



Convergence Across States and People

Income inequality has been and continues to be a major public policy topic. With respect to U.S. states, the common wisdom is that poorer states tend to grow faster than richer states and, as a result, per capita incomes of poor states and rich states are converging and will continue to converge in the future.¹ We argue that such an assessment is quite possibly misleading.

We analyze how the distribution of per capita personal income (PCPI), in percentage differences from the U.S. average, evolves over time for the period 1969-2005. We summarize the dynamics with the corresponding long-run distribution. A long-run distribution with a single-peak is consistent with convergence. A long-run distribution with multiple peaks indicates that, in the long-run, there will be groups of states that tend to cluster at different levels of income. The gray line in the chart is the long-run distribution of income across states. The lowest peak corresponds to a PCPI 19.2 percent below the U.S. average. The highest peak corresponds to a PCPI 3.7 percent below the cross-sectional average. In constructing this distribution, the income of any state, regardless of population, is treated the same as any other state.

Things change if the PCPI dynamics calculation is weighted by the number of people within each state. The evolution of California's PCPI will have a larger impact on the shape of the long-run distribution than Iowa's PCPI dynamics because of California's relatively larger population. The population-weighted distribution can be interpreted as the long-run distribution across people in the United States. The long-run distribution of income across people (the blue line in the chart) is still twin-peaked, but the low-income peak is much less pronounced. The population-weighted average PCPI is closer to the U.S. average and its standard deviation is 11 percent lower than that of the unweighted distribution. Convergence across people is driven by the fact that states experiencing a decline in their relative income are also losing population share. For example, Ohio in 1969 had the 15th highest income at 8 percent above the national average. By 2005 Ohio lost ground: It occupied the 30th place with a PCPI of 4.5 percent below the national average. At the same time, Ohio's population declined from 5.35 percent of the total U.S.

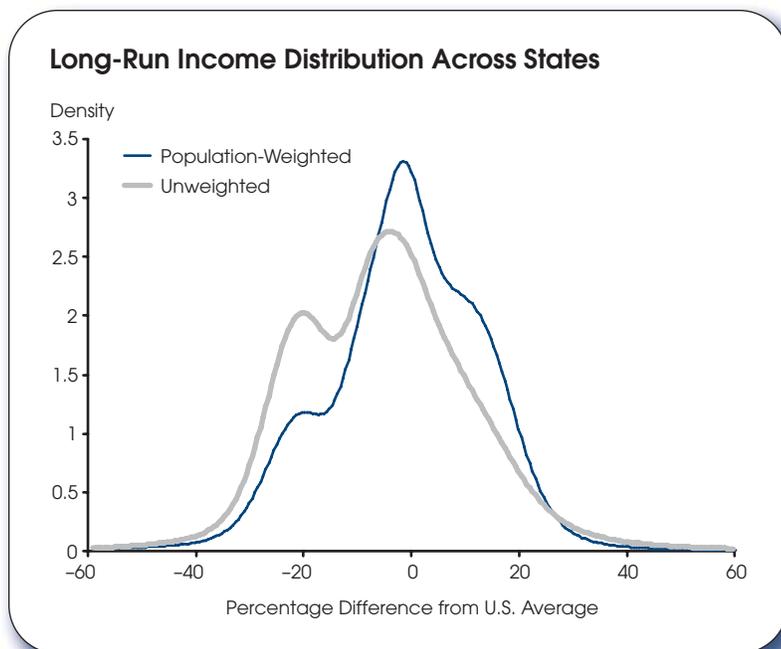
population in 1969 to below 4 percent in 2005. Conversely, states growing rapidly enough to move up in the overall ranking of states' income were gaining population, contributing to convergence. Colorado was the 22nd state in terms of PCPI in 1969 and climbed to the 9th place by 2005. During the same period, Colorado's population share increased from 1.1 to 1.6 percent.²

Contrary to previous findings of convergence across states, our finding of a twin-peaked long-run distribution indicates that state incomes will cluster at different levels rather than converge. However, weighting each state by its population produces a nearly single-peaked long-run distribution. In other words, although there is continued divergence across U.S. states, there is convergence across people, driven by migration to states experiencing relative income gains.

—Riccardo DiCecio and Charles S. Gascon

¹ See Gomme, Paul and Rupert, Peter. "Per Capita Income Growth and Disparity in the United States, 1929-2003." Federal Reserve Bank of Cleveland *Commentary*, August 15, 2004.

² In general, the Sun Belt states experienced relative population and income gains, while the Rust Belt states experienced relative declines in income and population.



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

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Conventions used in this publication:

1. Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.
2. *Percent change* refers to simple percent changes. *Percent change from year ago* refers to the percent change from the same month or quarter during the previous year. *Compounded annual rate of change* shows what the growth rate would be over an entire year if the same simple percent change continued for four quarters or twelve months. The compounded annual rate of change of x between the previous quarter $t-1$ and the current quarter t is: $[(x_t/x_{t-1})^4 - 1] \times 100$. For monthly data replace 4 with 12.
3. All data with significant seasonal patterns are adjusted accordingly, unless labeled NSA.

We welcome your comments addressed to:

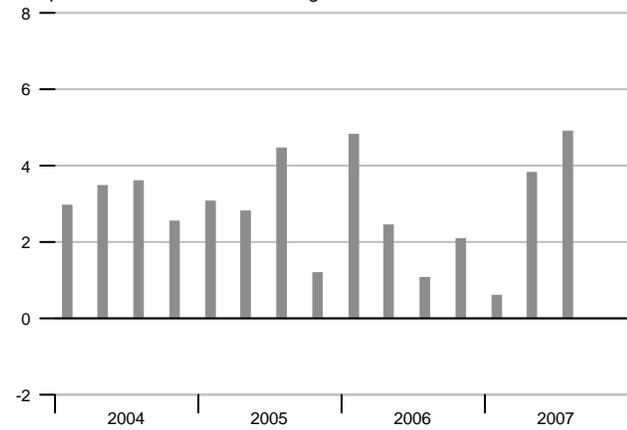
Editor, *National Economic Trends*
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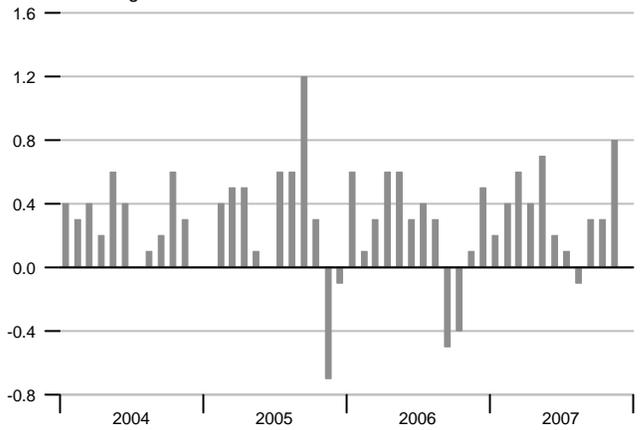
Real GDP Growth

