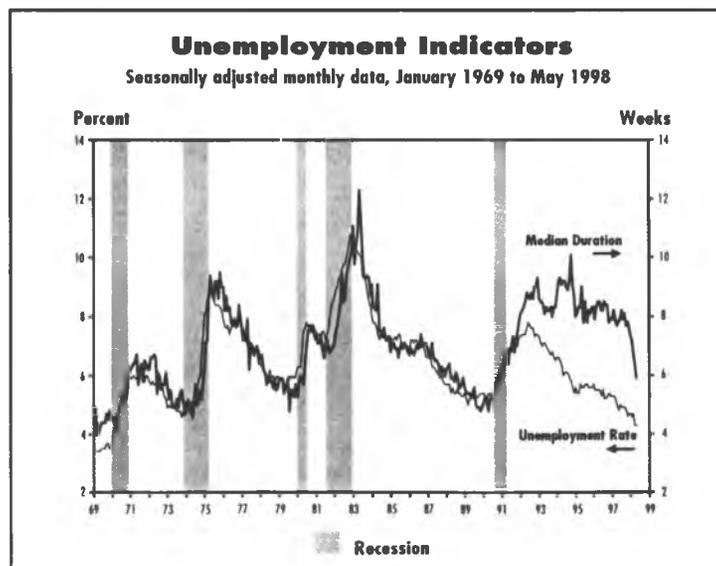
The Bureau of Labor Statistics provides data on the number of individuals who have been unemployed for less than five weeks, five to 14 weeks, 15 to 26 weeks, and 27 or more weeks. When the economy is expanding, it becomes easier to find a job, and when the economy is contracting, it takes longer to find a job. Thus, the percentage of the unemployed who have been

without jobs for less than five weeks generally falls during a recession and rises during an expansion, while the percentage of the unemployed who have been out of work for 15 weeks or more follows the opposite pattern.

During most of the current expansion, the long-term unemployed as a percentage of total unemployment showed only a slight downward trend, causing the stickiness in the duration of unemployment. In recent months, the number of long-term unemployed has fallen, leading to the sharp drop in the median duration of unemployment.

The decline in the duration of unemployment does not necessarily imply that the long-term unemployed are finding jobs. It is possible that an increasing number of these job seekers have become discouraged and have dropped out of the labor force. However, the number of individuals who are not in the labor force because of discouragement over their job prospects has fallen over the past year. Thus, the data provide some support for the notion that the longer-term unemployed are finding jobs.

—Patricia S. Pollard



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

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Conventions used in this publication:

1. Charts and tables contain data that were current on June 30, 1998.
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:

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

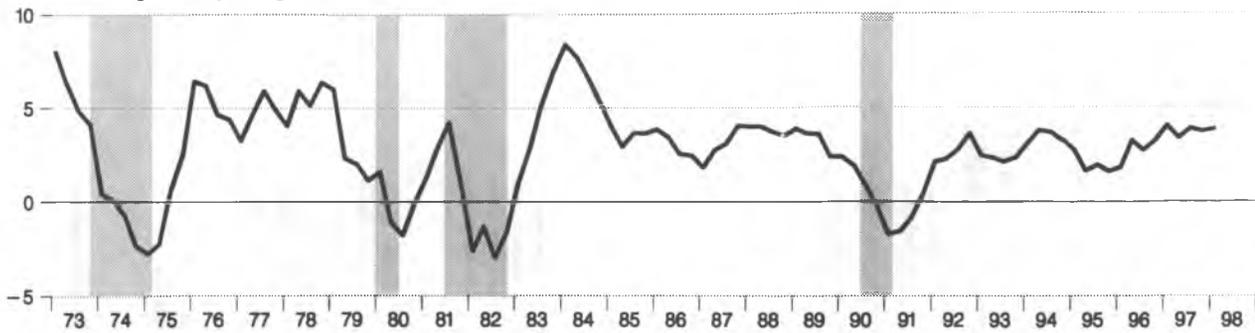
For monthly data replace 4 with 12.

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

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Real Gross Domestic Product

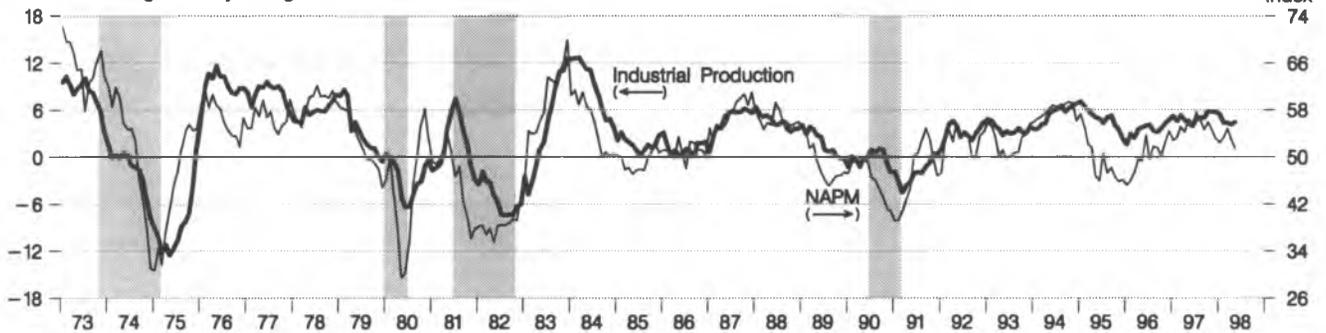
Percent change from year ago



Industrial Production and Purchasing Managers' (NAPM) Indexes

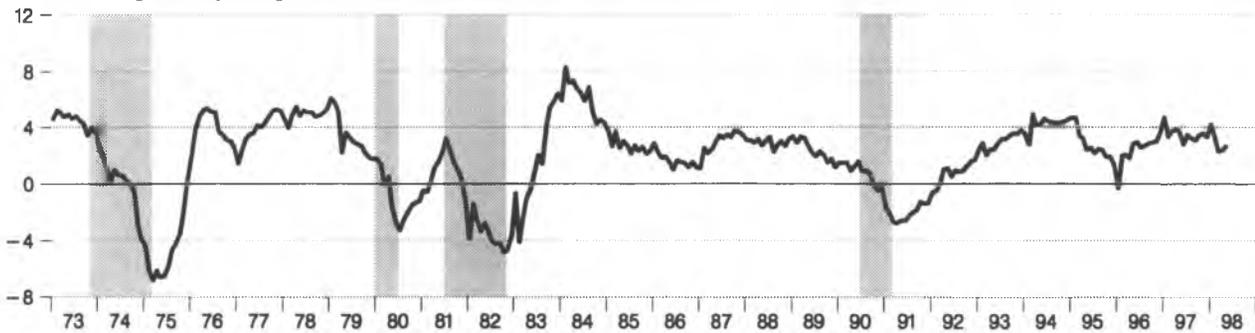
Percent change from year ago

Index



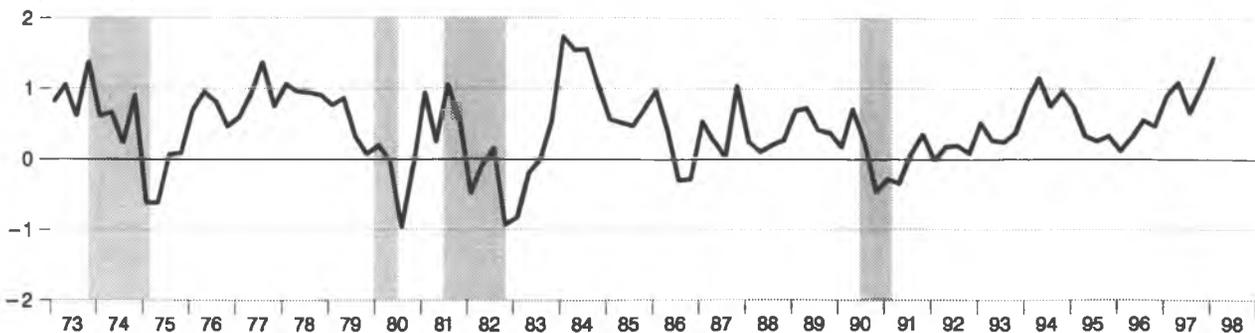
Aggregate Private Nonfarm Hours

Percent change from year ago



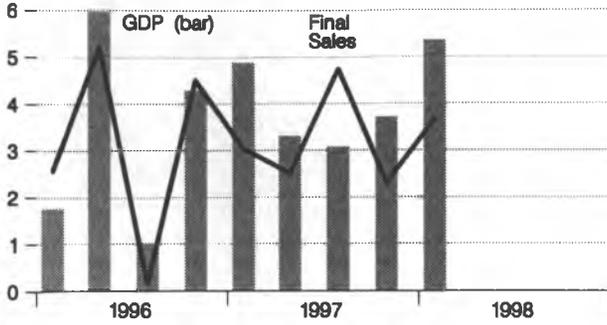
Real Change in Business Inventories

Percent of GDP



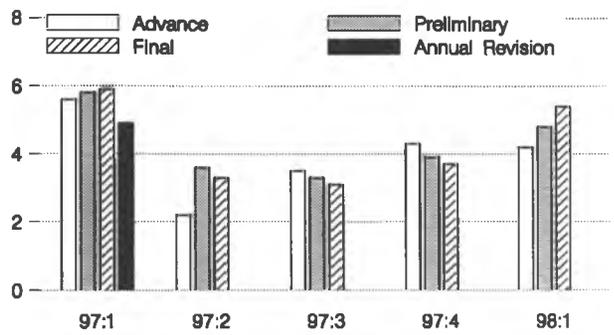
Real Final Sales and GDP

Percent change at annual rate



Real GDP Revisions

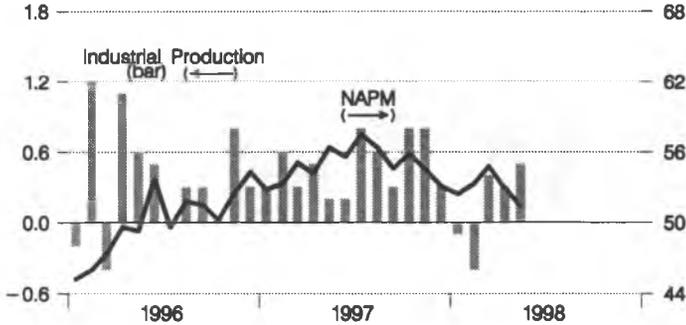
Percent change at annual rate



Industrial Production and NAPM Index

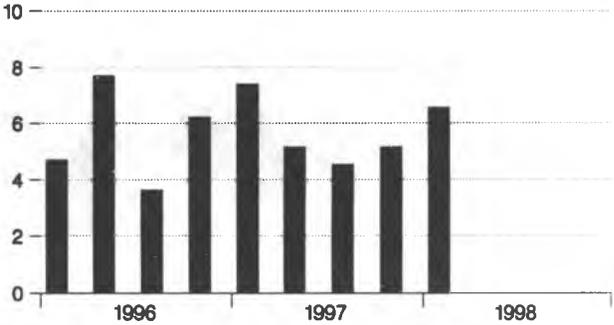
Percent change

Index



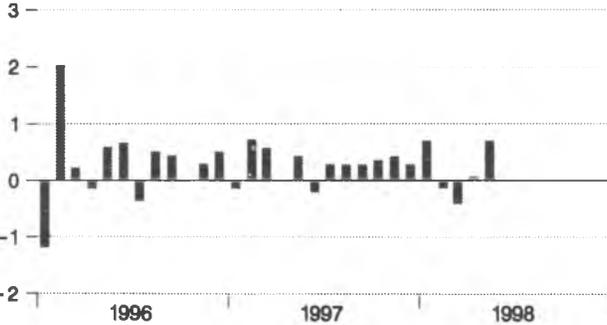
Nominal Gross Domestic Product

Percent change at annual rate



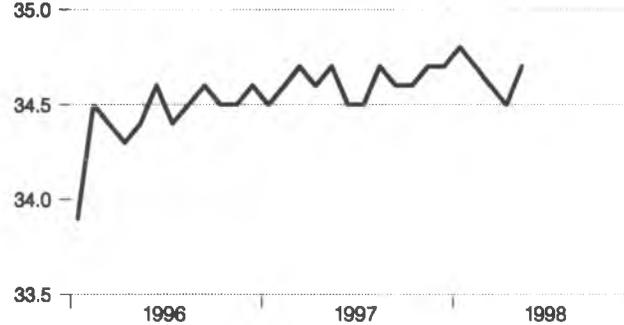
Aggregate Private Nonfarm Hours

Percent change



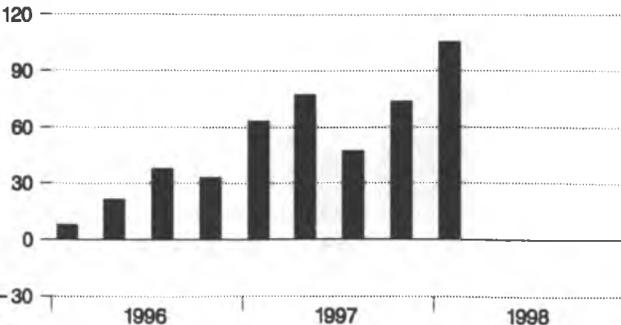
Average Weekly Private Nonfarm Hours

Hours



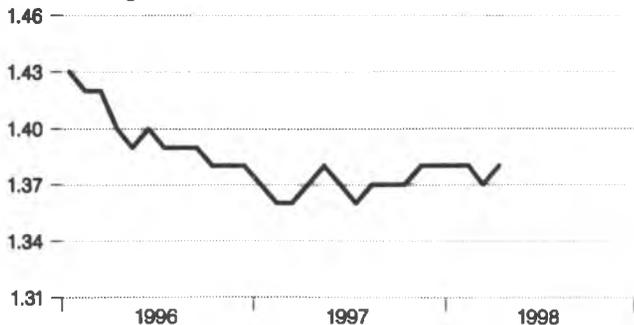
Real Change in Business Inventories

Billions of 1992 dollars



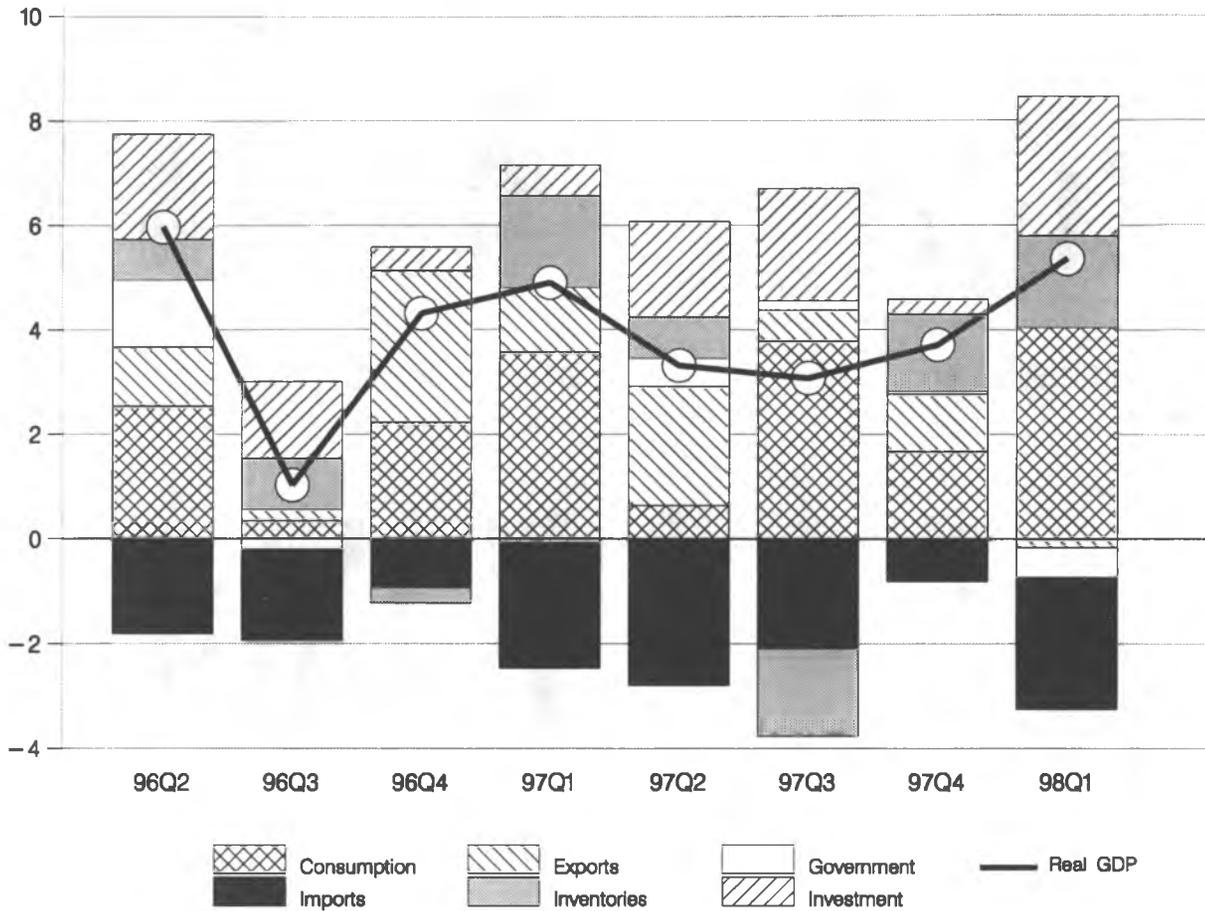
Inventory-Sales Ratio

Manufacturing and trade



Contribution of Components to Real GDP Growth

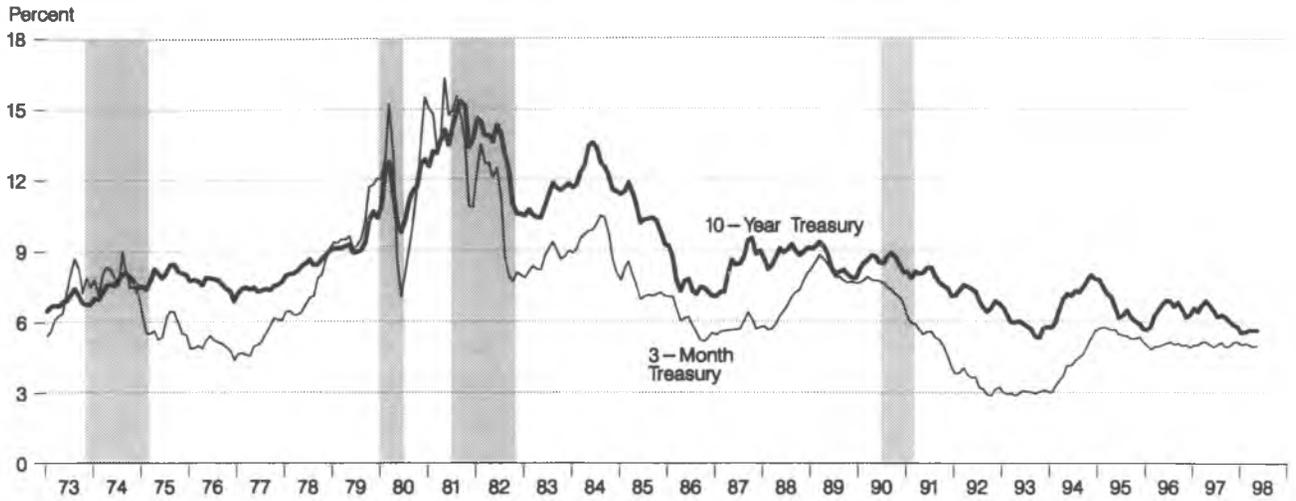
Percent change at annual rate



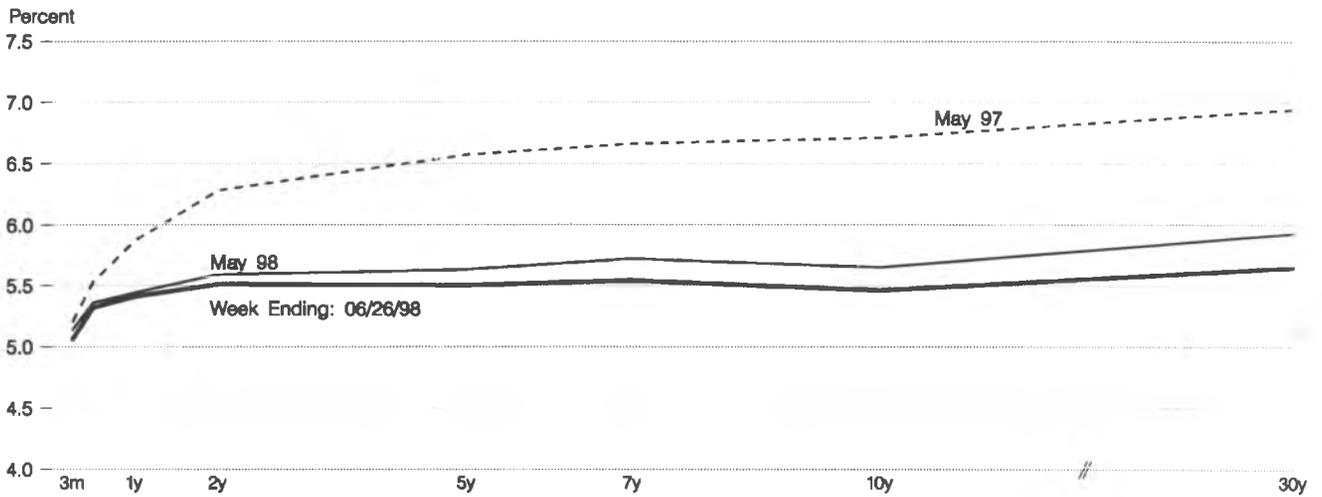
Contributions to Real GDP Growth Rate

	1996			1997				1998
	2nd	3rd	4th	1st	2nd	3rd	4th	1st
Real GDP	5.97	1.03	4.31	4.89	3.31	3.07	3.71	5.36
Final Sales	5.22	0.16	4.49	3.02	2.48	4.69	2.28	3.64
Change in Inventory	0.78	0.96	-0.29	1.76	0.79	-1.67	1.48	1.75
Consumption	2.53	0.35	2.22	3.56	0.64	3.78	1.67	4.05
Fixed Investment	2.02	1.46	0.45	0.59	1.84	2.13	0.29	2.65
Nonresidential	1.34	1.72	0.66	0.47	1.59	2.11	-0.10	2.02
Residential	0.66	-0.18	-0.17	0.13	0.28	0.10	0.34	0.63
Government	1.29	-0.20	0.02	-0.08	0.54	0.19	0.05	-0.57
Federal	0.58	-0.29	-0.35	-0.38	0.41	-0.07	-0.15	-0.65
State and Local	0.71	0.08	0.37	0.31	0.13	0.26	0.20	0.08
Net Exports	-0.69	-1.51	1.93	-1.18	-0.58	-1.53	0.27	-2.68
Exports	1.13	0.23	2.89	1.24	2.26	0.59	1.09	-0.17
Imports	-1.81	-1.73	-0.94	-2.39	-2.80	-2.11	-0.81	-2.52
Residual	-0.03	-0.08	-0.10	0.20	0.02	0.14	-0.04	0.17

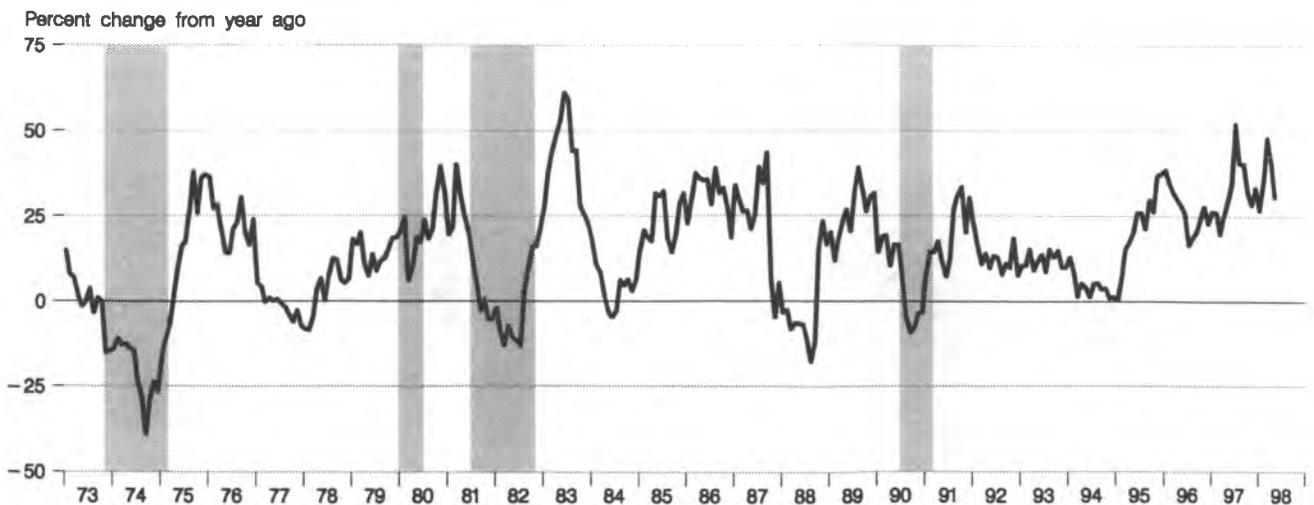
Interest Rates



Treasury Yield Curve

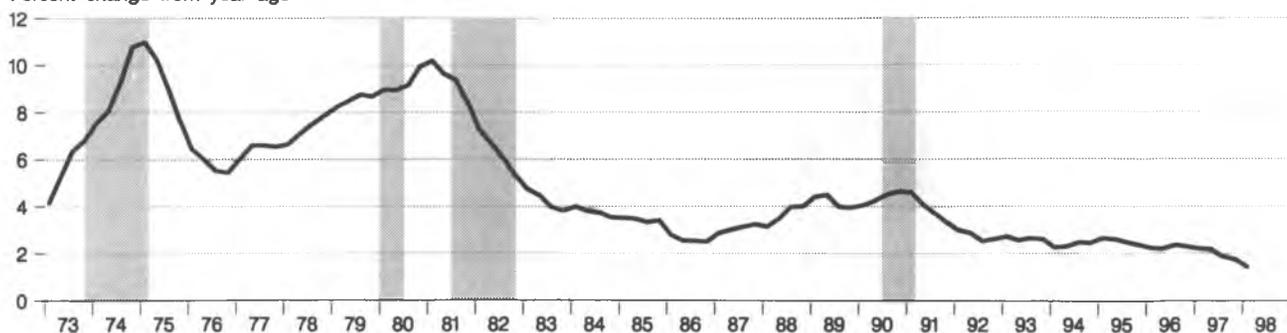


Standard and Poor's 500 Index with Reinvested Dividends



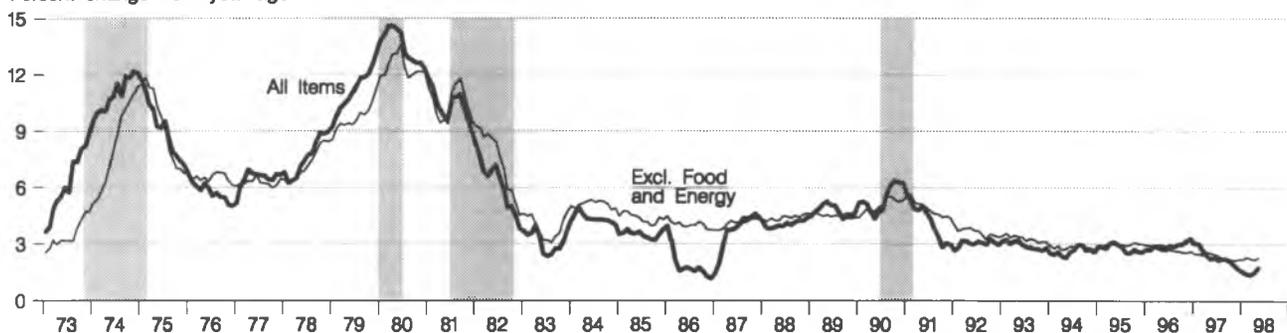
GDP Chain Price Index

Percent change from year ago



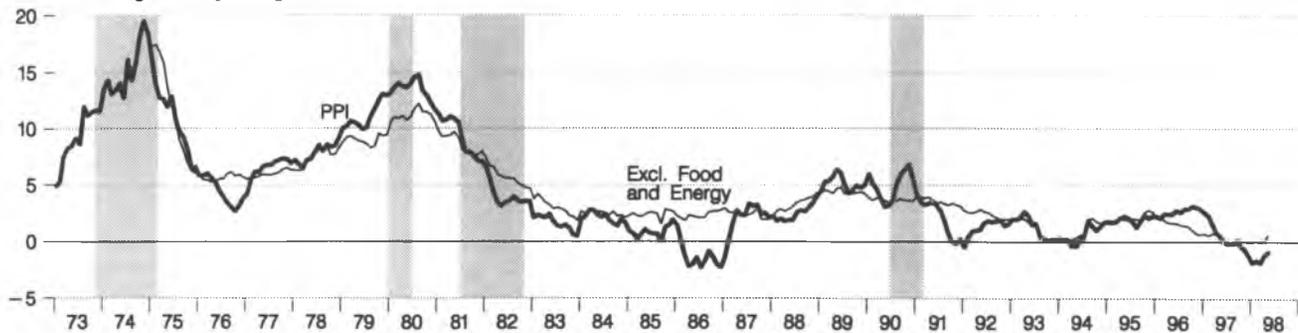
Consumer Price Index

Percent change from year ago



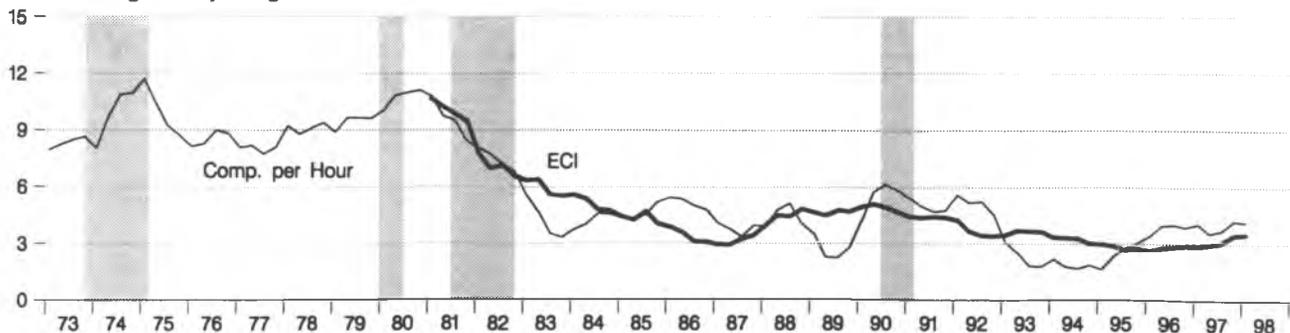
Producer Price Index, Finished Goods

Percent change from year ago



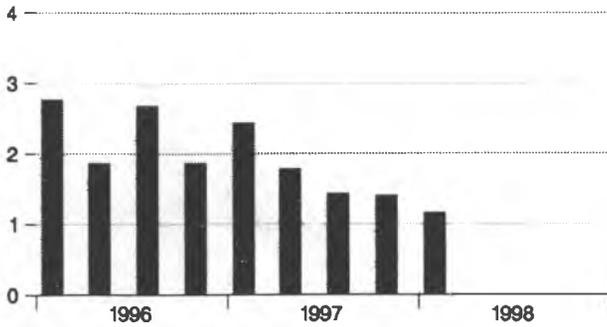
Employment Cost Index and Compensation per Hour