Compounded annual rates of change



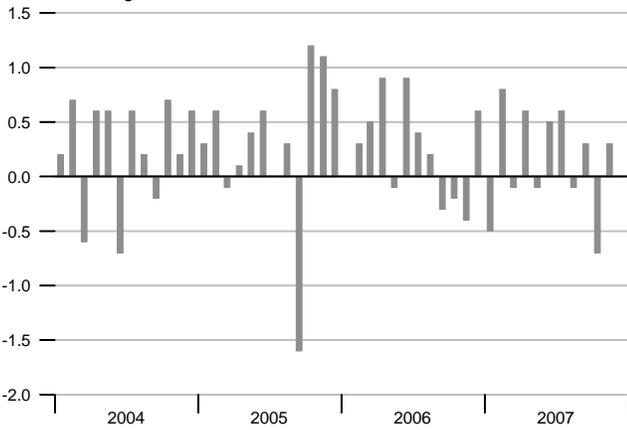
Consumer Price Index

Percent change



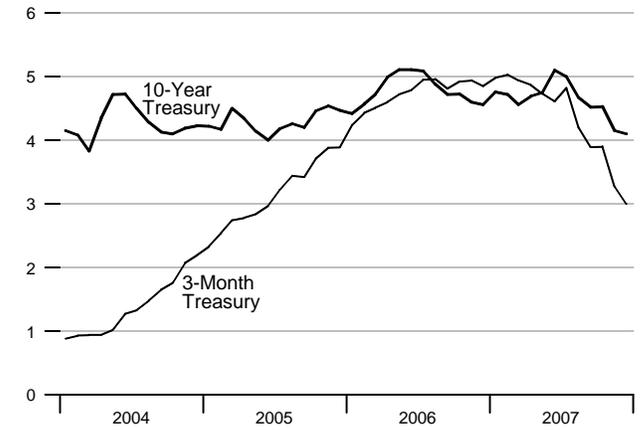
Industrial Production

Percent change



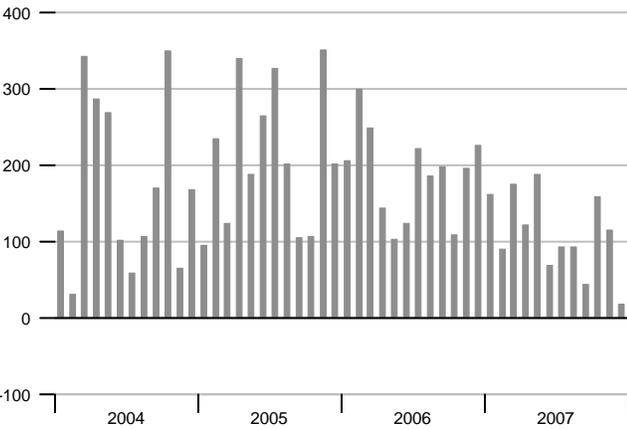
Interest Rates

Percent



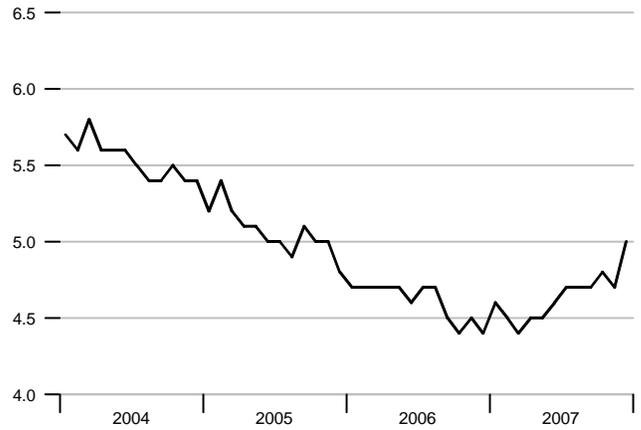
Change in Nonfarm Payrolls

Thousands



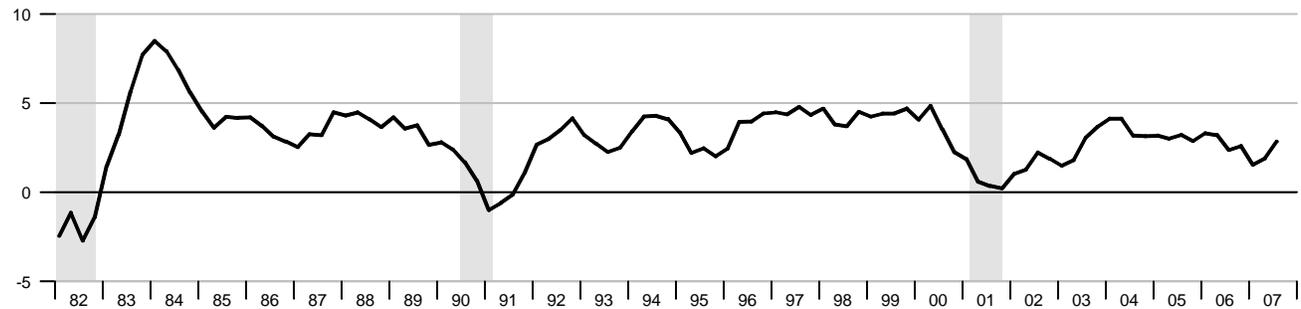
Unemployment Rate

Percent of labor force



Real Gross Domestic Product

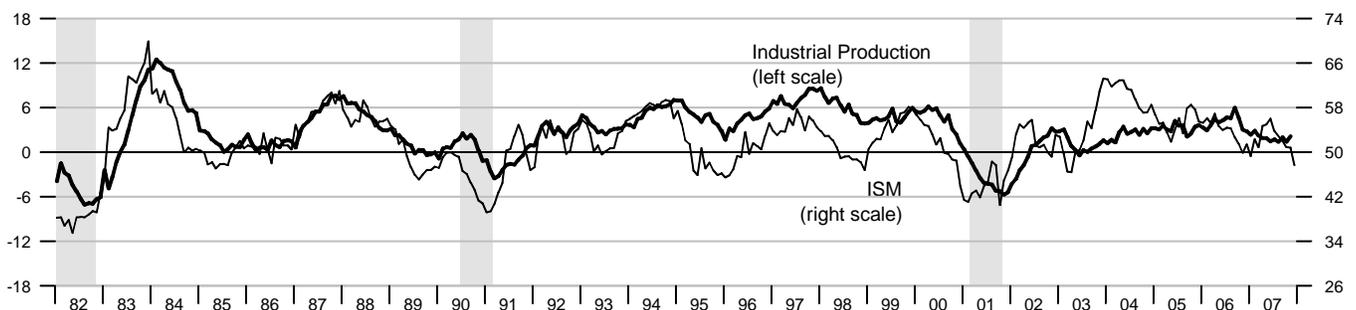
Percent change from year ago



Industrial Production and Institute for Supply Management (ISM) Indexes

Percent change from year ago

Index



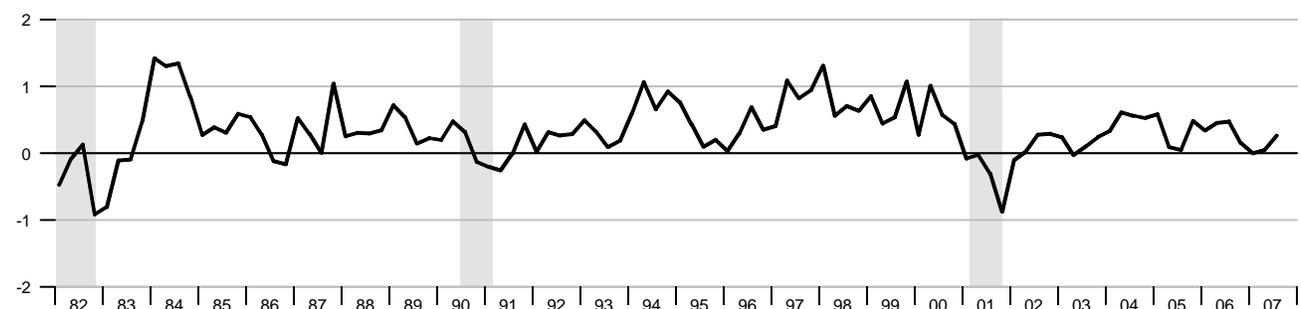
Aggregate Private Nonfarm Hours

Percent change from year ago

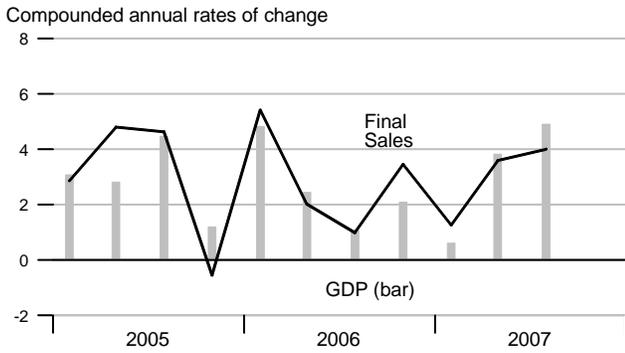


Real Change in Private Inventories

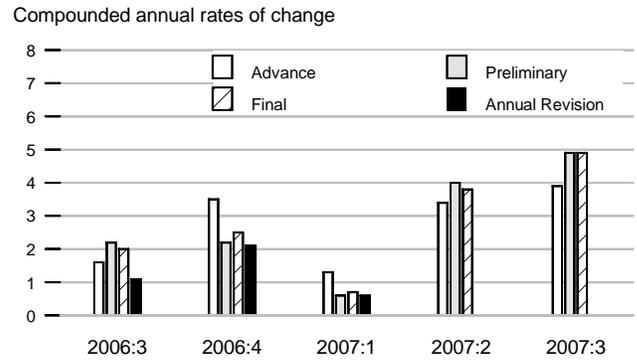
Percent of GDP



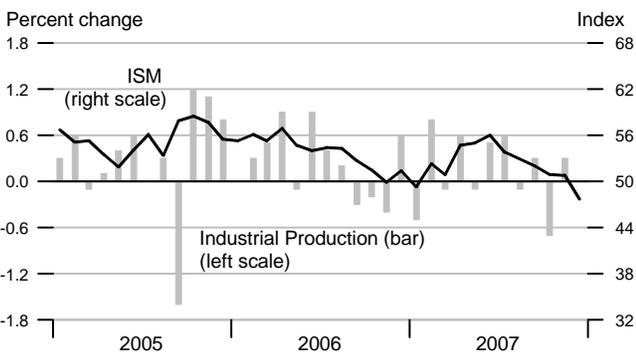
Real Final Sales and GDP



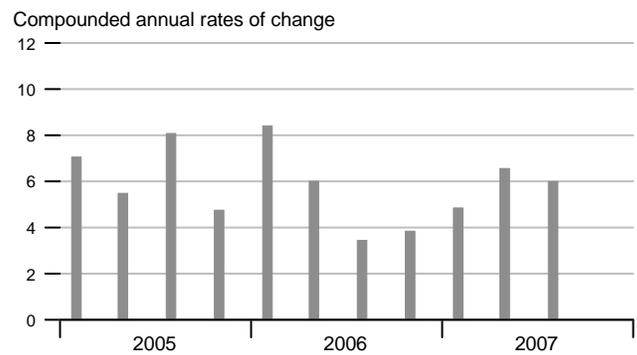
Real GDP Revisions



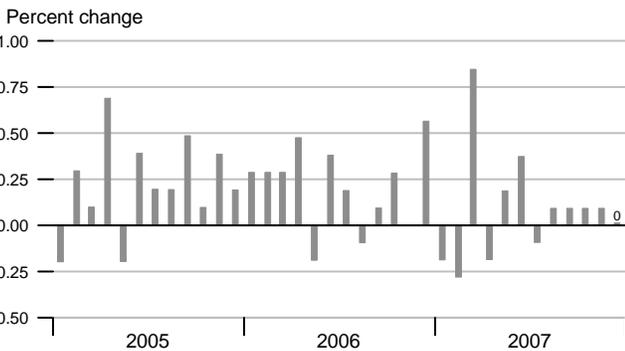
Industrial Production and ISM Index



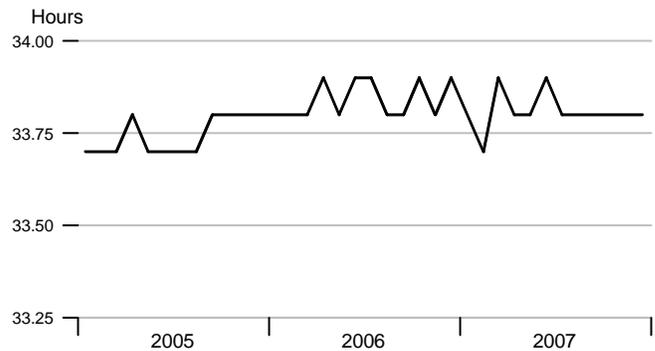
Nominal Gross Domestic Product



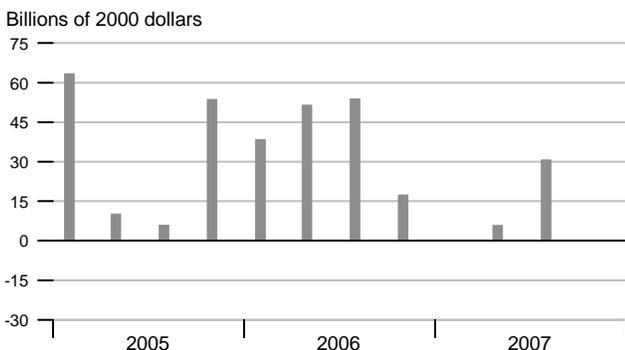
Aggregate Private Nonfarm Hours



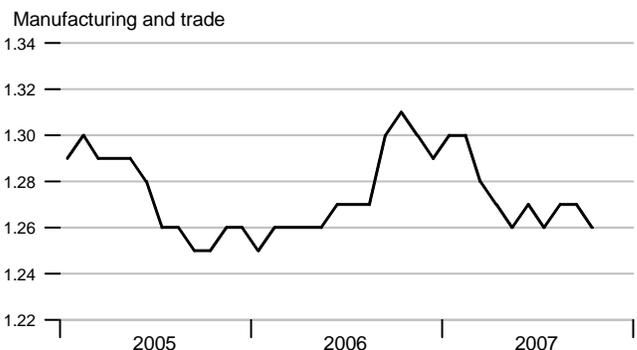
Average Weekly Private Nonfarm Hours



Real Change in Private Inventories

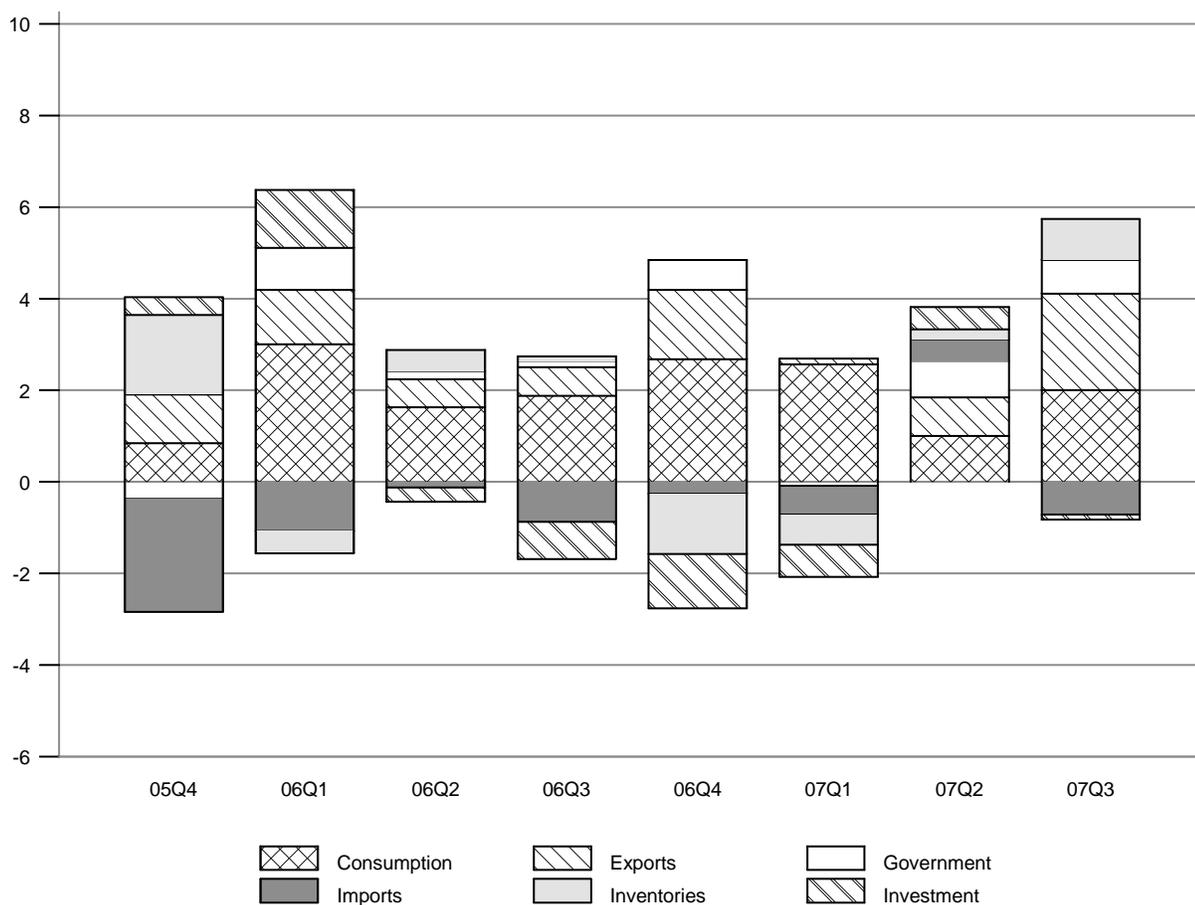


Inventory-Sales Ratio



Contribution of Components to Real GDP Growth

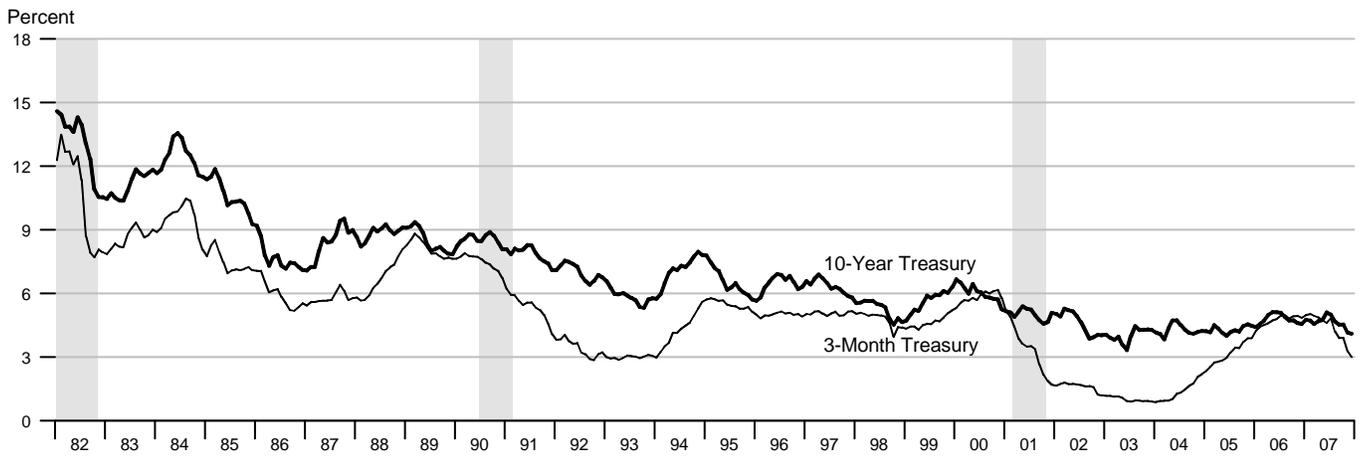
Percentage points at compounded annual rates



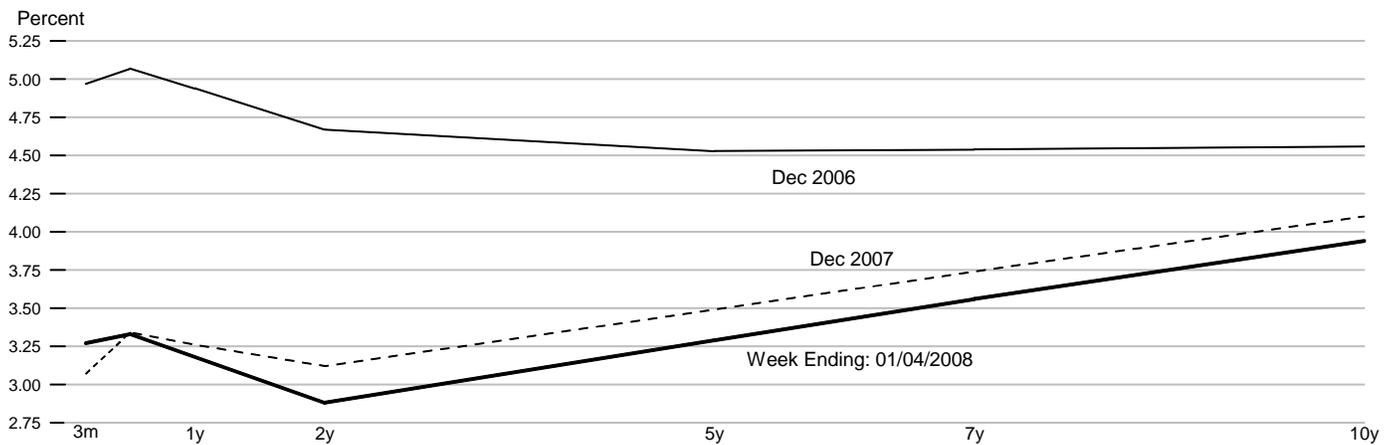
Contributions to Real GDP Growth Rate

	2005	2006				2007		
	4th	1st	2nd	3rd	4th	1st	2nd	3rd
Final Sales	-0.55	5.31	1.98	0.97	3.40	1.25	3.60	4.02
Consumption	0.84	3.00	1.63	1.88	2.68	2.56	1.00	2.01
Fixed Investment	0.38	1.27	-0.32	-0.80	-1.19	-0.70	0.49	-0.11
Nonresidential	0.35	1.31	0.44	0.53	-0.15	0.22	1.12	0.96
Residential	0.03	-0.05	-0.76	-1.33	-1.04	-0.93	-0.62	-1.08
Government	-0.37	0.92	0.18	0.14	0.66	-0.09	0.79	0.74
Federal	-0.46	0.57	-0.11	0.06	0.50	-0.46	0.41	0.50
State and Local	0.09	0.35	0.29	0.08	0.16	0.36	0.37	0.24
Net Exports	-1.41	0.13	0.49	-0.25	1.25	-0.51	1.32	1.38
Exports	1.07	1.19	0.61	0.62	1.51	0.13	0.85	2.10
Imports	-2.47	-1.07	-0.12	-0.88	-0.26	-0.63	0.47	-0.72
Change in Inventory	1.74	-0.49	0.46	0.10	-1.31	-0.65	0.22	0.89
Residual	-0.08	-0.11	-0.19	-0.26	-0.19	-0.22	-0.15	-0.25
Real GDP Growth	1.19	4.82	2.44	1.07	2.09	0.60	3.82	4.91