Percent change from year ago



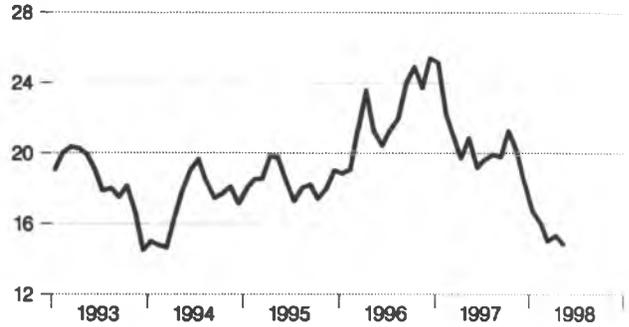
GDP Chain Price Index

Percent change at annual rate



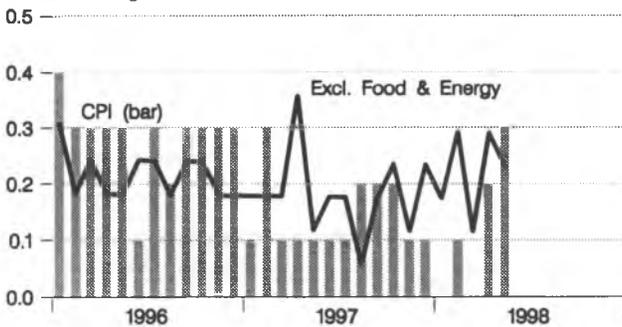
Crude Oil Price

Dollars per barrel



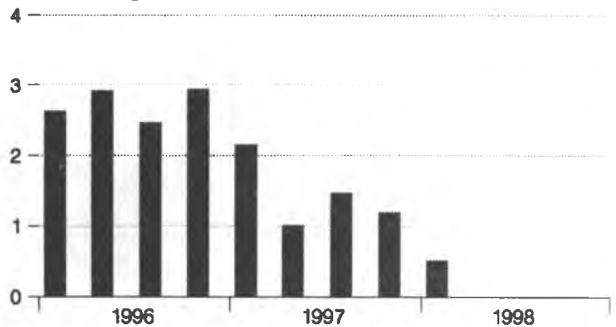
Consumer Price Index

Percent change



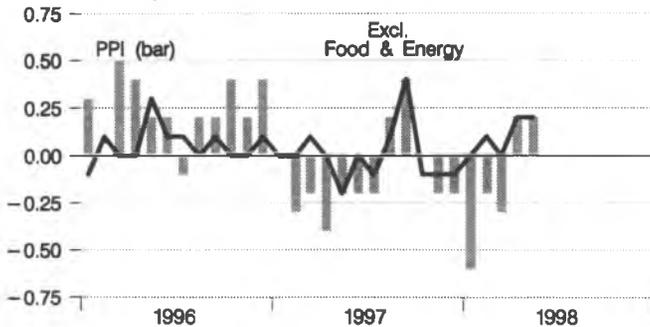
Consumption Chain Price Index

Percent change at annual rate



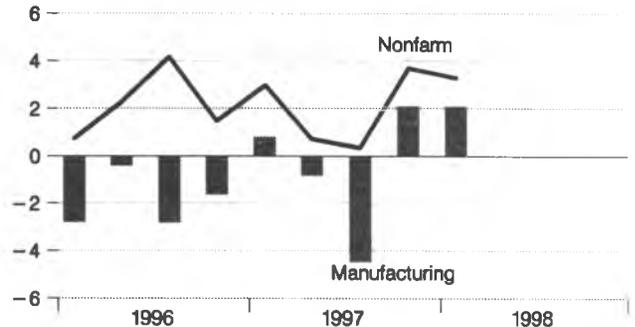
Producer Price Index, Finished Goods

Percent change



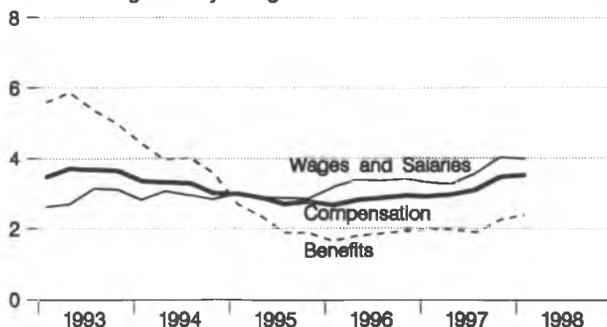
Unit Labor Cost

Percent change at annual rate



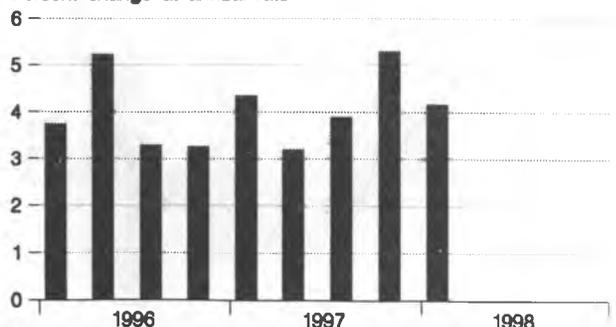
Employment Cost Index

Percent change from year ago



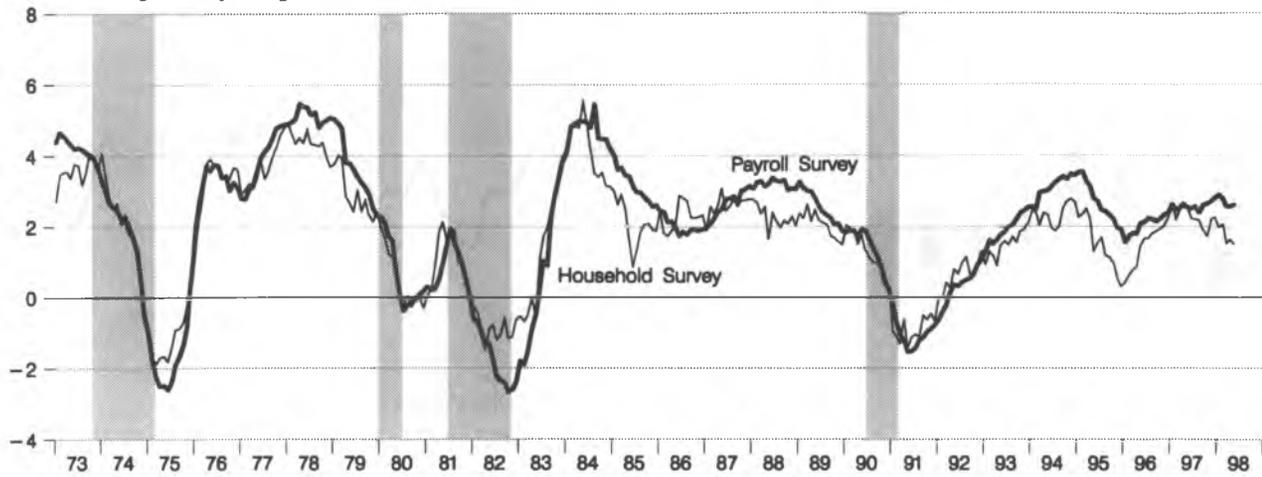
Compensation per Hour

Percent change at annual rate



Employment

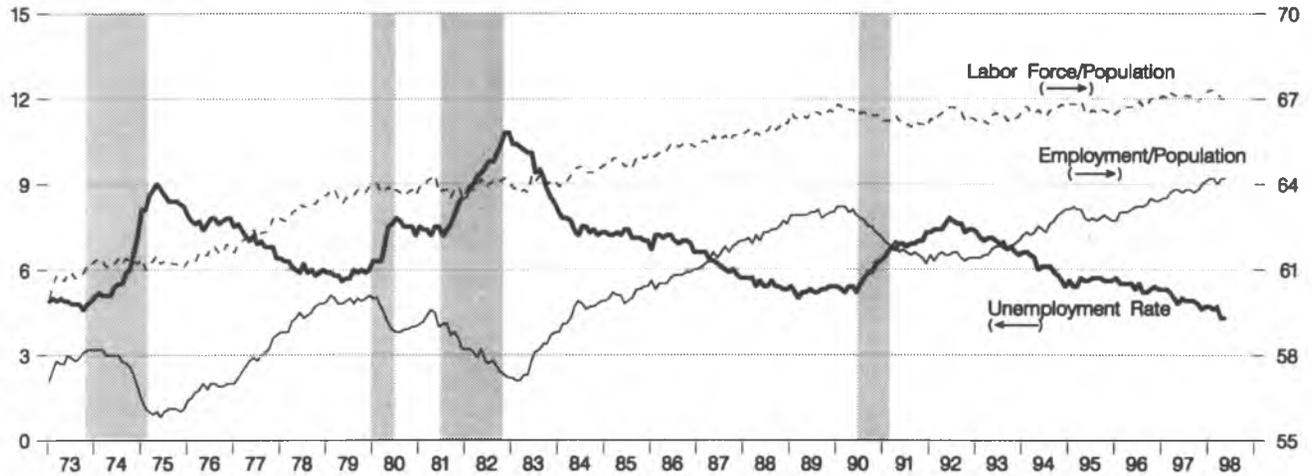
Percent change from year ago



Unemployment, Labor Force Participation and Employment Rates

Percent of labor force

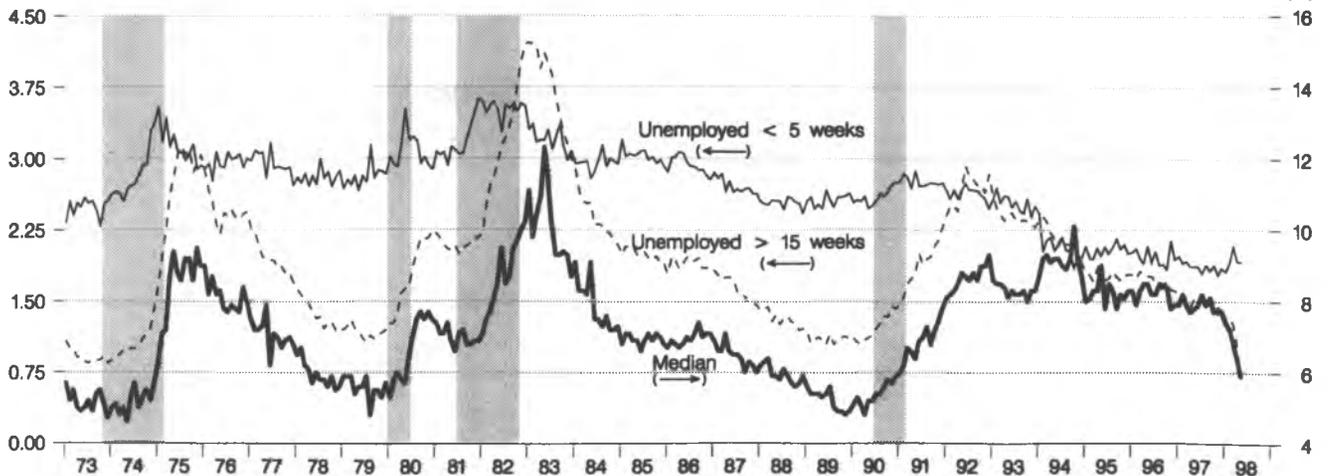
Percent of population



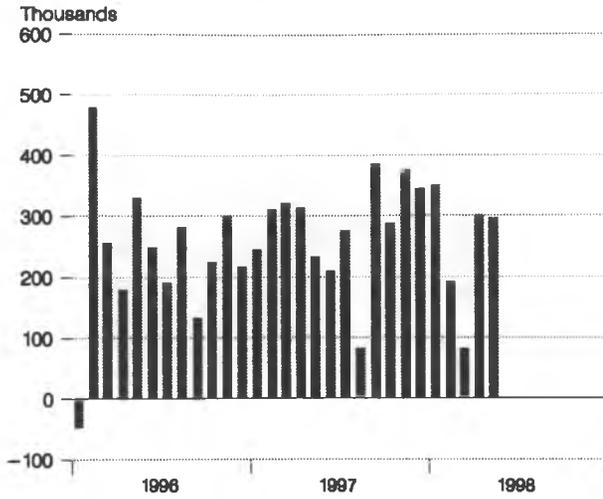
Duration of Unemployment

Percent of labor force

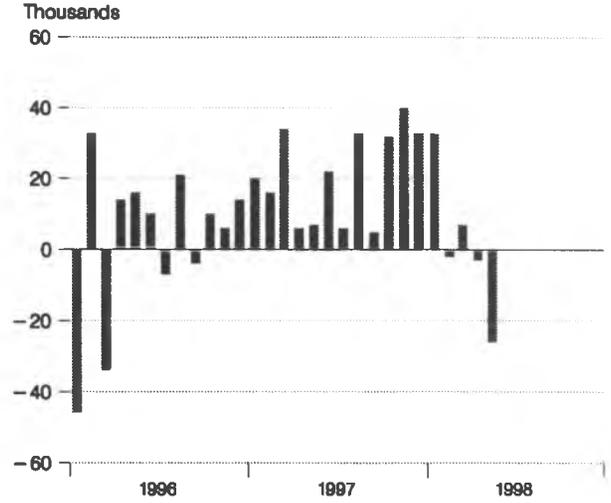
Weeks



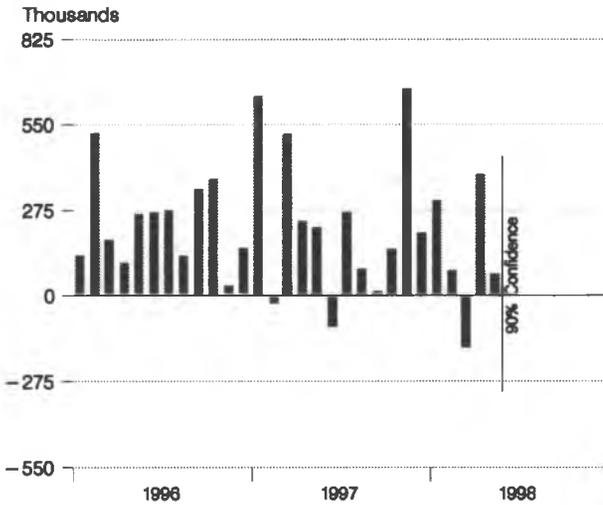
Change in Nonfarm Payrolls



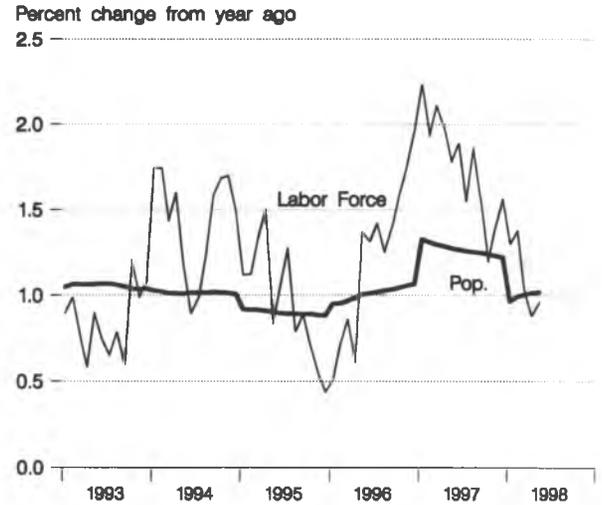
Change in Manufacturing Payrolls



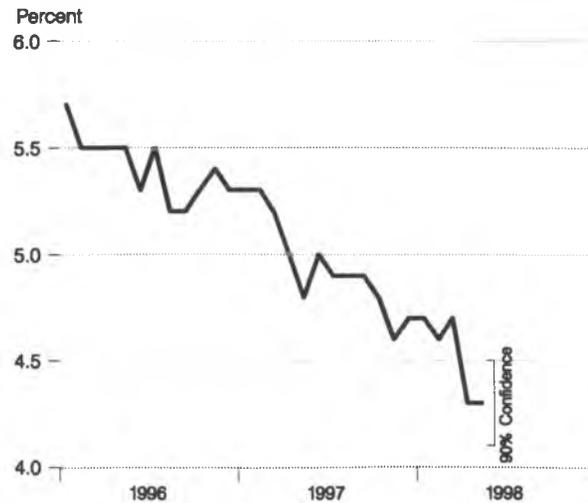
Change in Household Employment



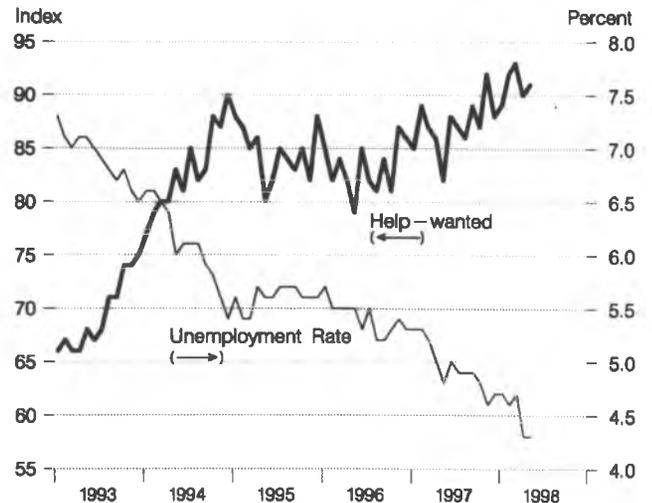