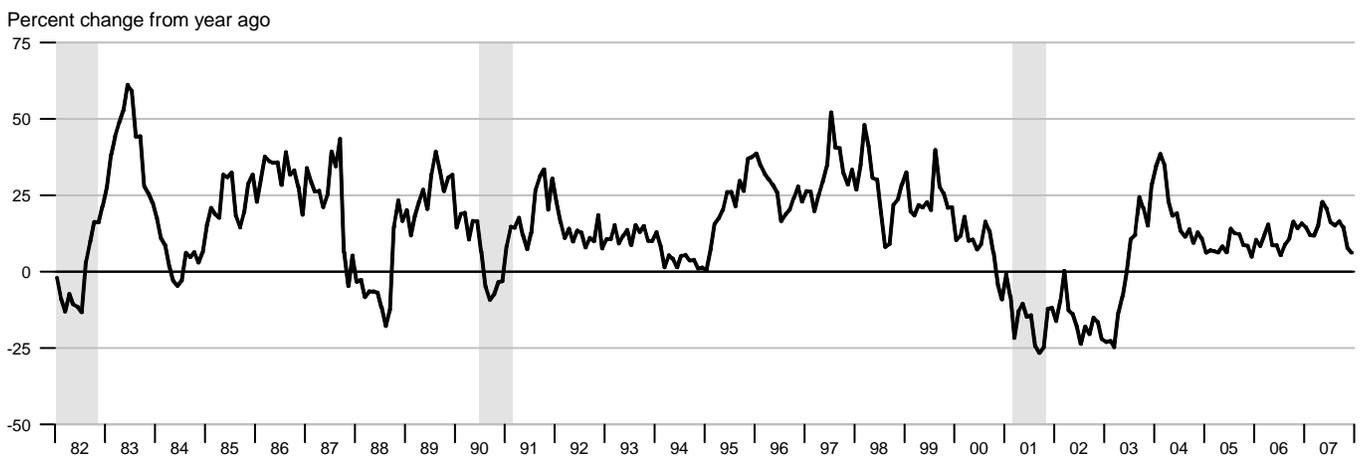
Interest Rates



Treasury Yield Curve

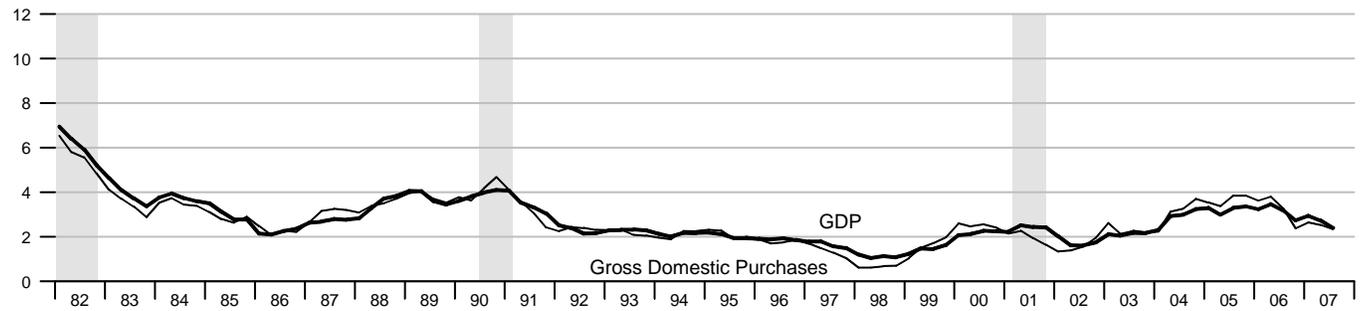


Standard and Poor's 500 Index with Reinvested Dividends



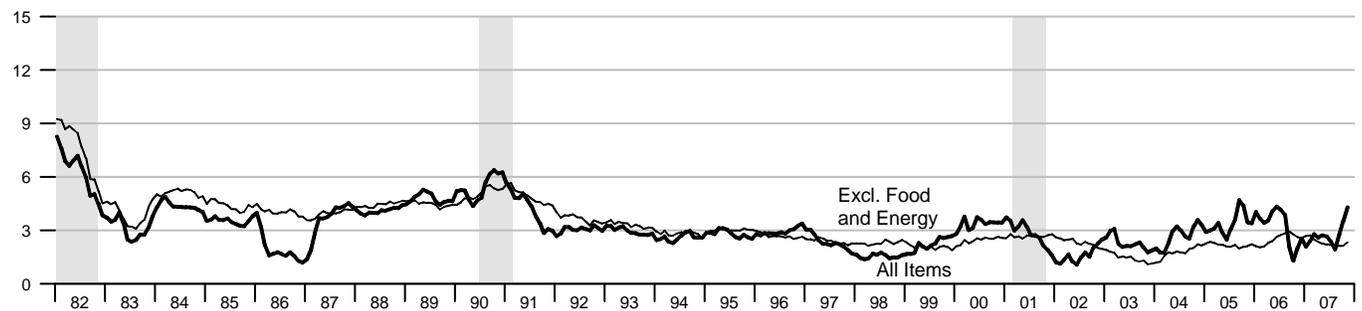
NIPA Chain Price Indexes

Percent change from year ago



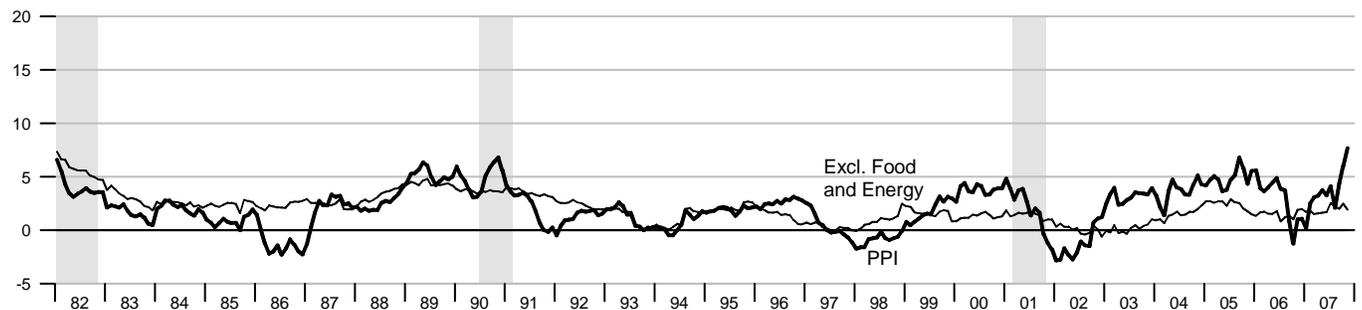
Consumer Price Index

Percent change from year ago



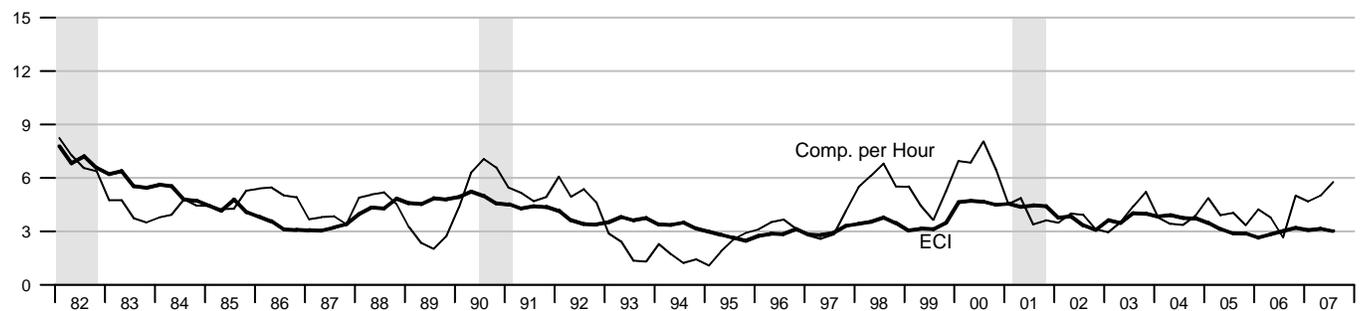
Producer Price Index, Finished Goods

Percent change from year ago

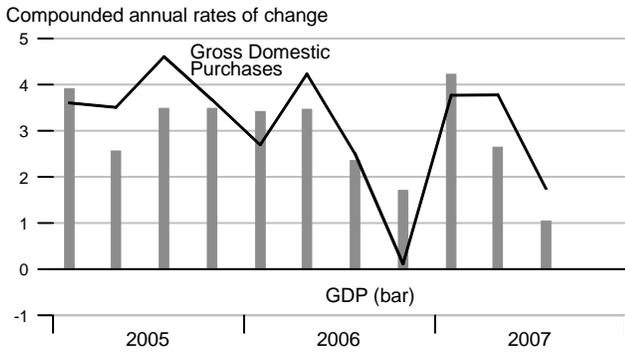


Employment Cost Index and Compensation per Hour

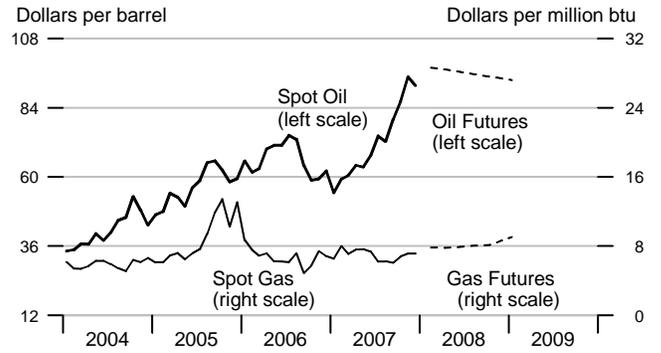
Percent change from year ago



NIPA Chain Price Indexes

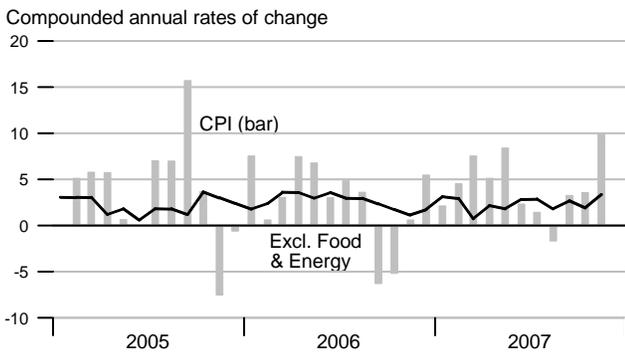


Oil & Natural Gas Prices: Spot & Futures

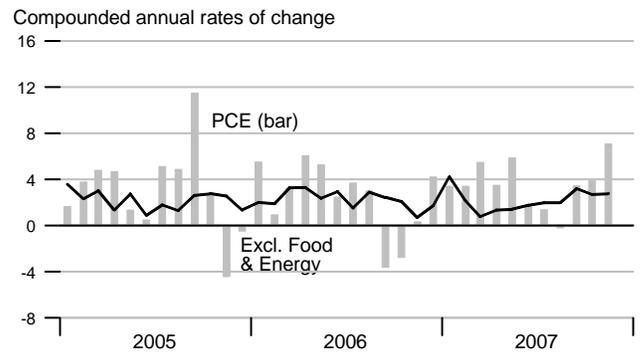


Note: Futures prices as of 01/04/2008.

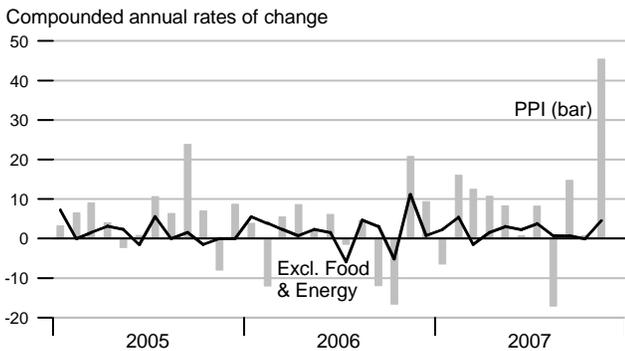
Consumer Price Index



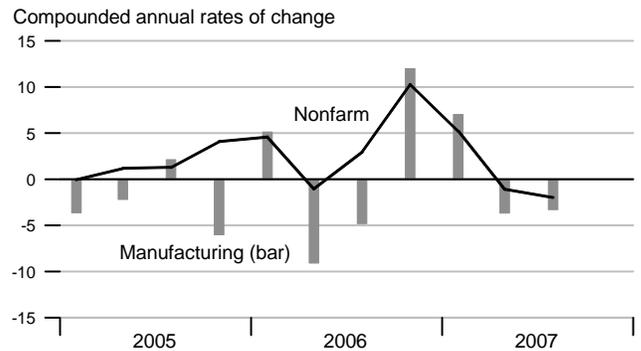
Consumption Chain Price Index



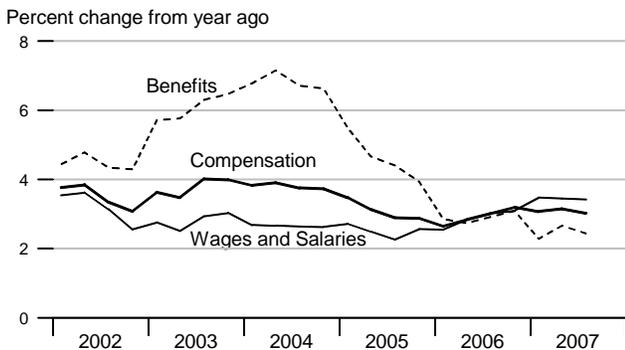
Producer Price Index, Finished Goods



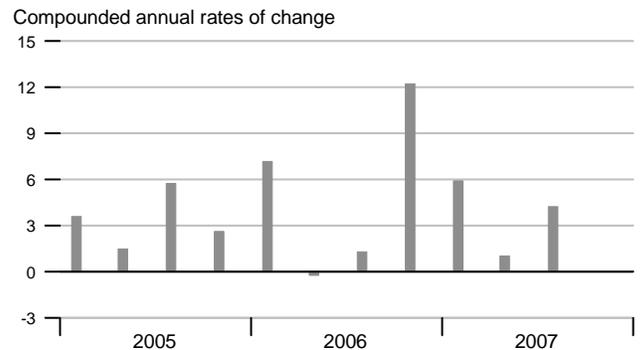
Unit Labor Cost



Employment Cost Index

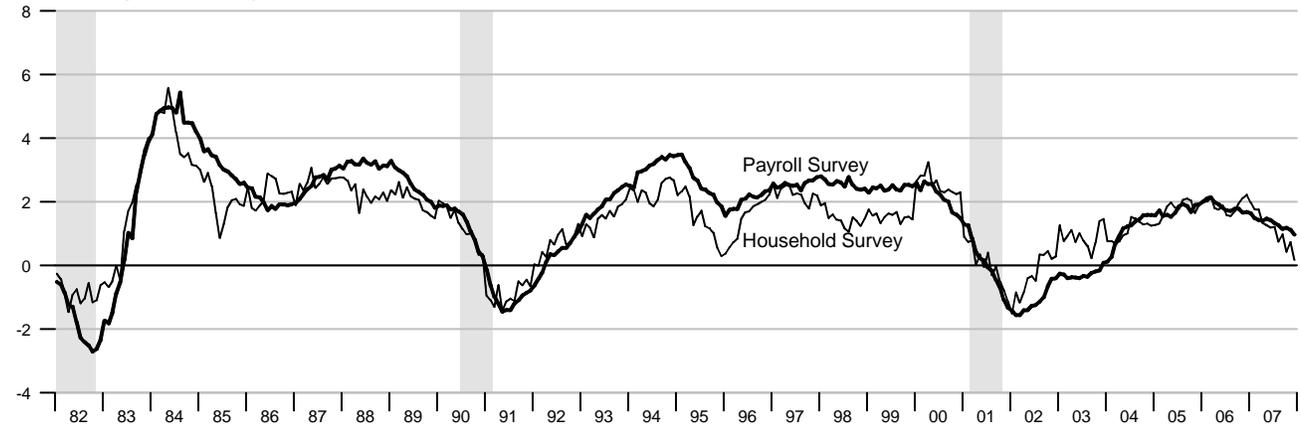


Compensation per Hour



Employment

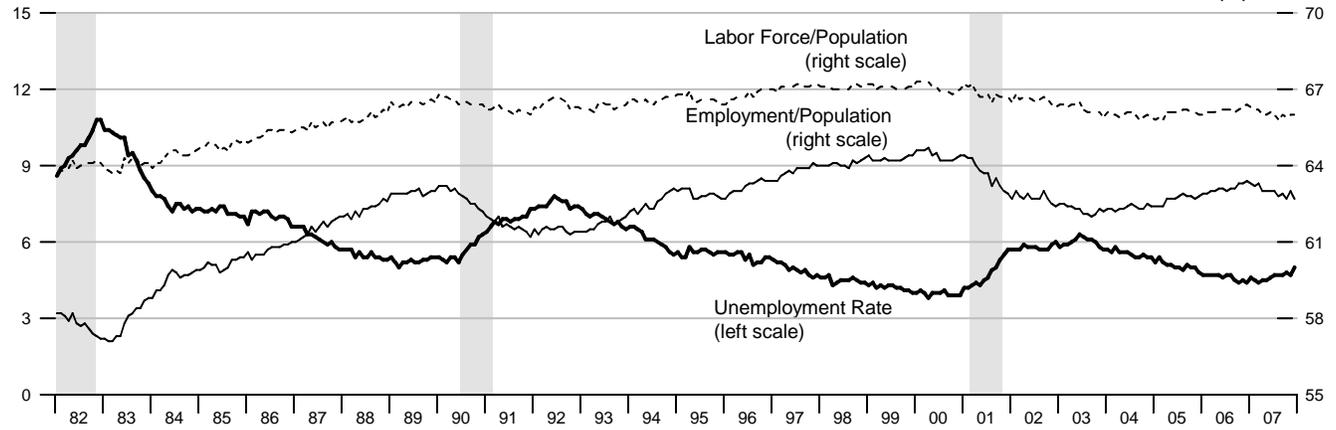
Percent change from year ago



Unemployment, Labor Force Participation, and Employment Rates

Percent of labor force

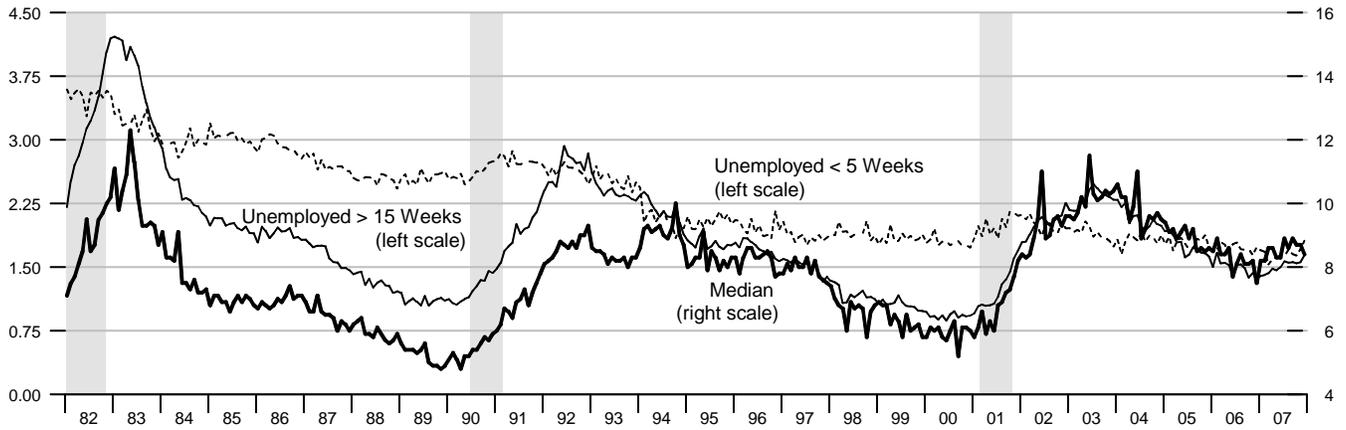
Percent of population



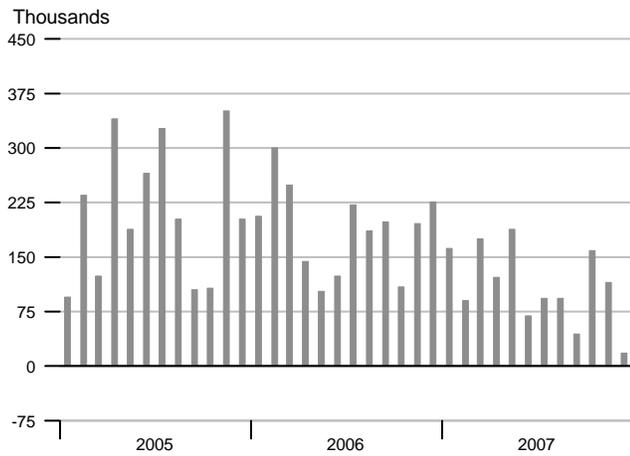
Duration of Unemployment

Percent of labor force

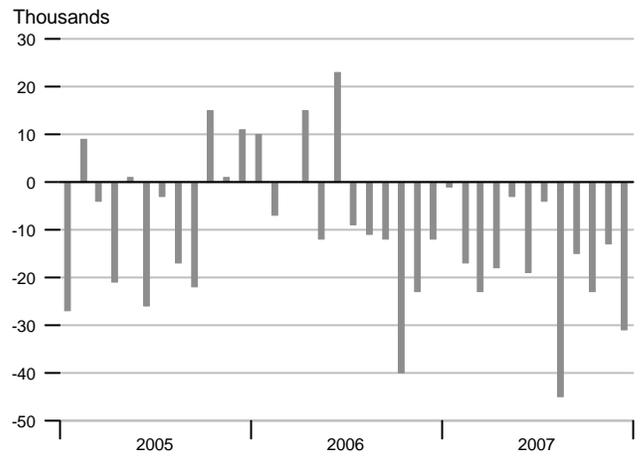
Weeks



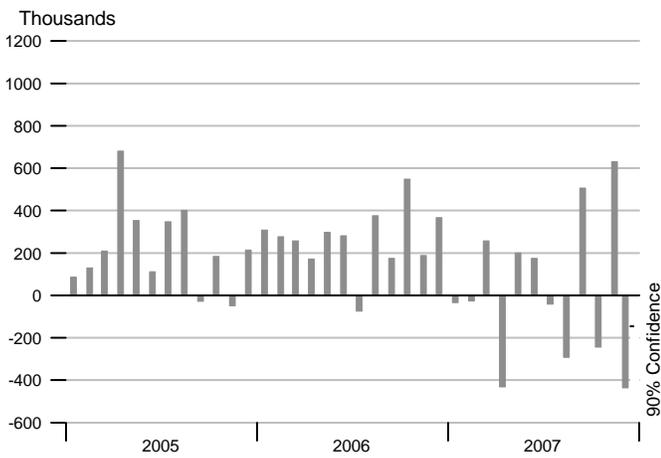
Change in Nonfarm Payrolls



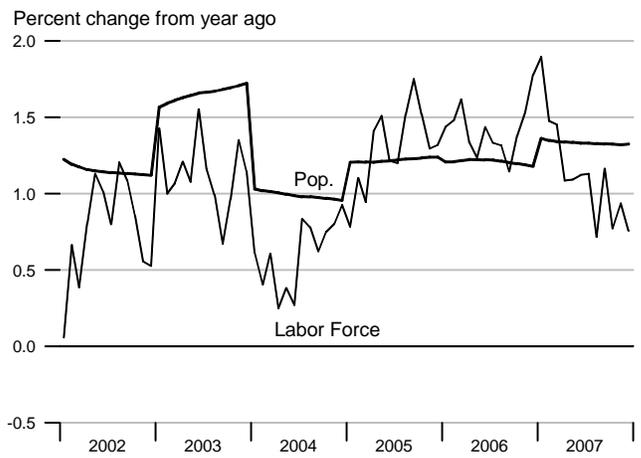
Change in Manufacturing Payrolls



Change in Household Employment



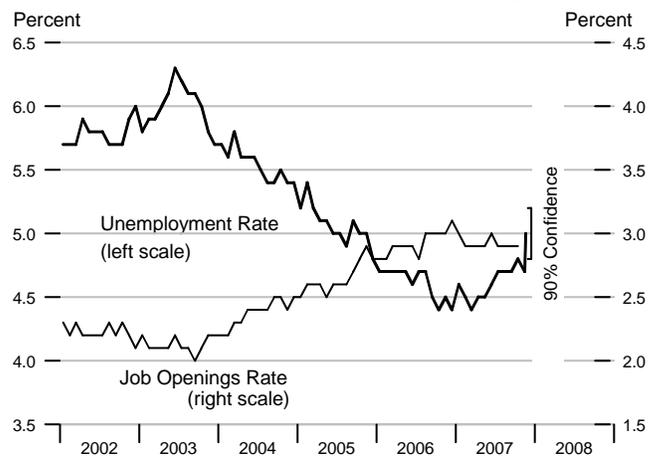
Labor Force and Population



Available Labor Supply and Components

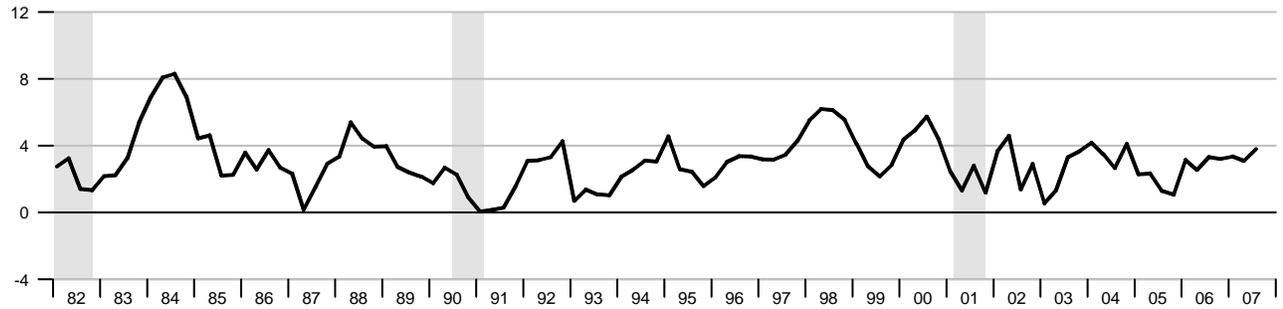


Unemployment Rate & Job Openings Rate



Real Disposable Personal Income

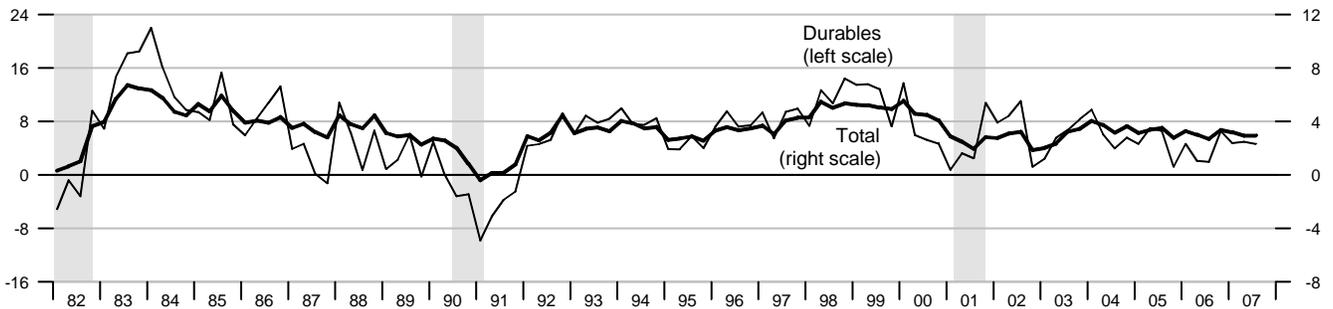
Percent change from year ago, quarterly data



Real Consumption

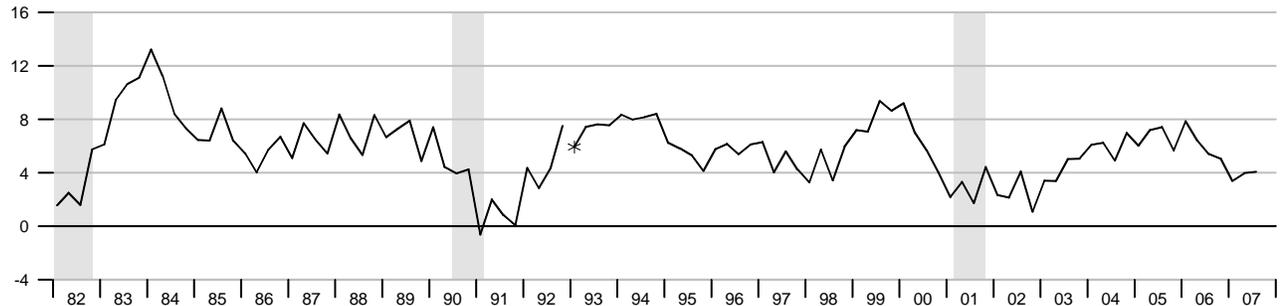
Percent change from year ago, quarterly data

Percent change from year ago, quarterly data



Retail and Food Services Sales

Percent change from year ago, quarterly average

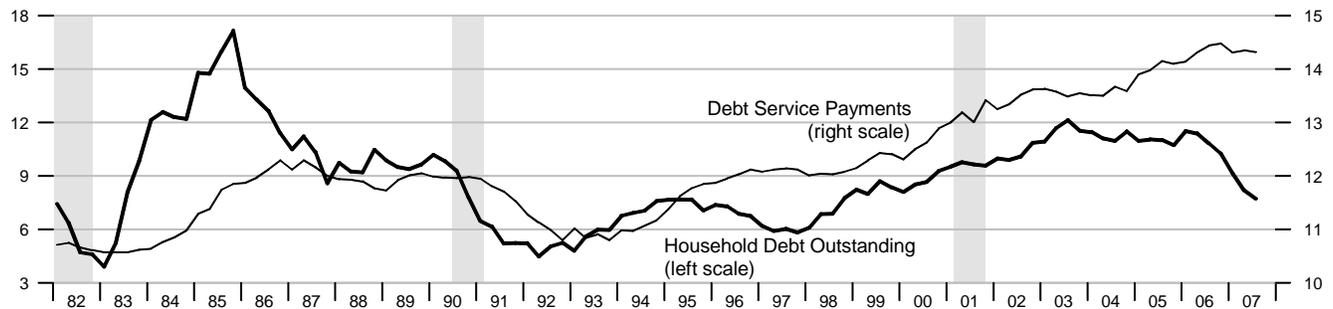


*Data from Jan. 1992 to the present are on a NAICS basis; data prior to Jan. 1992 are on an SIC basis and are not strictly comparable (see End Note).

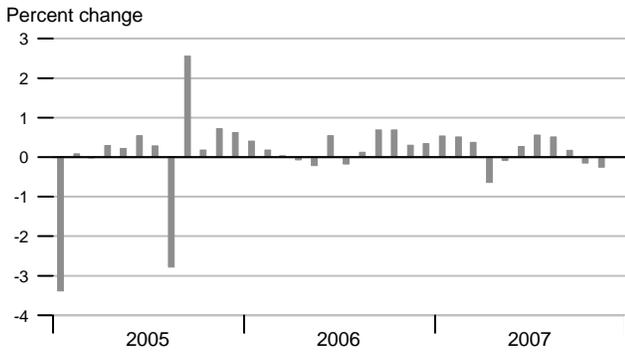
Debt Service Payments and Household Debt Outstanding