Labor Force and Population



Unemployment Rate

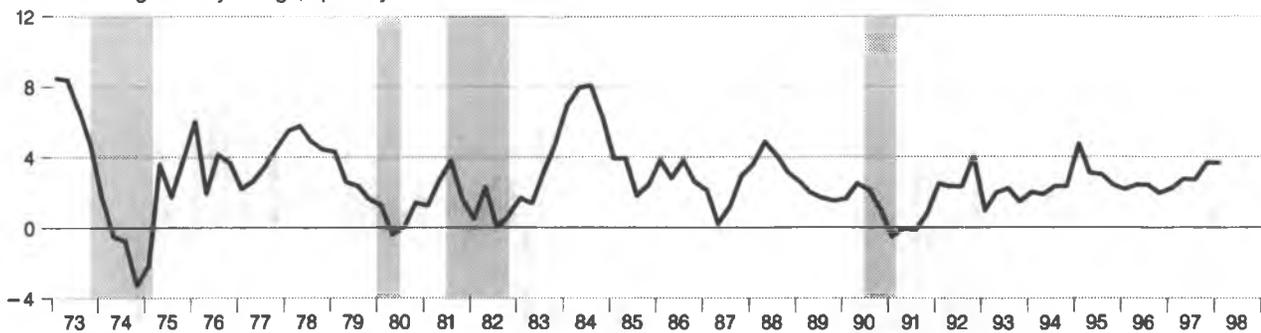


Help-Wanted Advertising



Real Disposable Income

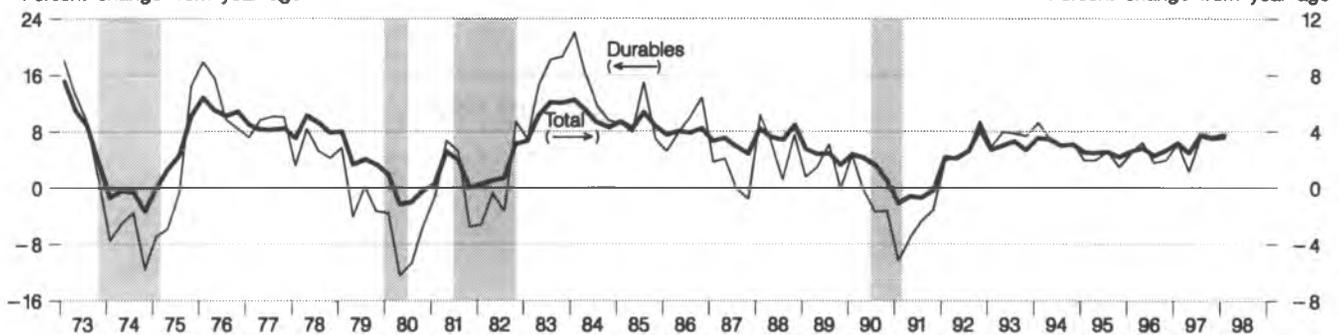
Percent change from year ago, quarterly data



Real Consumption

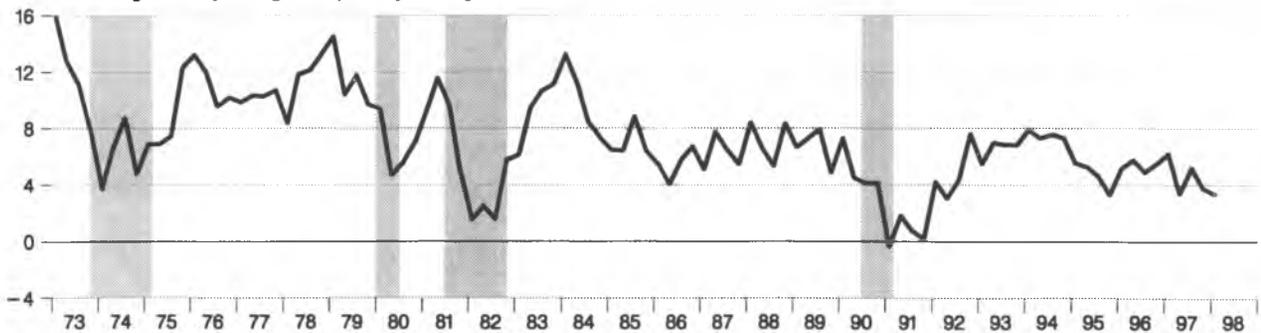
Percent change from year ago

Percent change from year ago



Retail Sales

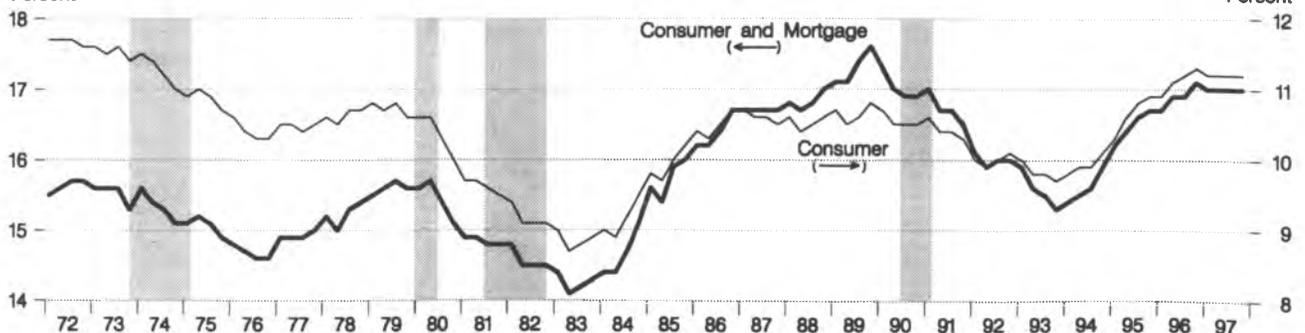
Percent change from year ago of quarterly average



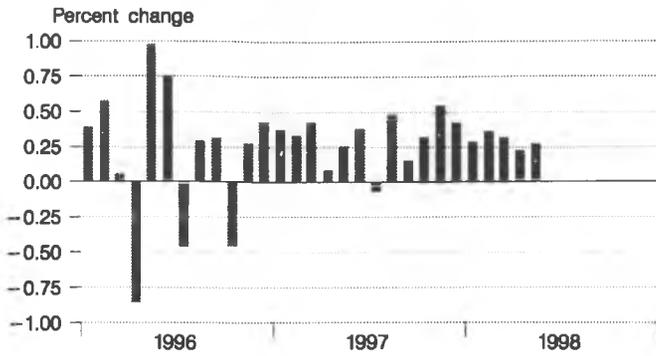
Debt Service as Percent of Disposable Income

Percent

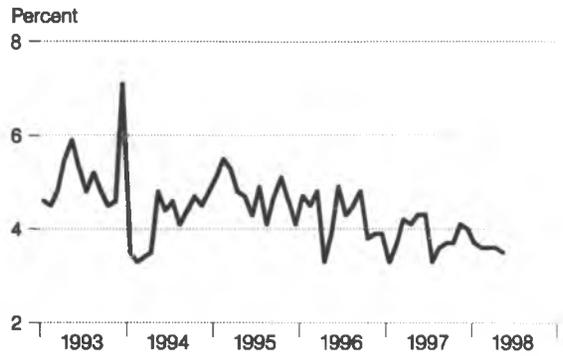
Percent



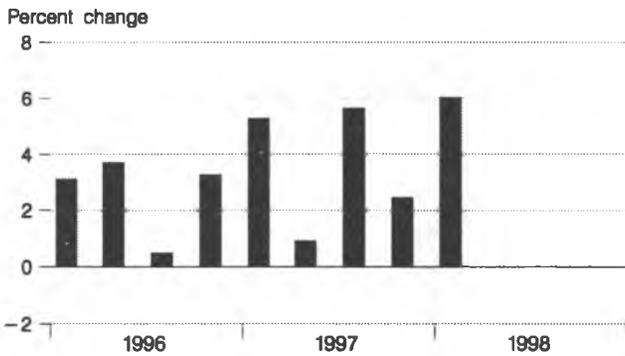
Real Disposable Income



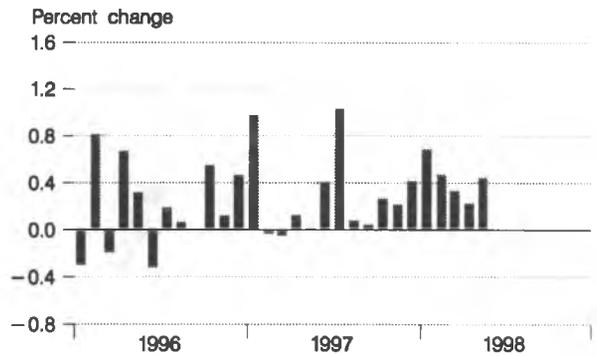
Personal Saving Rate



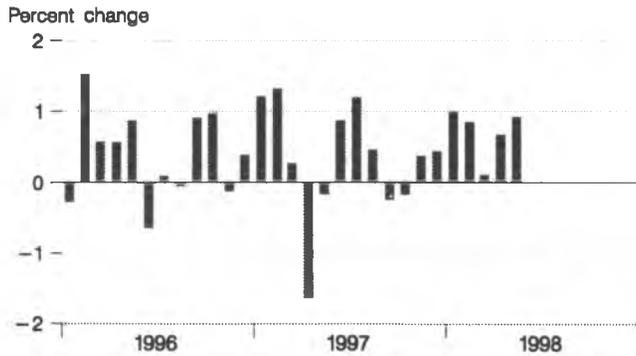
Real Consumption



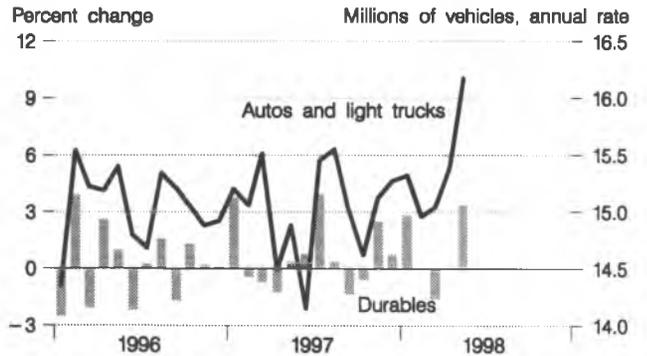
Real Consumption



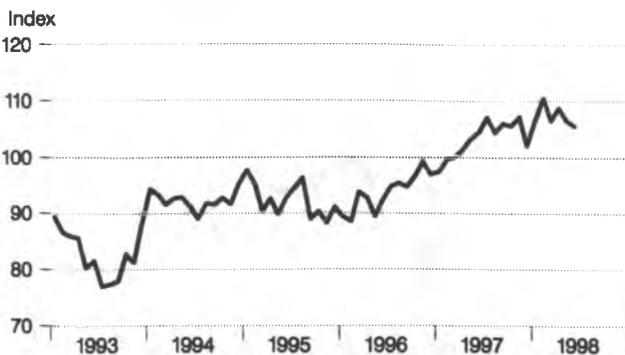
Retail Sales



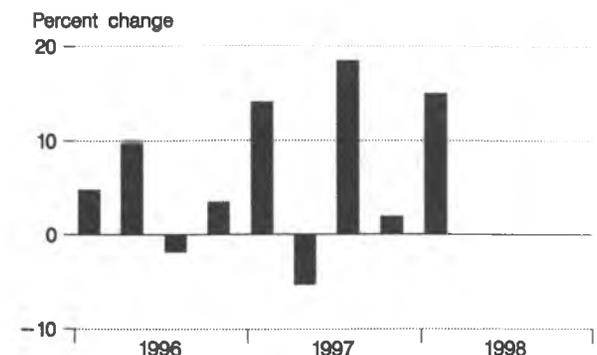
Real Durables Consumption and Vehicle Sales



Consumer Sentiment (U. of Michigan)

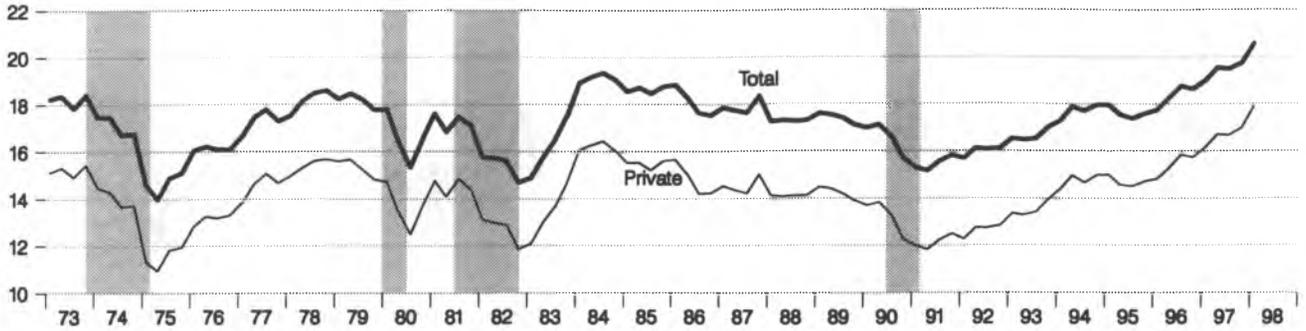


Real Durables Consumption



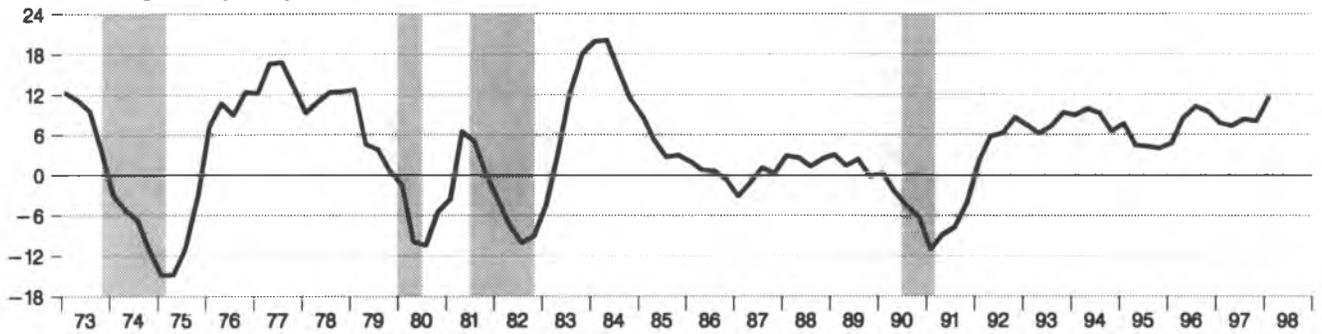
Real Investment

Percent of GDP



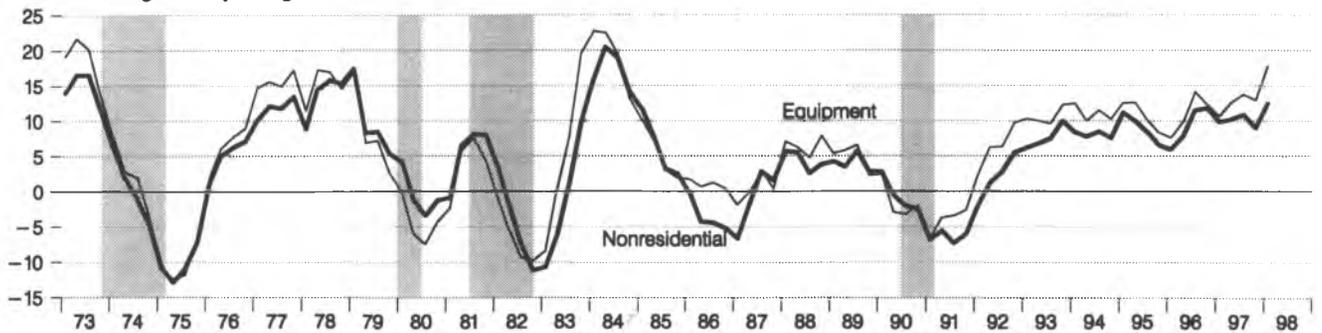
Real Private Fixed Investment

Percent change from year ago



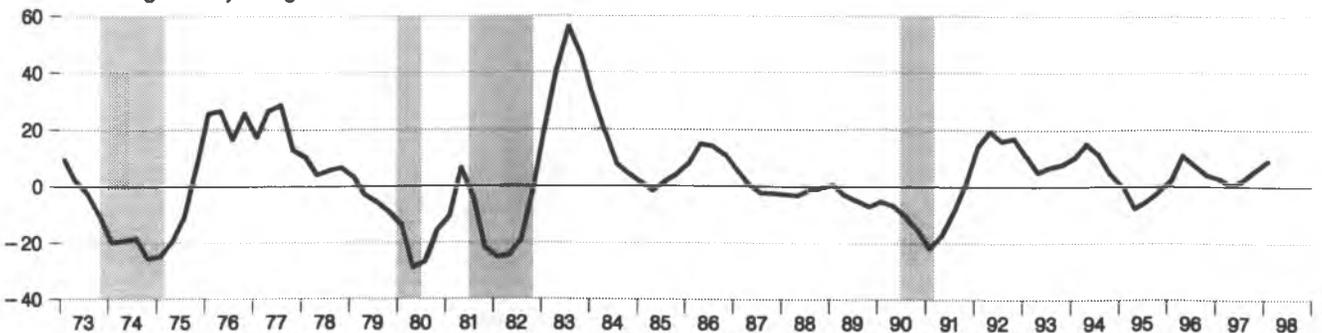
Real Nonresidential and Producers Durable Equipment Investment