Percent change from year ago, quarterly data

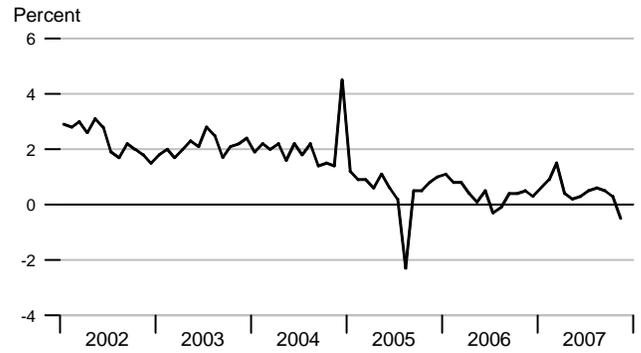
Percent of disposable personal income



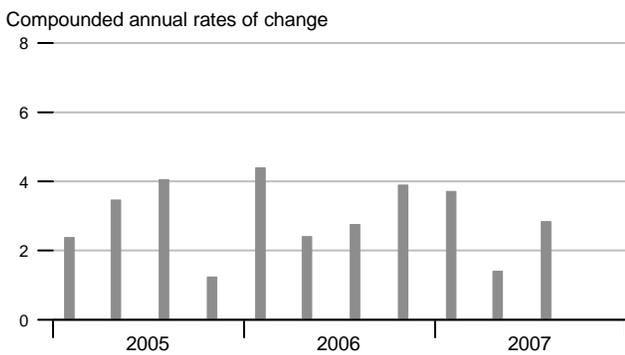
Real Disposable Personal Income



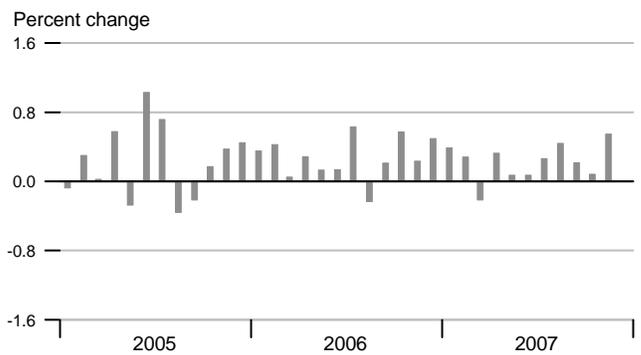
Personal Saving Rate



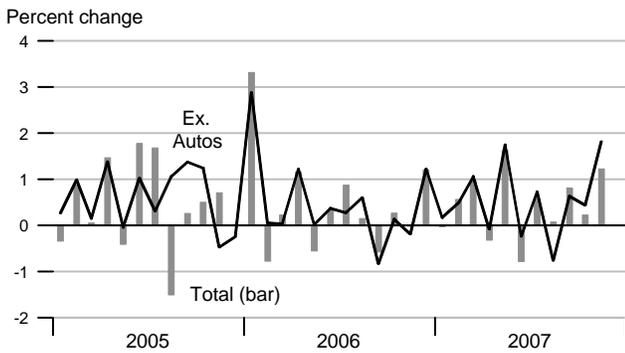
Real Consumption



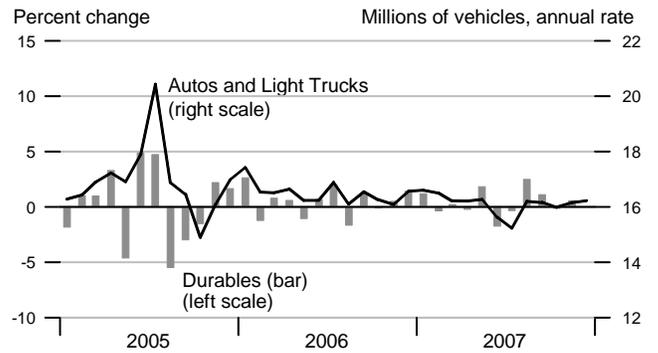
Real Consumption



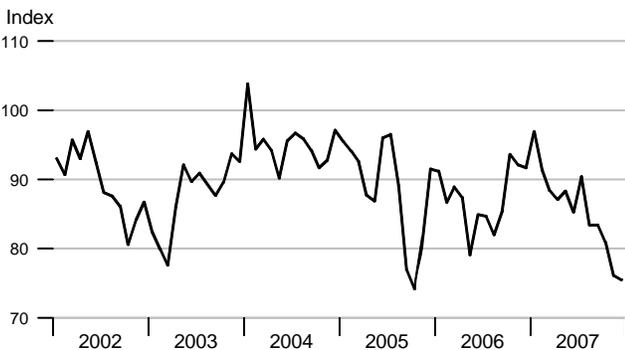
Retail & Food Services



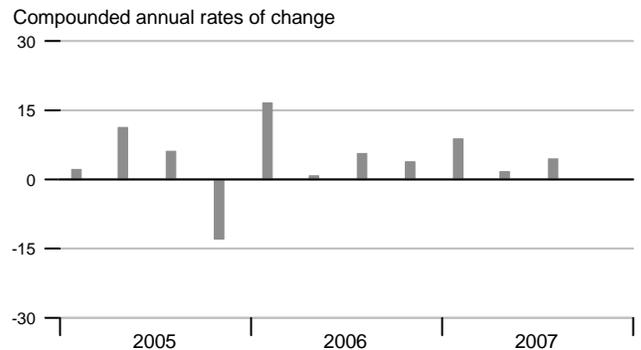
Real Durables Consumption & Vehicle Sales



Consumer Sentiment (U. of Michigan)

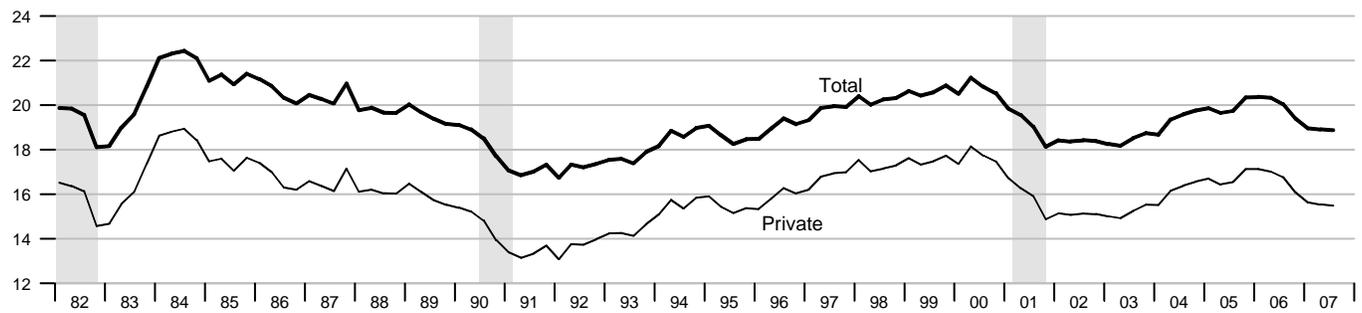


Real Durables Consumption



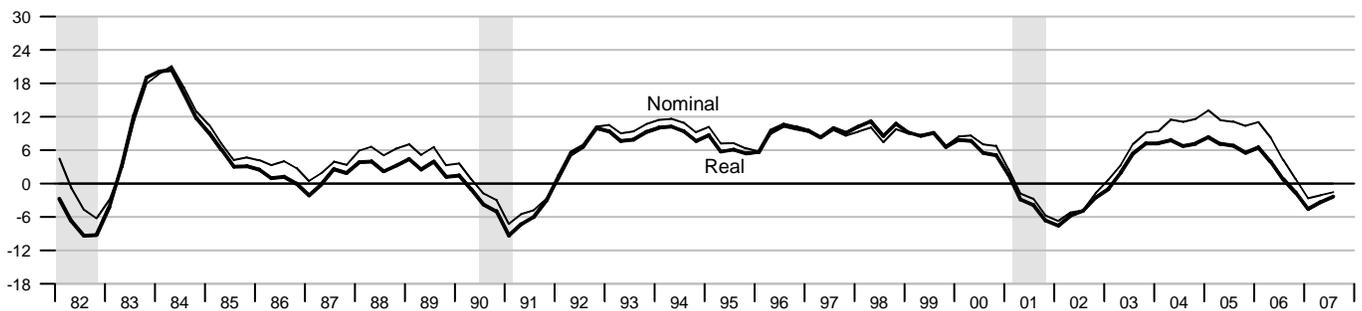
Investment

Percent of nominal GDP



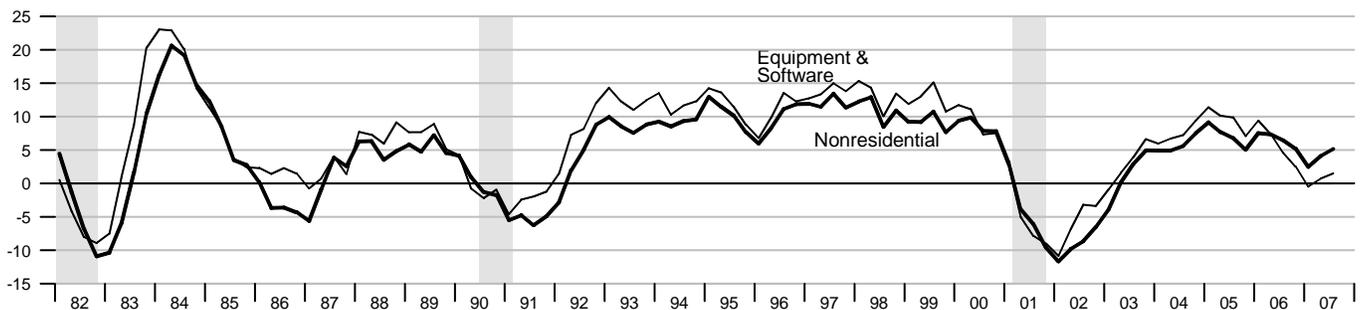
Private Fixed Investment

Percent change from year ago



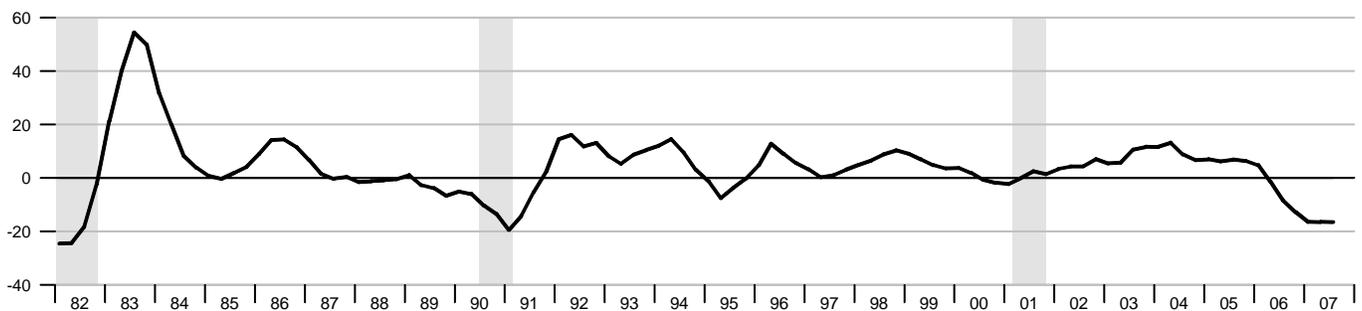
Real Nonresidential Fixed and Equipment & Software Investment

Percent change from year ago

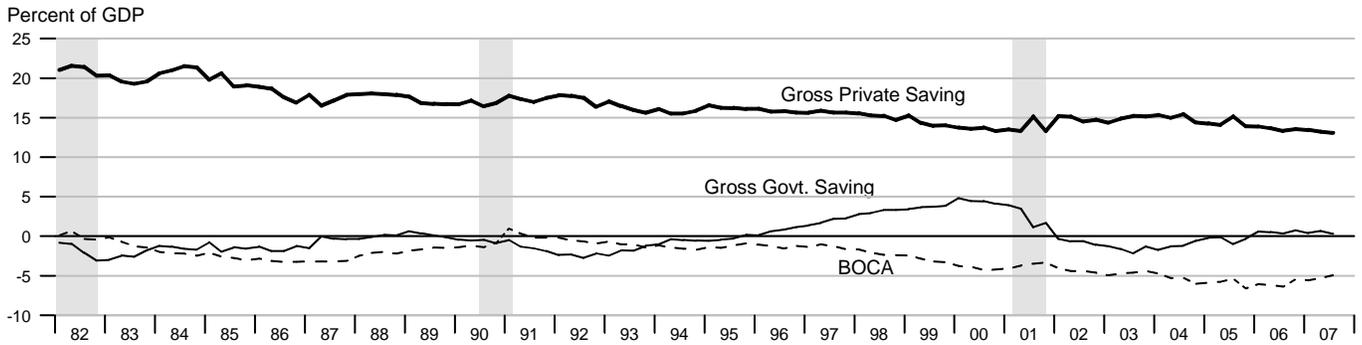


Real Residential Fixed Investment

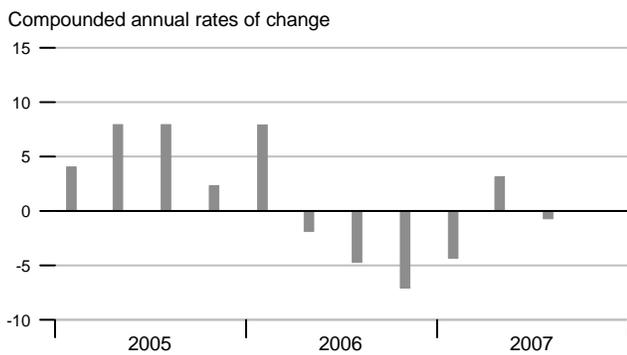
Percent change from year ago



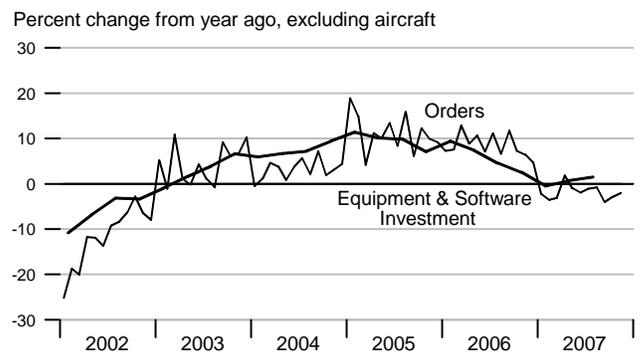
Gross Saving Rates and Balance on Current Account (NIPA)