Percent change from year ago

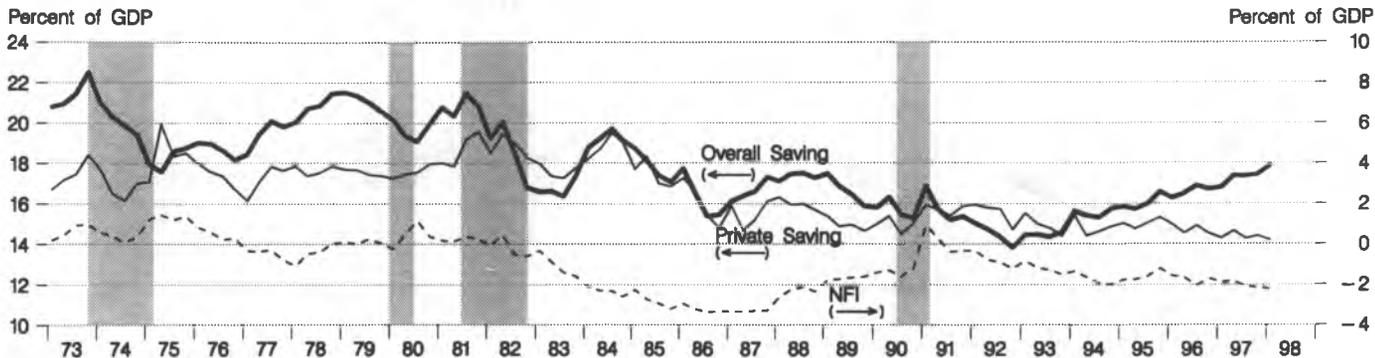


Real Residential Investment

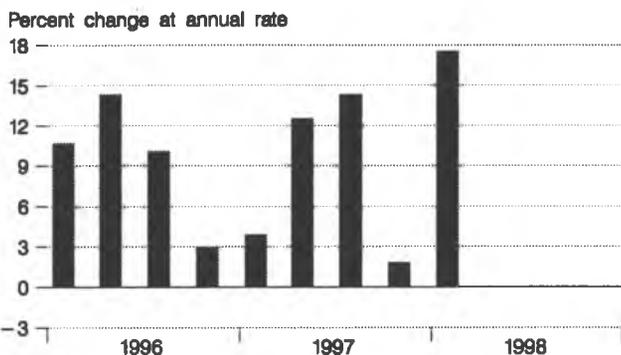
Percent change from year ago



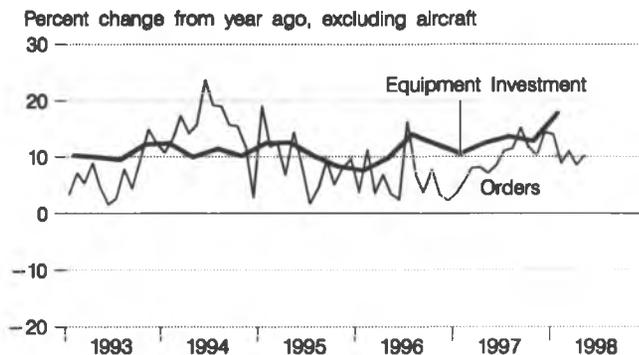
Gross Saving Rates and Net Foreign Investment



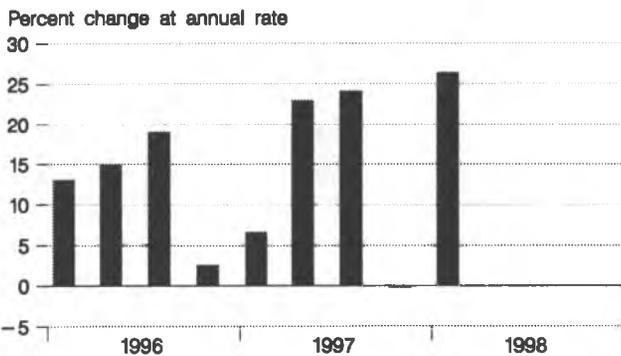
Real Private Fixed Investment



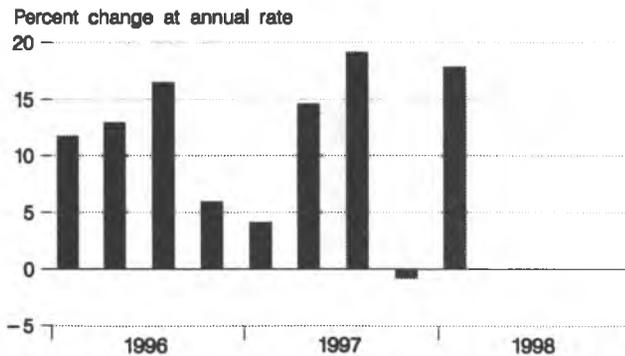
Nondense Capital Goods Orders



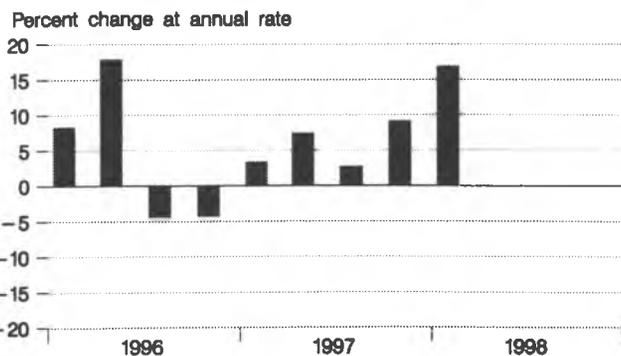
Real Equipment Investment



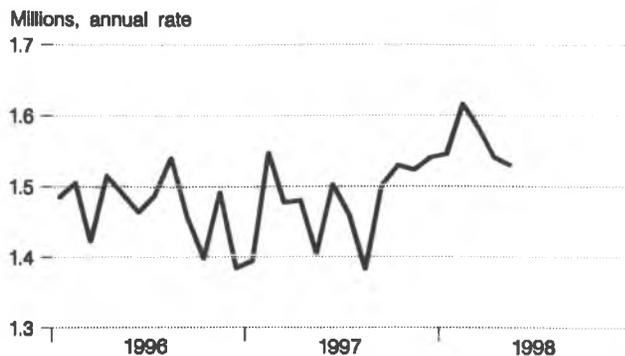
Real Nonresidential Investment



Real Residential Investment

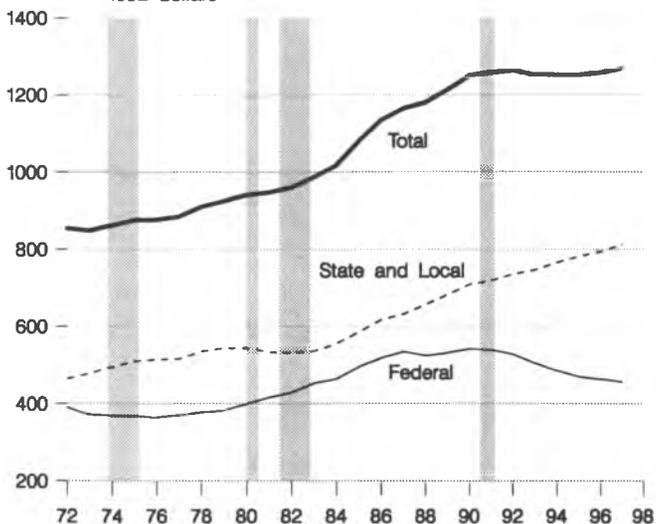


Housing Starts



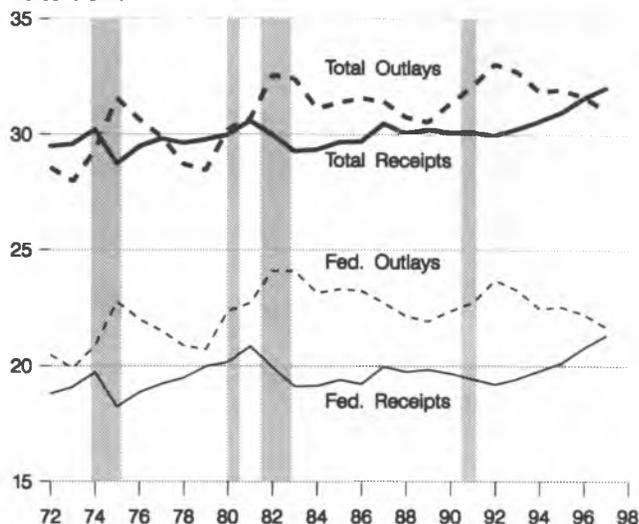
Govt. Consumption and Investment

Billions of 1992 dollars



Government Receipts and Outlays

Percent of GDP



Government Budgets

Billions of dollars

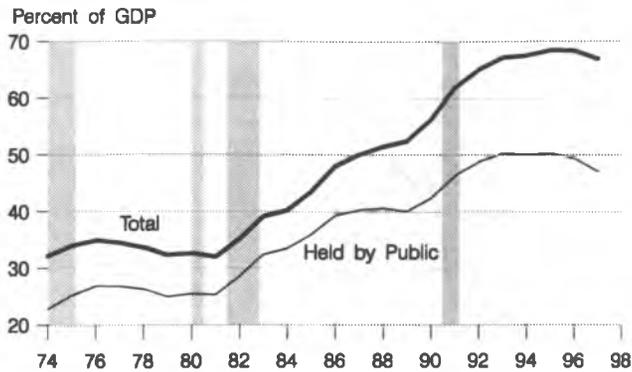
National Income Accounts Calendar Years

	State and Local			Federal		
	Receipts	Expenditures	Surplus or Deficit(-)	Receipts	Expenditures	Surplus or Deficit(-)
1975	225.6	198.0	27.6	297.4	371.3	-73.9
1976	253.9	217.9	36.0	343.1	400.3	-57.2
1977	281.9	237.1	44.8	389.6	435.9	-46.3
1978	309.3	256.7	52.6	446.5	478.1	-31.6
1979	330.6	278.3	52.3	511.1	529.5	-18.4
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	894.4	807.0	87.4	1275.1	1525.7	-250.6
1994	949.2	852.3	96.9	1374.8	1561.4	-186.6
1995	999.0	895.9	103.1	1463.2	1637.6	-174.4
1996	1043.4	938.0	105.4	1587.6	1698.1	-110.5
1997	1090.4	982.6	107.8	1723.4	1752.2	-28.8

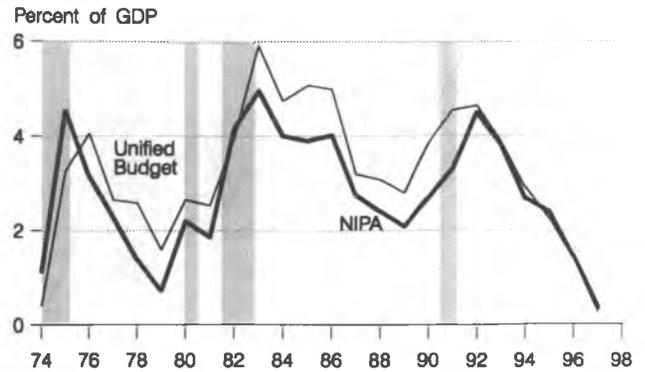
Unified Budget Fiscal Years

	Federal		Surplus or Deficit(-)
	Receipts	Outlays	
1975	279.1	332.3	-53.2
1976	298.1	371.8	-73.7
1977	355.6	409.2	-53.7
1978	399.6	458.7	-59.2
1979	463.3	504.0	-40.7
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	851.9	-185.4
1985	734.1	946.4	-212.3
1986	769.2	990.5	-221.2
1987	854.4	1004.1	-149.8
1988	909.3	1064.5	-155.2
1989	991.2	1143.7	-152.5
1990	1032.0	1253.2	-221.2
1991	1055.0	1324.4	-269.4
1992	1091.3	1381.7	-290.4
1993	1154.4	1409.4	-255.0
1994	1258.6	1461.7	-203.1
1995	1351.8	1515.7	-163.9
1996	1453.1	1560.5	-107.5
1997	1579.3	1601.2	-21.9

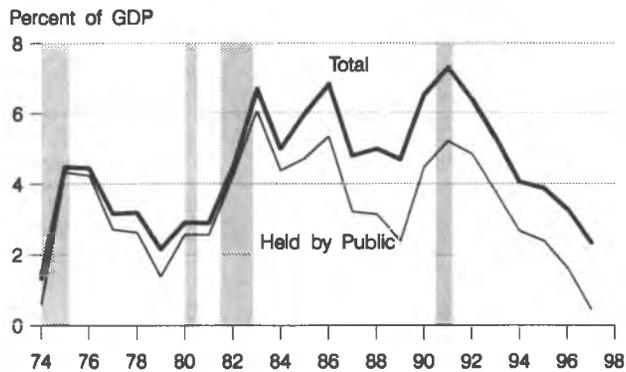
Federal Debt



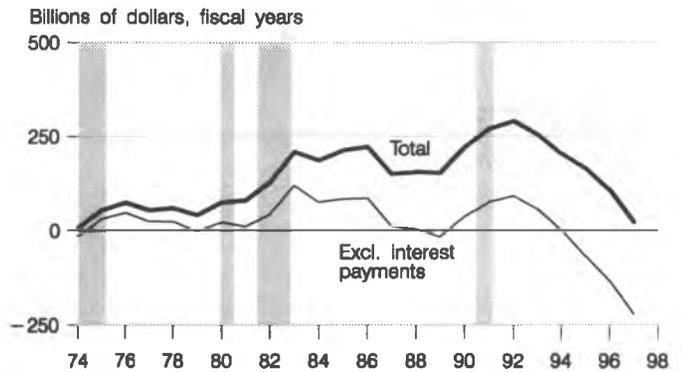
Federal Deficit



Change in Federal Debt



Federal Deficit, Unified Basis

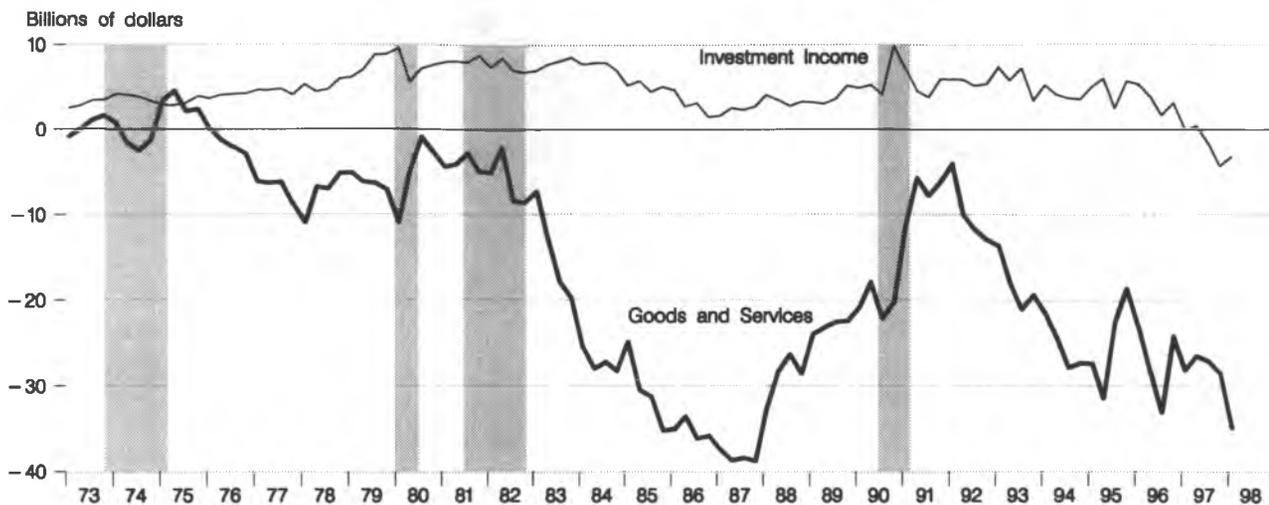


Federal Government Debt

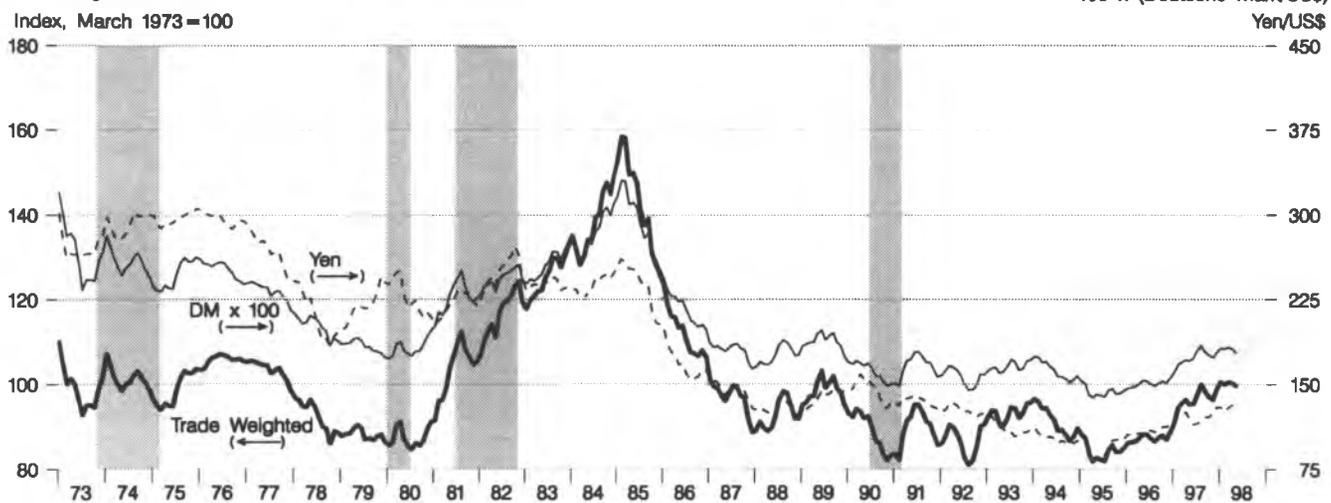
Billions of dollars, end of month or fiscal year, excluding agency-issued debt

	Total Public Debt	Held by Agencies and Trusts	Held by Public		Held by Private Investors	
			Total	Federal Reserve Banks	Total	Foreign and International
1994	4692.8	1213.1	3479.7	355.2	3127.8	655.8
1995	4974.0	1320.8	3653.2	374.1	3279.5	848.4
1996	5224.8	1447.0	3777.8	390.9	3386.2	1026.1
1997	5413.1	1598.5	3814.7	436.5	3388.9	1266.0
1995						
March	4864.1	1254.7	3609.5	369.3	3239.2	729.2
June	4951.4	1316.6	3634.8	389.0	3245.0	784.2
September	4974.0	1320.8	3653.2	374.1	3279.5	848.4
December	4988.7	1304.5	3684.2	391.0	3294.9	862.2
1996						
March	5117.8	1353.8	3764.0	381.0	3382.8	936.6
June	5161.1	1422.4	3738.6	391.0	3347.3	960.3
September	5224.8	1447.0	3777.8	390.9	3386.2	1026.1
December	5323.2	1497.2	3826.0	410.9	3411.2	1135.6
1997						
March	5380.9	1506.8	3874.1	405.6	3451.7	1192.5
June	5376.2	1571.6	3804.6	426.4	3361.7	1221.9
September	5413.1	1598.5	3814.7	436.5	3388.9	1266.0
December	5502.4	1655.7	3846.7	451.9	3393.4	1278.0
1998						
March	5542.4	1670.4	3872.0	400.0	3430.7	1288.0

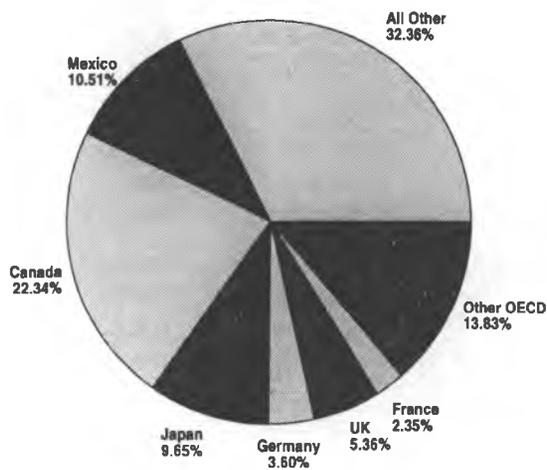
Trade and Investment Income Balances



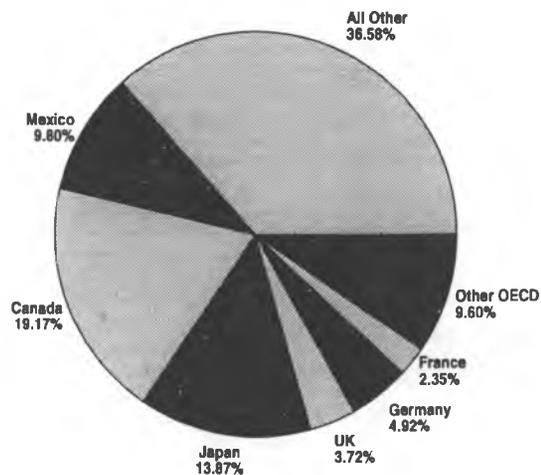
Exchange Rates



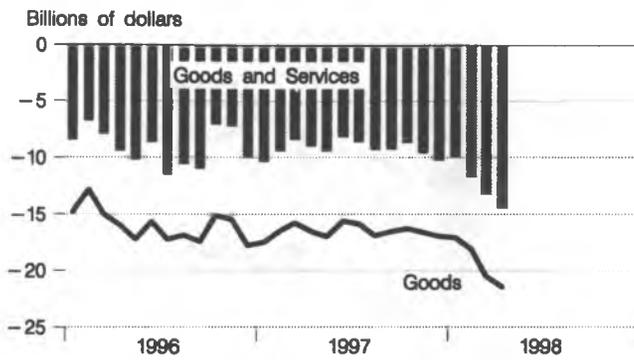
Goods Export Shares, 1997



Goods Import Shares, 1997



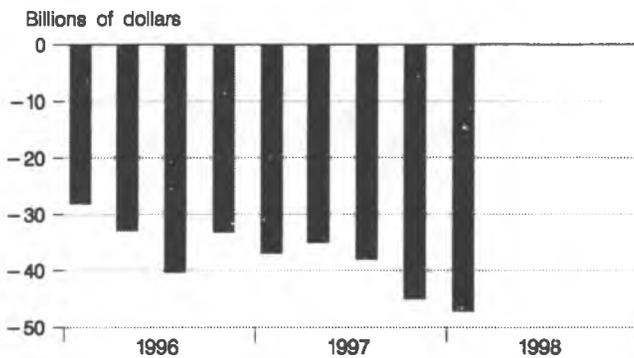
Trade Balance



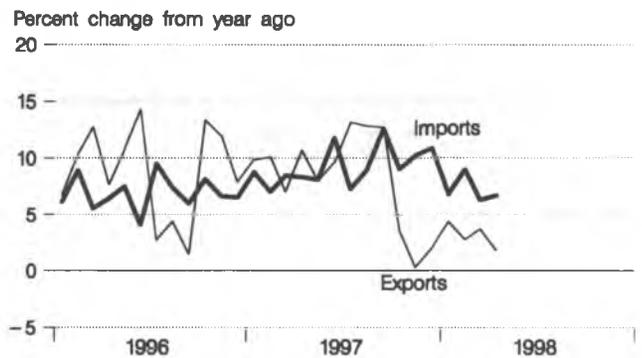
Goods Trade



Current Account Balance



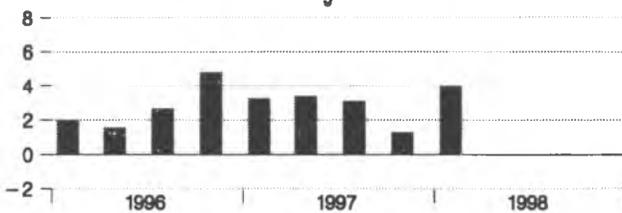
Services Trade



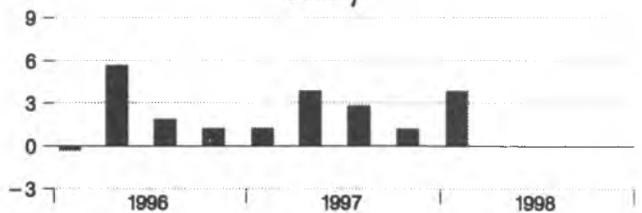
Real GDP Growth of Major Trading Partners

Percent change at annual rate

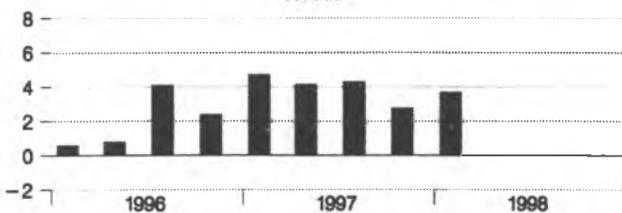
United Kingdom



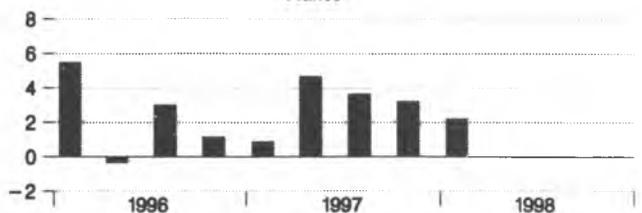
Germany



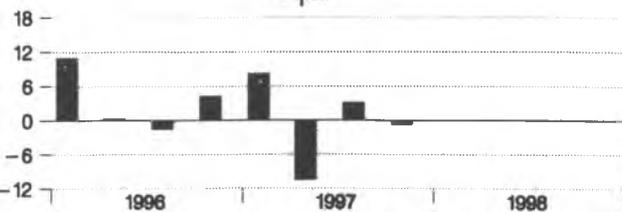
Canada



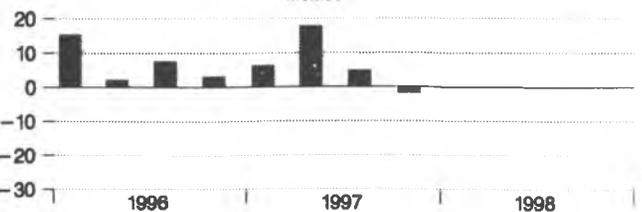
France



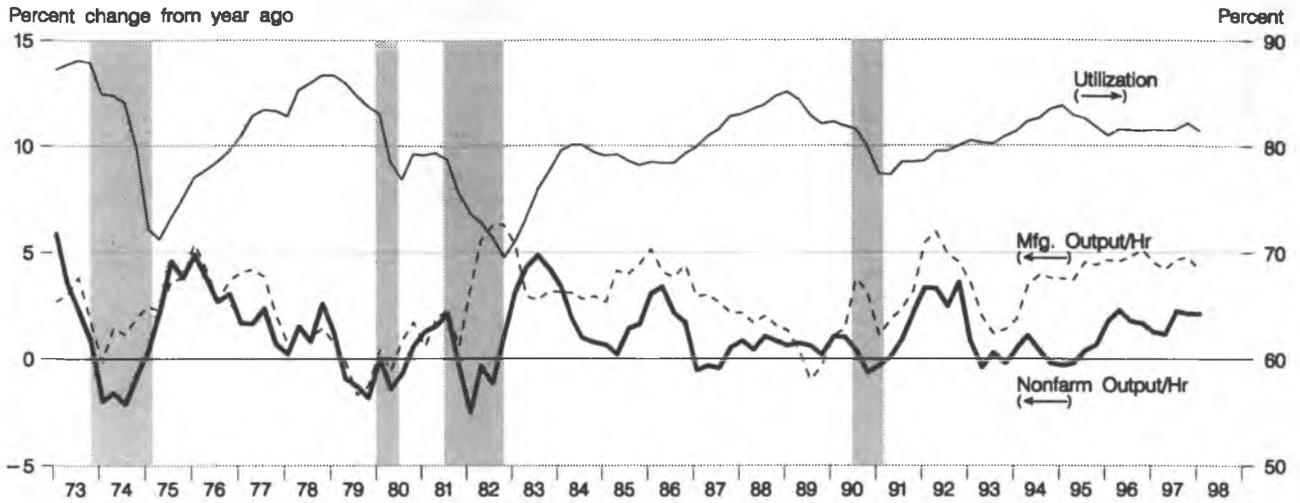
Japan



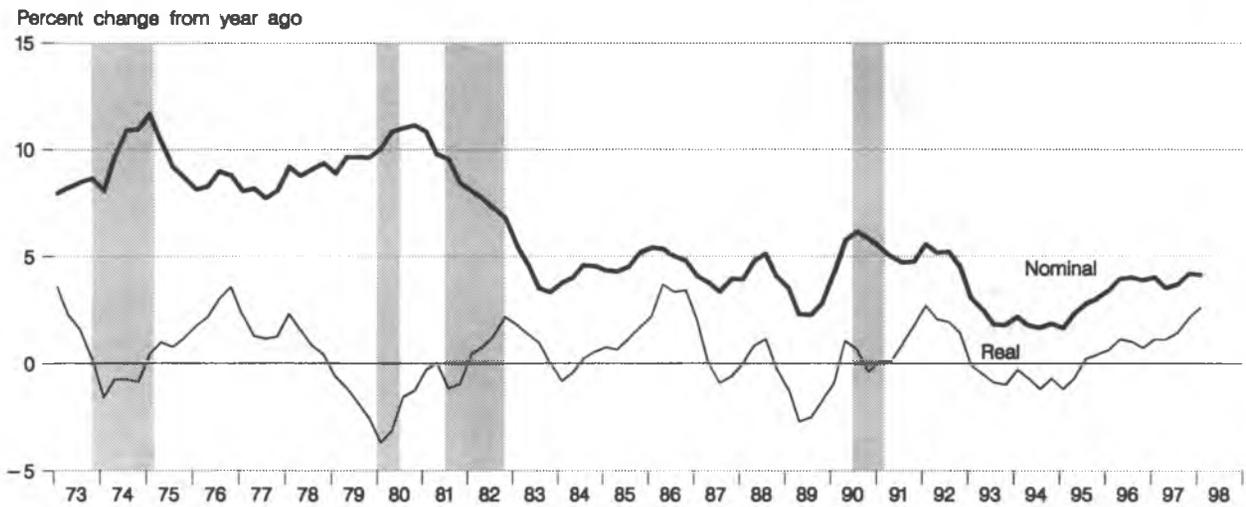
Mexico



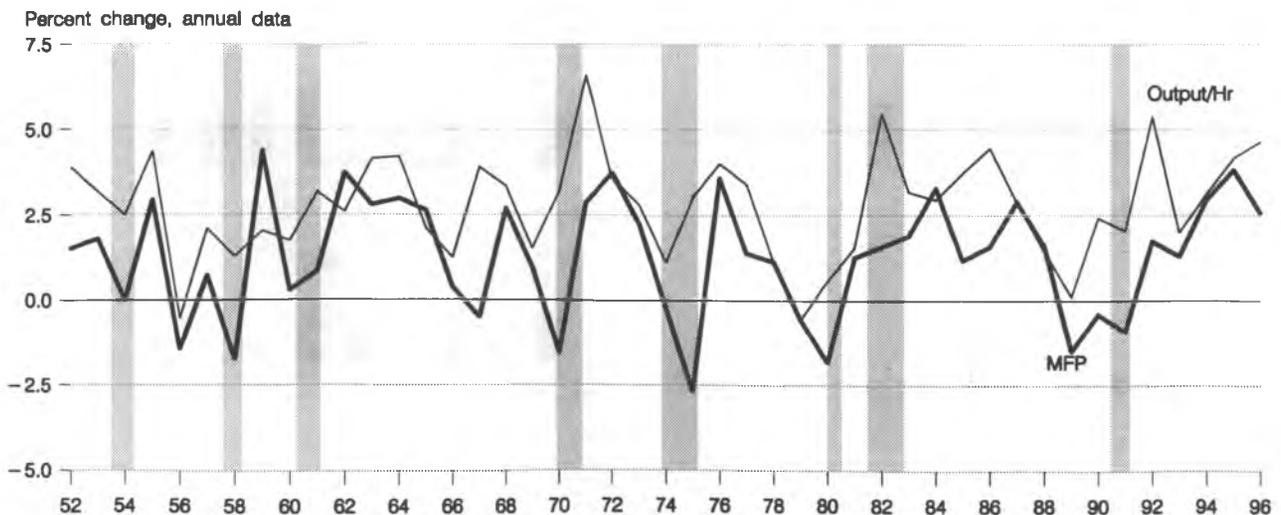
Output per Hour and Manufacturing Capacity Utilization