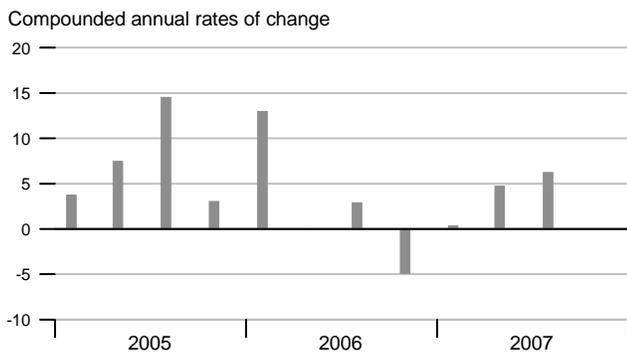
Real Private Fixed Investment



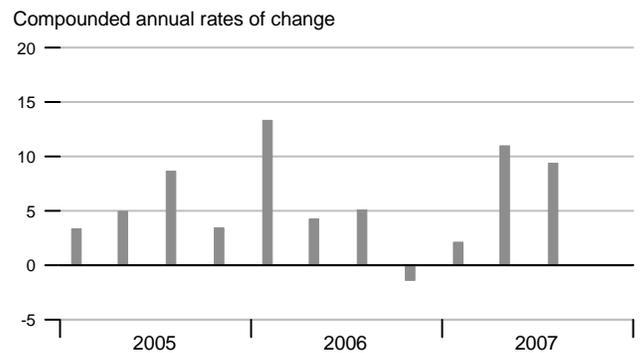
Nondefense Capital Goods Orders



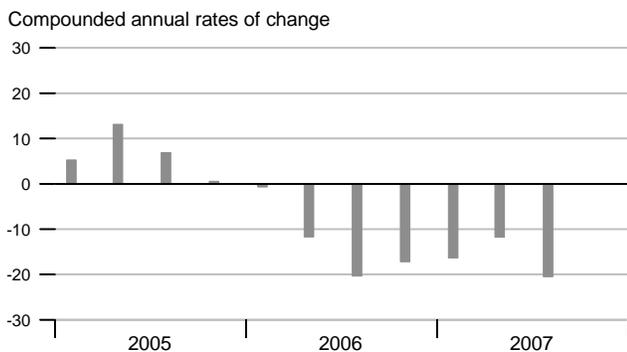
Real Equipment & Software Investment



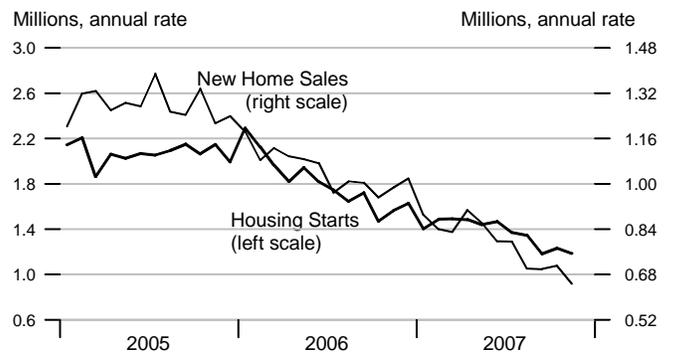
Real Nonresidential Fixed Investment



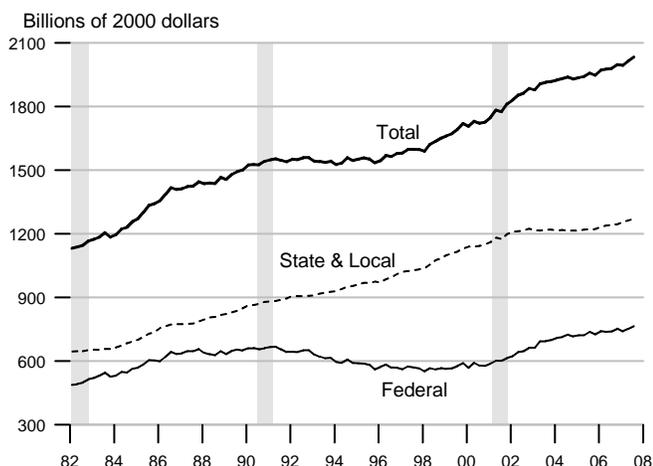
Real Residential Fixed Investment



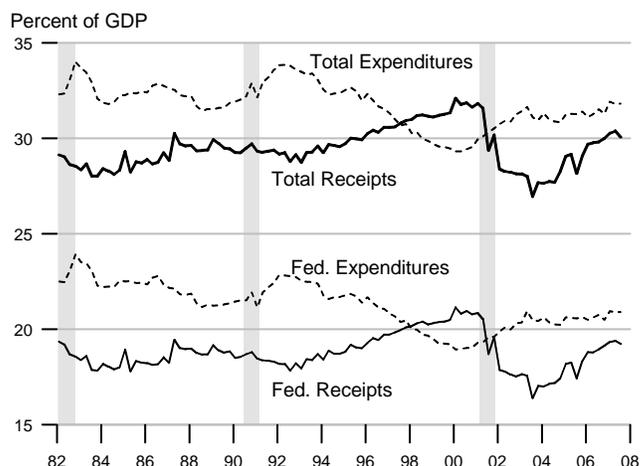
Housing Starts and New Home Sales



Govt. Consumption and Investment



Govt. Current Receipts and Expenditures



Government Budgets

Billions of dollars

National Income Accounts

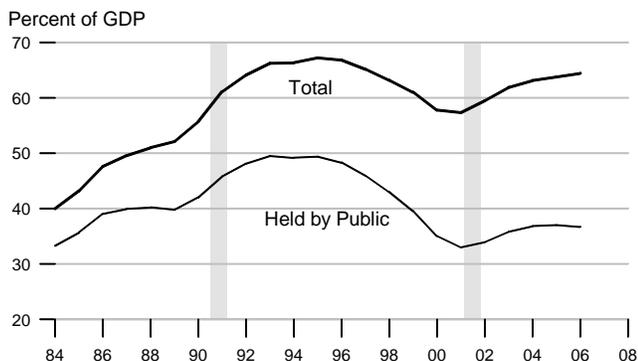
Calendar Years

Unified Budget

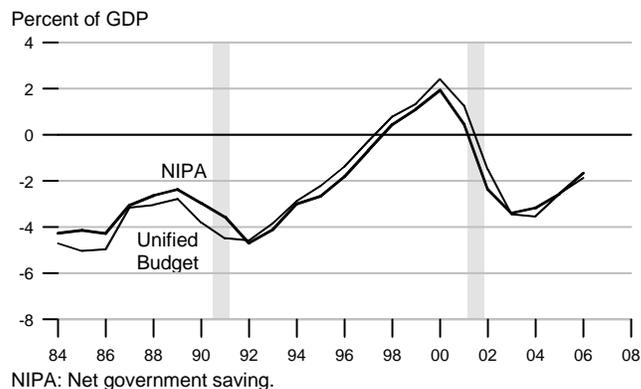
Fiscal Years

	State and Local			Federal			Federal		
	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Outlays	Surplus or Deficit (-)
1991	789.2	793.3	-4.1	1101.3	1315.0	-213.7	1055.1	1324.3	-269.2
1992	845.7	845.0	0.7	1147.2	1444.6	-297.4	1091.3	1381.6	-290.3
1993	886.9	886.0	0.9	1222.5	1496.0	-273.5	1154.5	1409.5	-255.1
1994	942.9	932.4	10.5	1320.8	1533.1	-212.3	1258.7	1461.9	-203.2
1995	990.2	978.2	12.0	1406.5	1603.5	-197.0	1351.9	1515.9	-164.0
1996	1043.3	1017.5	25.8	1524.0	1665.8	-141.8	1453.2	1560.6	-107.4
1997	1097.4	1058.3	39.1	1653.1	1708.9	-55.8	1579.4	1601.3	-21.9
1998	1163.2	1111.2	52.0	1773.8	1734.9	38.9	1722.0	1652.7	69.3
1999	1236.7	1186.3	50.4	1891.2	1787.6	103.6	1827.6	1702.0	125.6
2000	1319.5	1269.5	50.0	2053.8	1864.4	189.4	2025.5	1789.2	236.2
2001	1373.0	1368.2	4.8	2016.2	1969.5	46.7	1991.4	1863.2	128.2
2002	1410.1	1444.3	-34.2	1853.2	2101.1	-247.9	1853.4	2011.2	-157.8
2003	1494.2	1514.5	-20.3	1879.9	2252.1	-372.2	1782.5	2160.1	-377.6
2004	1594.3	1592.8	1.5	2008.9	2379.5	-370.6	1880.3	2293.0	-412.7
2005	1706.9	1691.7	15.2	2243.4	2561.6	-318.2	2153.9	2472.2	-318.3
2006	1797.7	1773.0	24.7	2495.8	2715.8	-220.0	2407.3	2655.0	-247.7
2005Q4	1731.8	1734.3	-2.5	2328.3	2621.4	-293.1	530.2	649.6	-119.4
2006Q1	1767.8	1732.1	35.7	2436.5	2656.2	-219.7	507.4	691.0	-183.6
2006Q2	1803.7	1760.9	42.8	2471.5	2711.4	-239.9	772.1	675.7	96.5
2006Q3	1806.7	1794.4	12.3	2513.1	2752.3	-239.2	596.9	638.7	-41.7
2006Q4	1812.4	1804.8	7.6	2561.9	2743.4	-181.5	573.5	653.9	-80.4
2007Q1	1856.6	1862.4	-5.8	2619.7	2838.2	-218.5	547.4	725.4	-178.0
2007Q2	1889.9	1876.5	13.4	2670.1	2876.9	-206.8	824.4	686.9	137.5
2007Q3	1892.8	1905.8	-13.0	2687.0	2919.7	-232.7	622.3	664.2	-41.8

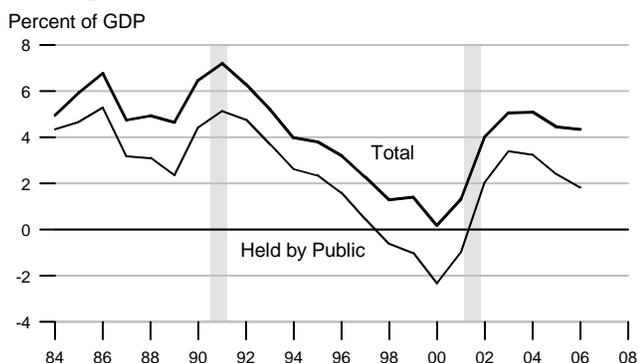
Federal Debt



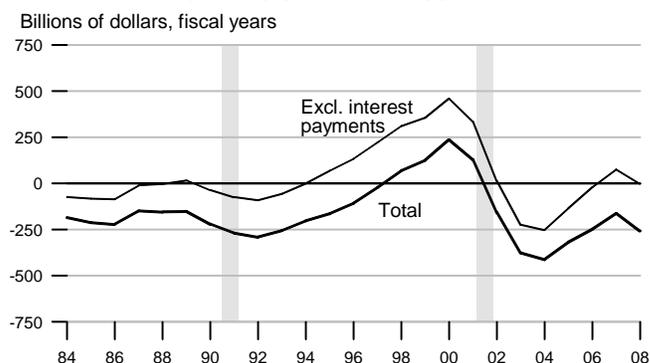
Federal Surplus (+) / Deficit (-)



Change in Federal Debt



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

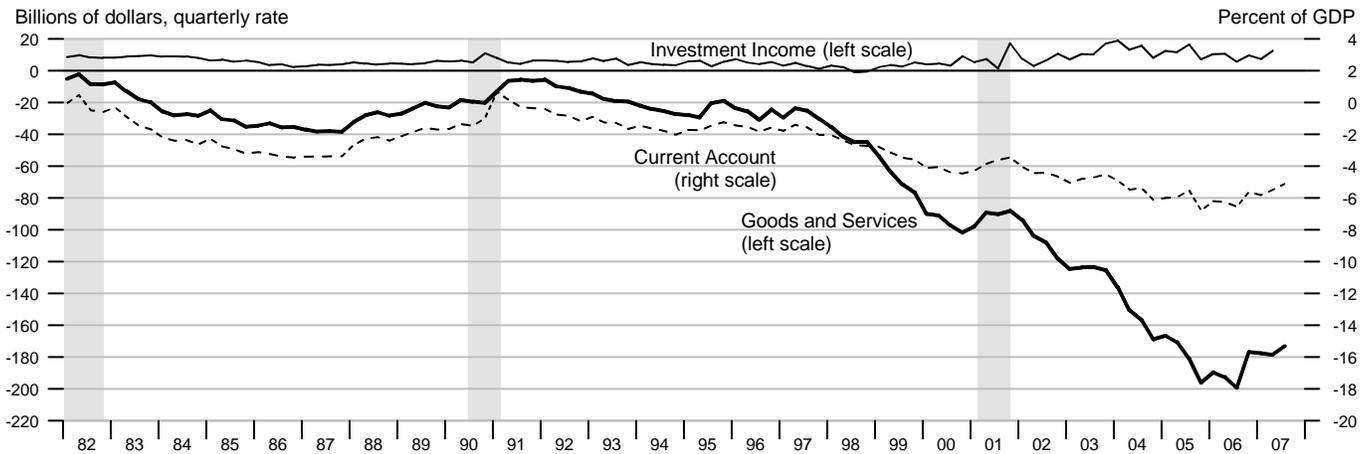


Federal Government Debt

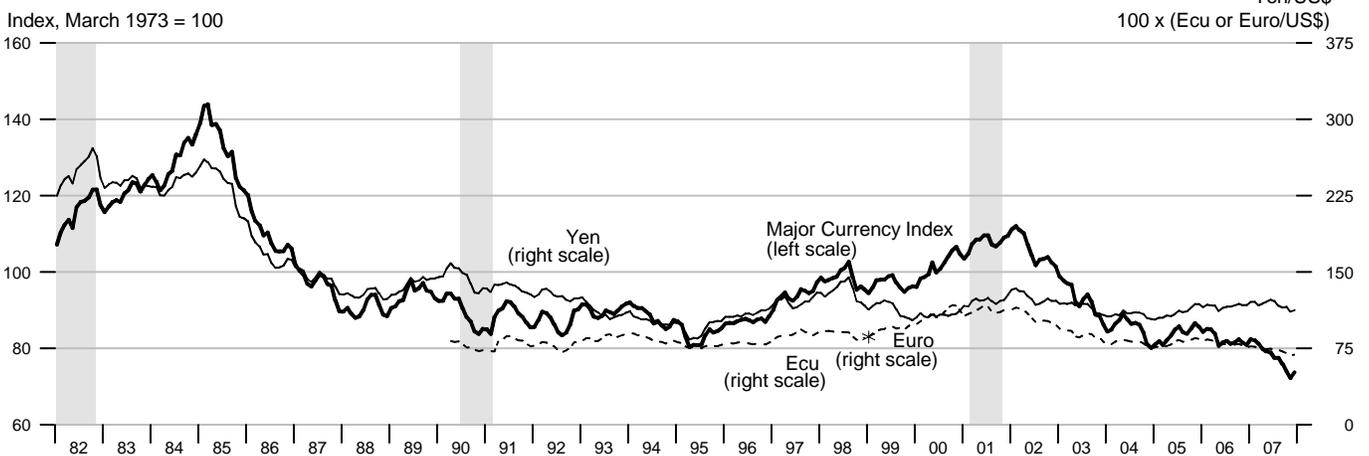
Billions of dollars, end of month or fiscal year
Excludes Agency-issued debt