Nonfarm Compensation per Hour

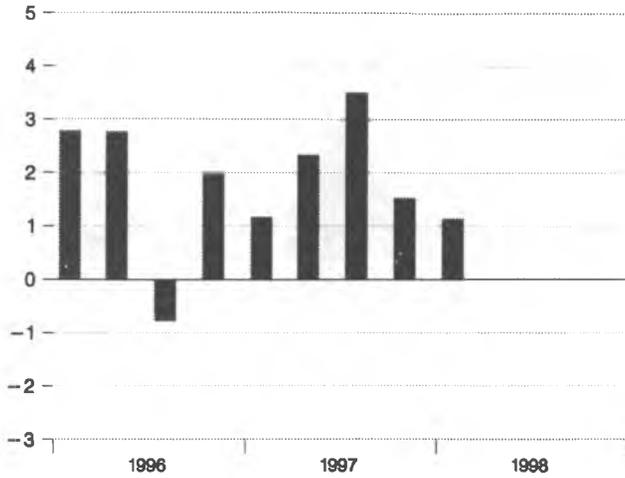


Output per Hour and Multifactor Productivity, Manufacturing



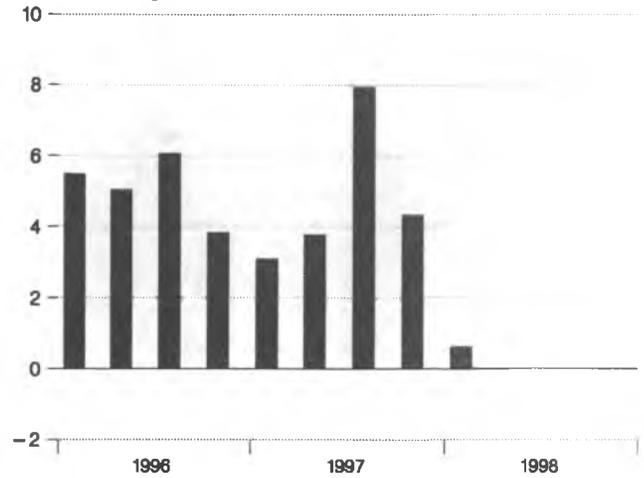
Nonfarm Output per Hour

Percent change at annual rate

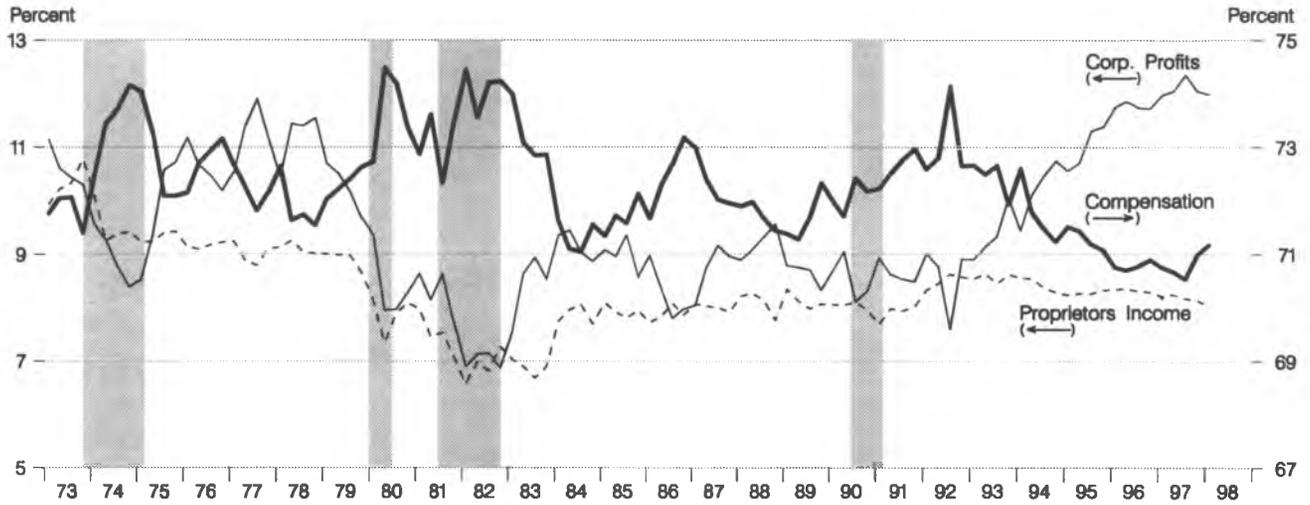


Manufacturing Output per Hour

Percent change at annual rate

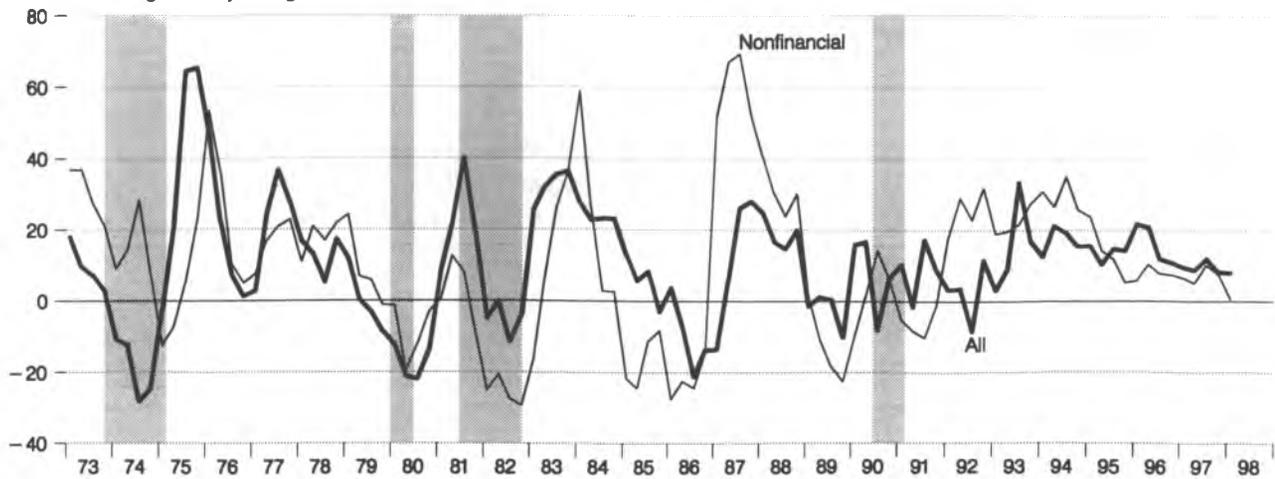


Selected Component Shares of National Income



Corporate Profits after Tax (with IVA and CCA_{dj})

Percent change from year ago



National Economic Trends

	Nominal GDP			Real GDP			Final Sales			Change in Business Inventories		
	Billions of \$	Percent change		Billions of 1992 \$	Percent change		Billions of 1992 \$	Percent change		Billions of 1992 \$		
Annual rate		Year ago	Annual rate		Year ago	Annual rate		Year ago	Last qtr	Year/Year ago		
1993	6558.1		5.0	6389.563		2.3	6368.864		2.1		22.102	
1994	6947.0		5.9	6610.741		3.5	6551.247		2.9		60.552	
1995	7265.4		4.6	6742.062		2.0	6712.672		2.5		27.341	
1996	7636.0		5.1	6928.396		2.8	6900.980		2.8		25.038	
1997	8079.9		5.8	7188.820		3.8	7118.324		3.1		65.712	
1995 1	7168.9	4.2	5.5	6703.721	0.9	2.7	6654.289	1.8	2.8	48.479	59.407	
2	7209.5	2.3	4.3	6708.841	0.3	1.6	6685.289	1.9	2.4	21.638	45.842	
3	7301.3	5.2	4.5	6759.234	3.0	2.0	6739.306	3.3	2.4	17.023	37.683	
4	7381.9	4.5	4.0	6796.513	2.2	1.6	6771.927	2.0	2.2	22.223	27.341	
1996 1	7467.5	4.7	4.2	6826.362	1.8	1.8	6814.966	2.6	2.4	8.039	17.231	
2	7607.7	7.7	5.5	6926.023	6.0	3.2	6902.290	5.2	3.2	21.288	17.143	
3	7676.0	3.6	5.1	6943.820	1.0	2.7	6905.034	0.2	2.5	37.903	22.363	
4	7792.9	6.2	5.6	7017.379	4.3	3.2	6981.692	4.5	3.1	32.922	25.038	
1997 1	7933.6	7.4	6.2	7101.617	4.9	4.0	7034.087	3.0	3.2	63.657	38.943	
2	8034.3	5.2	5.6	7159.627	3.3	3.4	7077.749	2.5	2.5	77.603	53.021	
3	8124.3	4.6	5.8	7214.017	3.1	3.9	7160.333	4.7	3.7	47.539	55.430	
4	8227.4	5.2	5.6	7280.020	3.7	3.7	7201.126	2.3	3.1	74.049	65.712	
1998 1	8359.3	6.6	5.4	7375.685	5.4	3.9	7266.432	3.7	3.3	105.747	76.235	
	Consumption			Durable Consumption			Private Fixed Investment			Nonresidential Investment		
	Billions of 1992 \$	Percent change		Billions of 1992 \$	Percent change		Billions of 1992 \$	Percent change		Billions of 1992 \$	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
1993	4343.563		2.9	523.841		7.2	842.772		7.6	600.167		7.6
1994	4485.981		3.3	561.189		7.1	915.536		8.6	648.361		8.0
1995	4595.273		2.4	583.598		4.0	962.119		5.1	706.513		9.0
1996	4714.061		2.6	611.107		4.7	1041.699		8.3	771.683		9.2
1997	4867.461		3.3	645.548		5.6	1123.564		7.9	848.268		9.9
1995 1	4551.303	1.5	2.5	572.230	-3.0	3.9	955.820	7.6	7.7	695.674	14.2	11.1
2	4583.458	2.9	2.5	577.706	3.9	3.9	954.034	-0.7	4.5	705.353	5.7	10.0
3	4612.912	2.6	2.5	590.755	9.3	5.2	962.315	3.5	4.3	708.231	1.6	8.4
4	4633.463	1.8	2.2	593.701	2.0	3.0	976.315	5.9	4.0	716.800	4.9	6.5
1996 1	4669.373	3.1	2.6	600.662	4.8	5.0	1001.533	10.7	4.8	736.939	11.7	5.9
2	4712.204	3.7	2.8	614.771	9.7	6.4	1035.683	14.4	8.6	759.734	13.0	7.7
3	4718.196	0.5	2.3	611.864	-1.9	3.6	1060.886	10.1	10.2	789.290	16.5	11.4
4	4756.427	3.3	2.7	617.131	3.5	3.9	1068.696	3.0	9.5	800.771	5.9	11.7
1997 1	4818.079	5.3	3.2	637.766	14.1	6.2	1079.006	3.9	7.7	808.932	4.1	9.8
2	4829.430	0.9	2.5	628.992	-5.4	2.3	1111.393	12.6	7.3	836.993	14.6	10.2
3	4896.187	5.6	3.8	656.140	18.4	7.2	1149.303	14.4	8.3	874.482	19.2	10.8
4	4926.148	2.5	3.6	659.296	1.9	6.8	1154.552	1.8	8.0	872.663	-0.8	9.0
1998 1	4998.686	6.0	3.7	682.721	15.0	7.0	1202.239	17.6	11.4	909.220	17.8	12.4

National Economic Trends

	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
1993	102.643		2.6	118.4		3.6	115.2		2.9	127.0		5.4
1994	105.088		2.4	122.2		3.2	118.5		2.9	132.1		4.0
1995	107.763		2.5	125.7		2.8	121.9		2.9	135.0		2.2
1996	110.224		2.3	129.2		2.8	126.0		3.3	137.4		1.8
1997	112.447		2.0	133.2		3.1	130.4		3.5	140.2		2.0
1995 1	106.933	3.3	2.7	124.4	2.9	3.0	120.6	2.7	3.0	133.9	1.2	2.7
2	107.485	2.1	2.6	125.3	2.9	2.9	121.5	3.0	2.9	134.6	2.1	2.4
3	108.031	2.0	2.5	126.1	2.6	2.7	122.4	3.0	2.9	135.3	2.1	1.9
4	108.603	2.1	2.4	126.9	2.6	2.8	123.2	2.6	2.8	136.0	2.1	1.9
1996 1	109.349	2.8	2.3	127.7	2.5	2.7	124.4	4.0	3.2	136.1	0.3	1.6
2	109.857	1.9	2.2	128.8	3.5	2.8	125.6	3.9	3.4	137.0	2.7	1.8
3	110.588	2.7	2.4	129.7	2.8	2.9	126.5	2.9	3.3	137.8	2.4	1.8
4	111.103	1.9	2.3	130.6	2.8	2.9	127.4	2.9	3.4	138.6	2.3	1.9
1997 1	111.775	2.4	2.2	131.4	2.5	2.9	128.5	3.5	3.3	138.8	0.6	2.0
2	112.272	1.8	2.2	132.6	3.7	3.0	129.7	3.8	3.3	139.7	2.6	2.0
3	112.673	1.4	1.9	133.7	3.4	3.1	131.0	4.1	3.6	140.4	2.0	1.9
4	113.068	1.4	1.8	135.1	4.3	3.4	132.5	4.7	4.0	141.7	3.8	2.2
1998 1	113.395	1.2	1.4	136.0	2.7	3.5	133.6	3.4	4.0	142.1	1.1	2.4
	Exports			Imports			Nonfarm Output per Hour			Nonfarm Compensation/Hr		
	Billions of 1992 \$	Percent change		Billions of 1992 \$	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
1993	658.183		2.9	728.409		8.9	100.1		0.1	102.3		2.3
1994	712.399		8.2	817.026		12.2	100.5		0.4	104.1		1.8
1995	791.213		11.1	890.057		8.9	100.7		0.2	106.7		2.5
1996	857.022		8.3	971.469		9.1	102.6		1.9	110.8		3.8
1997	962.710		12.3	1109.233		14.2	104.3		1.7	115.0		3.8
1995 1	760.368	7.2	12.5	873.861	10.0	13.0	100.3	-1.6	-0.3	105.5	2.3	1.6
2	777.447	9.3	10.4	890.284	7.7	10.2	100.5	0.8	-0.2	106.3	3.1	2.3
3	802.435	13.5	11.1	895.368	2.3	7.5	100.8	1.2	0.4	107.1	3.0	2.8
4	824.604	11.5	10.3	900.720	2.4	5.6	101.4	2.4	0.7	108.1	3.8	3.1
1996 1	828.178	1.7	8.9	928.963	13.1	6.3	102.1	2.8	1.8	109.1	3.8	3.4
2	847.444	9.6	9.0	960.043	14.1	7.8	102.8	2.8	2.3	110.5	5.2	4.0
3	851.382	1.9	6.1	990.240	13.2	10.6	102.6	-0.8	1.8	111.4	3.3	4.0
4	901.071	25.5	9.3	1006.623	6.8	11.8	103.1	2.0	1.7	112.3	3.3	3.9
1997 1	922.652	9.9	11.4	1048.941	17.9	12.9	103.4	1.2	1.3	113.5	4.3	4.0
2	962.500	18.4	13.6	1099.106	20.5	14.5	104.0	2.3	1.2	114.4	3.2	3.5
3	973.025	4.4	14.3	1137.097	14.6	14.8	104.9	3.5	2.2	115.5	3.9	3.7
4	992.661	8.3	10.2	1151.787	5.3	14.4	105.3	1.5	2.1	117.0	5.3	4.2
1998 1	989.618	-1.2	7.3	1198.032	17.1	14.2	105.6	1.1	2.1	118.2	4.2	4.1

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	
1993	120259	1771		1.5	110692	2101		1.9	124.6			2.9	
1994	123069	2810		2.3	114131	3440		3.1	129.9			4.2	
1995	124903	1834		1.5	117187	3055		2.7	133.4			2.7	
1996	126708	1805		1.4	119590	2403		2.1	136.6			2.4	
1997	129557	2849		2.2	122677	3086		2.6	141.4			3.5	
1996	1	125656	449	1.4	0.6	118459	524	1.8	1.7	134.5	0.2	1.0	1.2
	2	126323	667	2.1	1.3	119273	814	2.8	2.0	136.2	1.3	5.3	2.5
	3	127067	744	2.4	1.8	119974	701	2.4	2.2	137.3	0.8	3.1	2.7
	4	127787	720	2.3	2.1	120655	681	2.3	2.3	138.4	0.8	3.3	3.2
1997	1	128697	910	2.9	2.4	121461	805	2.7	2.5	139.7	1.0	3.9	3.9
	2	129387	690	2.2	2.4	122317	856	2.9	2.6	140.9	0.8	3.4	3.4
	3	129723	336	1.0	2.1	122995	678	2.2	2.5	141.7	0.6	2.3	3.2
	4	130421	698	2.2	2.1	123934	939	3.1	2.7	143.1	1.0	4.1	3.4
1998	1	131080	659	2.0	1.9	124795	862	2.8	2.7	144.3	0.8	3.2	3.2
1996	May	126321	264	2.5	1.5	119300	331	3.4	2.1	136.2	0.6	7.3	2.8
	Jun	126591	270	2.6	1.7	119549	249	2.5	2.1	137.1	0.7	8.2	2.9
	Jul	126867	276	2.6	1.7	119741	192	1.9	2.2	136.6	-0.4	-4.3	2.6
	Aug	126995	128	1.2	1.8	120024	283	2.9	2.2	137.3	0.5	6.3	2.7
	Sep	127338	343	3.3	1.9	120157	133	1.3	2.1	137.9	0.4	5.4	2.8
	Oct	127715	377	3.6	1.9	120382	225	2.3	2.2	137.9	0.0	0.0	2.9
	Nov	127746	31	0.3	2.0	120683	301	3.0	2.3	138.3	0.3	3.5	3.0
	Dec	127899	153	1.4	2.2	120901	218	2.2	2.4	139.0	0.5	6.2	3.6
1997	Jan	128541	642	6.2	2.6	121146	245	2.5	2.6	138.8	-0.1	-1.7	4.7
	Feb	128515	-26	-0.2	2.2	121457	311	3.1	2.5	139.8	0.7	9.0	3.3
	Mar	129035	520	5.0	2.4	121779	322	3.2	2.5	140.6	0.6	7.1	3.7
	Apr	129275	240	2.3	2.6	122092	313	3.1	2.6	140.6	0.0	0.0	3.8
	May	129494	219	2.1	2.5	122325	233	2.3	2.5	141.2	0.4	5.2	3.7
	Jun	129392	-102	-0.9	2.2	122534	209	2.1	2.5	140.9	-0.2	-2.5	2.8
	Jul	129661	269	2.5	2.2	122811	277	2.7	2.6	141.3	0.3	3.5	3.4
	Aug	129747	86	0.8	2.2	122894	83	0.8	2.4	141.7	0.3	3.5	3.2
	Sep	129761	14	0.1	1.9	123280	386	3.8	2.6	142.1	0.3	3.4	3.0
	Oct	129910	149	1.4	1.7	123568	288	2.8	2.6	142.6	0.4	4.3	3.4
	Nov	130575	665	6.3	2.2	123944	376	3.7	2.7	143.2	0.4	5.2	3.5
	Dec	130777	202	1.9	2.3	124289	345	3.4	2.8	143.6	0.3	3.4	3.3
1998	Jan	131083	306	2.8	2.0	124640	351	3.4	2.9	144.6	0.7	8.7	4.2
	Feb	131163	80	0.7	2.1	124832	192	1.9	2.8	144.4	-0.1	-1.6	3.3
	Mar	130994	-169	-1.5	1.5	124914	82	0.8	2.6	143.8	-0.4	-4.9	2.3
	Apr	131383	389	3.6	1.6	125216	302	2.9	2.6	143.9	0.1	0.8	2.3
	May	131453	70	0.6	1.5	125512	296	2.9	2.6	144.9	0.7	8.7	2.6

	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			
1993	6.9	2072.434			6.5	103.554			3.6	3.00	5.86	
1994	6.1	2227.838			7.5	109.171			5.4	4.25	7.08	
1995	5.6	2331.617			4.7	114.543			4.9	5.49	6.58	
1996	5.4	2455.234			5.3	118.499			3.5	5.01	6.44	
1997	5.0	2568.227			4.6	124.423			5.0	5.06	6.35	
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1996	1	5.6	602.441	1.7	7.1	5.2	116.105	0.5	2.0	2.3	4.93	5.91
	2	5.4	613.436	1.8	7.5	5.7	118.228	1.8	7.5	3.8	5.02	6.72
	3	5.3	614.749	0.2	0.9	4.9	119.270	0.9	3.6	3.5	5.10	6.78
	4	5.3	624.608	1.6	6.6	5.5	120.393	0.9	3.8	4.2	4.98	6.34
1997	1	5.3	639.631	2.4	10.0	6.2	121.940	1.3	5.2	5.0	5.06	6.56
	2	4.9	634.161	-0.9	-3.4	3.4	123.312	1.1	4.6	4.3	5.05	6.70
	3	4.9	646.541	2.0	8.0	5.2	125.119	1.5	6.0	4.9	5.05	6.24
	4	4.7	647.894	0.2	0.8	3.7	127.321	1.8	7.2	5.8	5.09	5.90
1998	1	4.7	660.975	2.0	8.3	3.3	127.649	0.3	1.0	4.7	5.05	5.59
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1996	May	5.5	205.513	0.9	11.0	6.0	118.257	0.6	7.7	3.8	5.02	6.74
	Jun	5.3	204.187	-0.6	-7.5	4.8	118.897	0.5	6.7	4.0	5.09	6.91
	Jul	5.5	204.374	0.1	1.1	5.1	118.943	0.0	0.5	4.1	5.15	6.87
	Aug	5.2	204.256	-0.1	-0.7	4.3	119.253	0.3	3.2	3.3	5.05	6.64
	Sep	5.2	206.119	0.9	11.5	5.2	119.613	0.3	3.7	3.2	5.09	6.83
	Oct	5.3	208.113	1.0	12.2	6.4	119.650	0.0	0.4	3.7	4.99	6.53
	Nov	5.4	207.844	-0.1	-1.5	5.2	120.587	0.8	9.8	4.3	5.03	6.20
	Dec	5.3	208.651	0.4	4.8	4.9	120.943	0.3	3.6	4.7	4.91	6.30
1997	Jan	5.3	211.170	1.2	15.5	6.4	121.288	0.3	3.5	5.2	5.03	6.58
	Feb	5.3	213.945	1.3	17.0	6.2	122.064	0.6	8.0	4.6	5.01	6.42
	Mar	5.2	214.516	0.3	3.3	5.9	122.468	0.3	4.0	5.3	5.14	6.69
	Apr	5.0	211.018	-1.6	-17.9	3.6	123.073	0.5	6.1	4.7	5.16	6.89
	May	4.8	210.657	-0.2	-2.0	2.5	123.316	0.2	2.4	4.3	5.05	6.71
	Jun	5.0	212.486	0.9	10.9	4.1	123.546	0.2	2.3	3.9	4.93	6.49
	Jul	4.9	215.031	1.2	15.4	5.2	124.527	0.8	10.0	4.7	5.05	6.22
	Aug	4.9	216.022	0.5	5.7	5.8	125.246	0.6	7.2	5.0	5.14	6.30
	Sep	4.9	215.488	-0.2	-2.9	4.5	125.585	0.3	3.3	5.0	4.95	6.21
	Oct	4.8	215.113	-0.2	-2.1	3.4	126.550	0.8	9.6	5.8	4.97	6.03
	Nov	4.6	215.914	0.4	4.6	3.9	127.528	0.8	9.7	5.8	5.14	5.87
	Dec	4.7	216.867	0.4	5.4	3.9	127.884	0.3	3.4	5.7	5.16	5.81
1998	Jan	4.7	219.004	1.0	12.5	3.7	127.813	-0.1	-0.7	5.4	5.04	5.54
	Feb	4.6	220.866	0.9	10.7	3.2	127.327	-0.4	-4.5	4.3	5.09	5.57
	Mar	4.7	221.105	0.1	1.3	3.1	127.808	0.4	4.6	4.4	5.03	5.65
	Apr	4.3	222.580	0.7	8.3	5.5	128.153	0.3	3.3	4.1	4.95	5.64
	May	4.3	224.623	0.9	11.6	6.6	128.763	0.5	5.9	4.4	5.00	5.65

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	
1993	144.6			3.0		152.4			3.3		124.7			1.2	
1994	148.3			2.6		156.7			2.8		125.5			0.6	
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	
1997	160.6			2.3		169.7			2.4		131.8			0.4	
1996	1	155.1	0.8	3.2	2.8	3.2	164.2	0.7	2.6	2.9	2.6	129.9	0.9	3.8	2.2
	2	156.5	0.9	3.7	2.9	3.5	165.2	0.6	2.5	2.7	2.5	131.1	0.9	3.7	2.5
	3	157.5	0.6	2.4	2.9	3.1	166.3	0.7	2.7	2.7	2.6	131.5	0.3	1.2	2.8
	4	158.8	0.8	3.3	3.2	3.2	167.4	0.6	2.6	2.6	2.6	132.6	0.8	3.3	3.0
1997	1	159.6	0.5	2.2	2.9	2.2	168.3	0.5	2.2	2.5	2.2	132.7	0.1	0.2	2.1
	2	160.2	0.3	1.3	2.3	1.8	169.4	0.7	2.7	2.5	2.4	131.7	-0.8	-3.0	0.4
	3	160.9	0.5	1.9	2.2	1.8	170.2	0.4	1.7	2.3	2.2	131.4	-0.2	-0.8	-0.1
	4	161.8	0.5	2.1	1.9	1.9	171.1	0.5	2.1	2.2	2.2	131.6	0.2	0.6	-0.8
1998	1	162.0	0.1	0.5	1.5	0.5	172.1	0.6	2.4	2.3	2.4	130.3	-1.0	-3.8	-1.8
1996	May	156.6	0.3	3.1	2.9	3.9	165.2	0.2	2.2	2.7	2.7	131.1	0.2	1.8	2.4
	Jun	156.8	0.1	1.5	2.8	3.5	165.6	0.2	2.9	2.7	2.7	131.4	0.2	2.8	2.7
	Jul	157.2	0.3	3.1	2.9	3.5	166.0	0.2	2.9	2.7	2.7	131.3	-0.1	-0.9	2.6
	Aug	157.4	0.1	1.5	2.9	3.2	166.3	0.2	2.2	2.7	2.7	131.5	0.2	1.8	2.9
	Sep	157.8	0.3	3.1	3.0	3.2	166.7	0.2	2.9	2.6	2.7	131.8	0.2	2.8	2.9
	Oct	158.3	0.3	3.9	3.0	3.3	167.1	0.2	2.9	2.6	2.7	132.3	0.4	4.6	3.1
	Nov	158.8	0.3	3.9	3.2	3.3	167.4	0.2	2.2	2.6	2.7	132.5	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	133.0	0.4	4.6	2.9
1997	Jan	159.4	0.1	1.5	3.0	1.5	168.0	0.2	2.2	2.5	2.2	133.0	0.0	0.0	2.5
	Feb	159.7	0.2	2.3	3.0	1.9	168.3	0.2	2.2	2.5	2.2	132.6	-0.3	-3.5	2.2
	Mar	159.8	0.1	0.8	2.7	1.5	168.6	0.2	2.2	2.4	2.2	132.4	-0.2	-1.8	1.5
	Apr	160.0	0.1	1.5	2.4	1.5	169.2	0.4	4.4	2.6	2.7	131.9	-0.4	-4.4	0.8
	May	160.1	0.1	0.8	2.2	1.4	169.4	0.1	1.4	2.5	2.5	131.7	-0.2	-1.8	0.5
	Jun	160.4	0.2	2.3	2.3	1.5	169.7	0.2	2.1	2.5	2.4	131.4	-0.2	-2.7	0.0
	Jul	160.6	0.1	1.5	2.2	1.5	170.0	0.2	2.1	2.4	2.4	131.1	-0.2	-2.7	-0.2
	Aug	160.9	0.2	2.3	2.2	1.6	170.1	0.1	0.7	2.3	2.2	131.3	0.2	1.8	-0.2
	Sep	161.3	0.2	3.0	2.2	1.8	170.4	0.2	2.1	2.2	2.2	131.8	0.4	4.7	0.0
	Oct	161.6	0.2	2.3	2.1	1.8	170.8	0.2	2.9	2.2	2.2	131.8	0.0	0.0	-0.4
	Nov	161.8	0.1	1.5	1.9	1.8	171.0	0.1	1.4	2.2	2.1	131.6	-0.2	-1.8	-0.7
	Dec	161.9	0.1	0.7	1.7	1.7	171.4	0.2	2.8	2.2	2.2	131.4	-0.2	-1.8	-1.2
1998	Jan	161.9	0.0	0.0	1.6	0.0	171.7	0.2	2.1	2.2	2.1	130.6	-0.6	-7.1	-1.8
	Feb	162.0	0.1	0.7	1.4	0.4	172.2	0.3	3.6	2.3	2.8	130.4	-0.2	-1.8	-1.7
	Mar	162.0	0.0	0.0	1.4	0.2	172.4	0.1	1.4	2.3	2.4	130.0	-0.3	-3.6	-1.8
	Apr	162.4	0.2	3.0	1.5	0.9	172.9	0.3	3.5	2.2	2.6	130.3	0.2	2.8	-1.2
	May	162.9	0.3	3.8	1.7	1.5	173.3	0.2	2.8	2.3	2.7	130.5	0.2	1.9	-0.9

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. **Standard and Poor's 500 Index with Reinvested Dividends** shows the total return: capital gains plus dividends.

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** are from the NIPAs, except as noted. Since 1977, the **federal fiscal year** starts on October 1. Excluded agency debt was 0.6 percent of federal debt at the end of fiscal 1997. **Federal debt held by the public** includes holdings of the Federal Reserve System and excludes holdings of the social security and other federal trust funds. Federal grants in aid to state and local governments appear in both state and local receipts and federal outlays.

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

Pages 20, 21: **Output per hour (Y/H)**, **unit labor cost (C/Y)**, and **compensation per hour (C/H)** are indexes which approximately obey the following relationship: $\%(Y/H) + \%(C/Y) = \%(C/H)$ with $\%()$ meaning percent changes. Unit labor cost is shown on page 9. **Real compensation per hour** uses the CPI to adjust for the effects of inflation. **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, debt

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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