		Total Public Debt	Held by Agencies and Trusts	Held by Public		Held by Private Investors	
				Total	Federal Reserve Banks	Total	Foreign and International
2005		7932.7	3331.1	4601.6	736.4	3864.9	1930.6
2006		8507.0	3663.8	4843.2	768.9	4074.2	2027.3
2007		9007.7	3958.4	5049.2	779.6	4269.7	2248.9
2004	March	7131.1	2954.4	4176.7	674.1	3502.8	1677.1
	June	7274.3	3055.6	4218.7	687.4	3531.5	1739.6
	September	7379.1	3075.7	4303.4	700.3	3607.0	1798.7
	December	7596.1	3189.8	4406.4	717.8	3690.6	1853.4
2005	March	7776.9	3204.5	4572.4	717.3	3855.4	1956.3
	June	7836.5	3308.9	4527.6	724.7	3803.0	1879.6
	September	7932.7	3331.1	4601.6	736.4	3864.9	1930.6
	December	8170.4	3455.8	4714.6	744.2	3970.6	2036.0
2006	March	8371.2	3498.4	4872.8	758.5	4114.0	2084.5
	June	8420.0	3622.6	4797.5	766.4	4030.8	1979.8
	September	8507.0	3663.8	4843.2	768.9	4074.2	2027.3
	December	8680.2	3779.0	4901.2	778.9	4122.1	2116.7
2007	March	8849.7	3795.4	5054.3	780.9	4273.1	2208.4
	June	8867.7	3924.6	4943.0	790.5	4152.6	2205.4
	September	9007.7	3958.4	5049.2	779.6	4269.7	2248.9

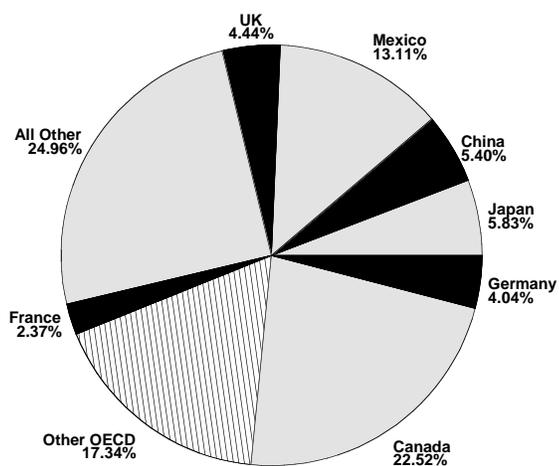
Current Account, Trade and Investment Income Balances



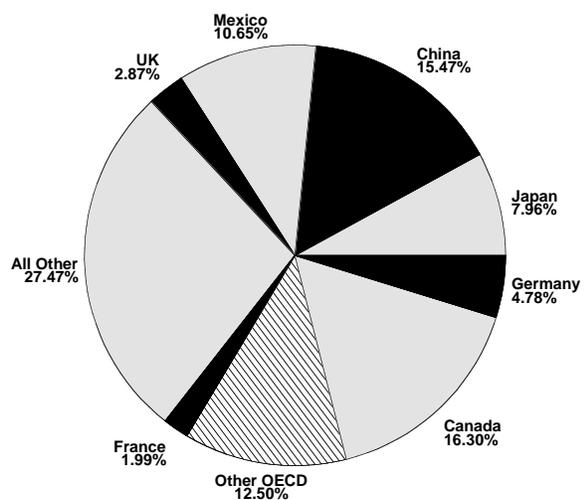
Exchange Rates



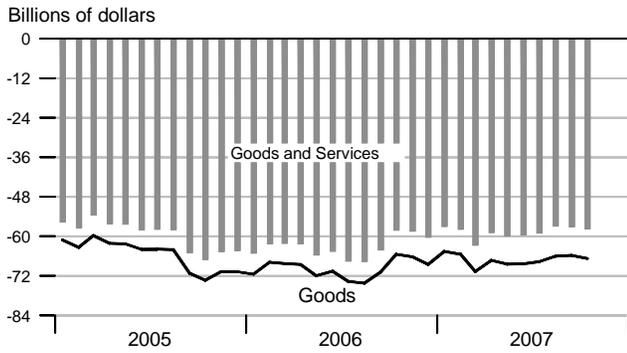
Goods Export Shares, 2006



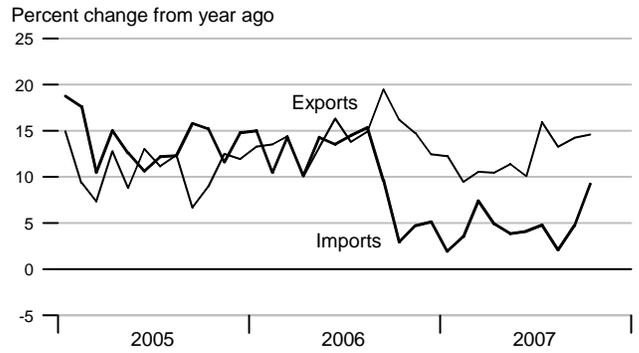
Goods Import Shares, 2006



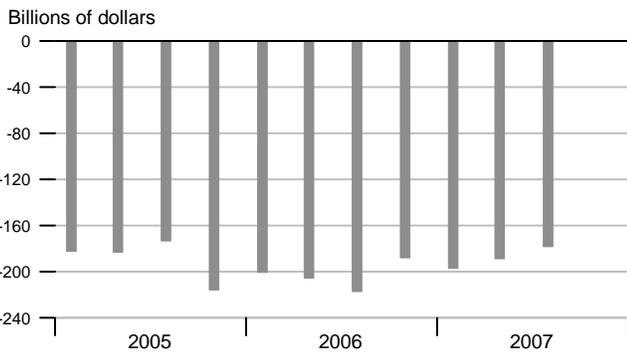
Trade Balance



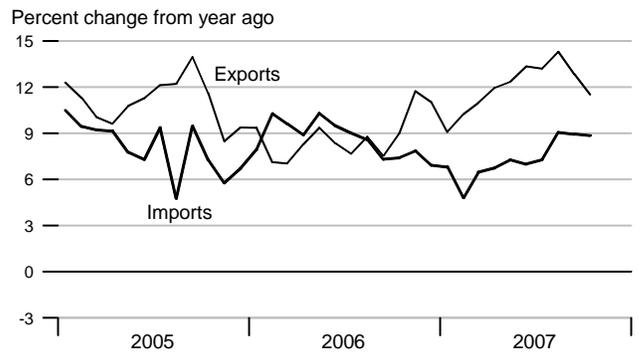
Goods Trade



Current Account Balance



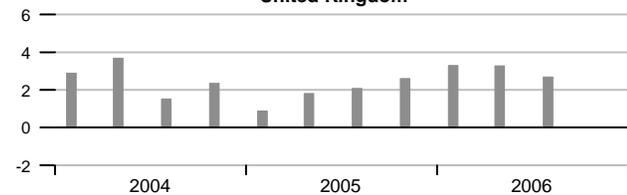
Services Trade



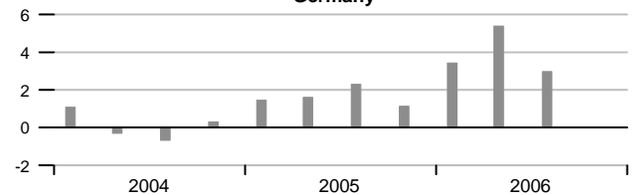
Real GDP Growth of Major Trading Partners

Compounded annual rates of change

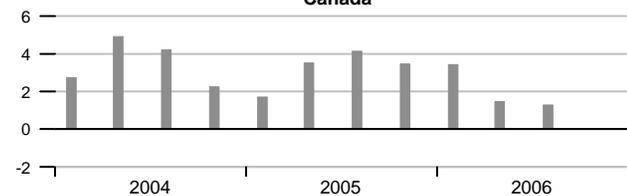
United Kingdom



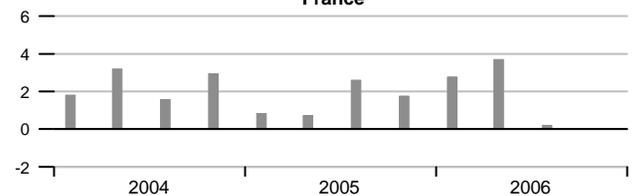
Germany



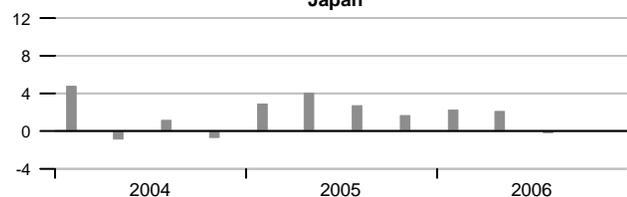
Canada



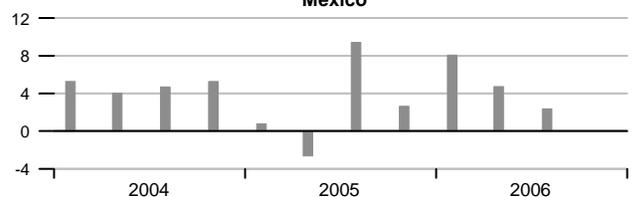
France



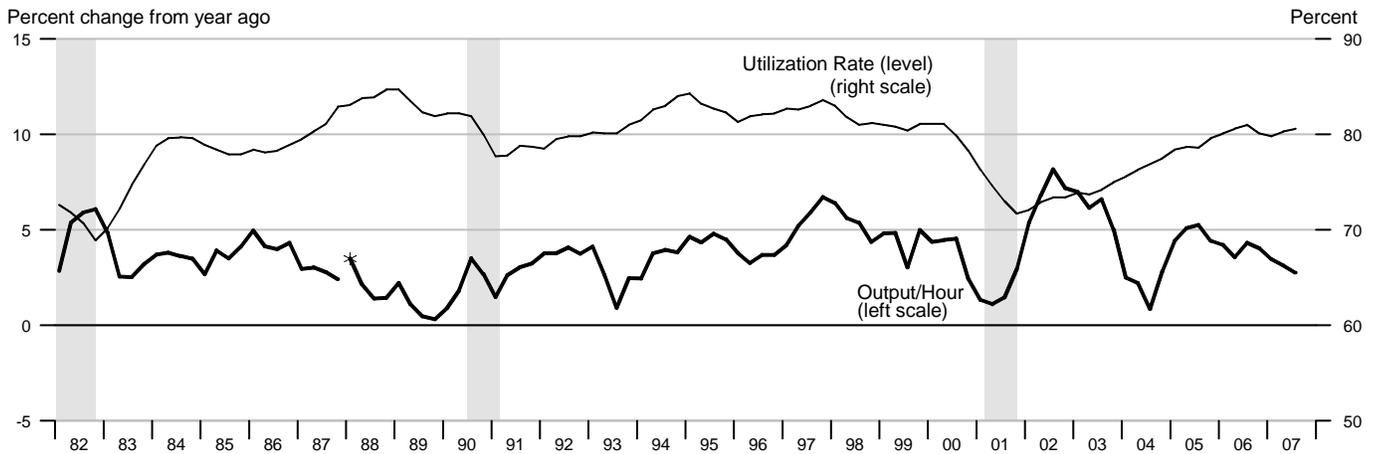
Japan



Mexico

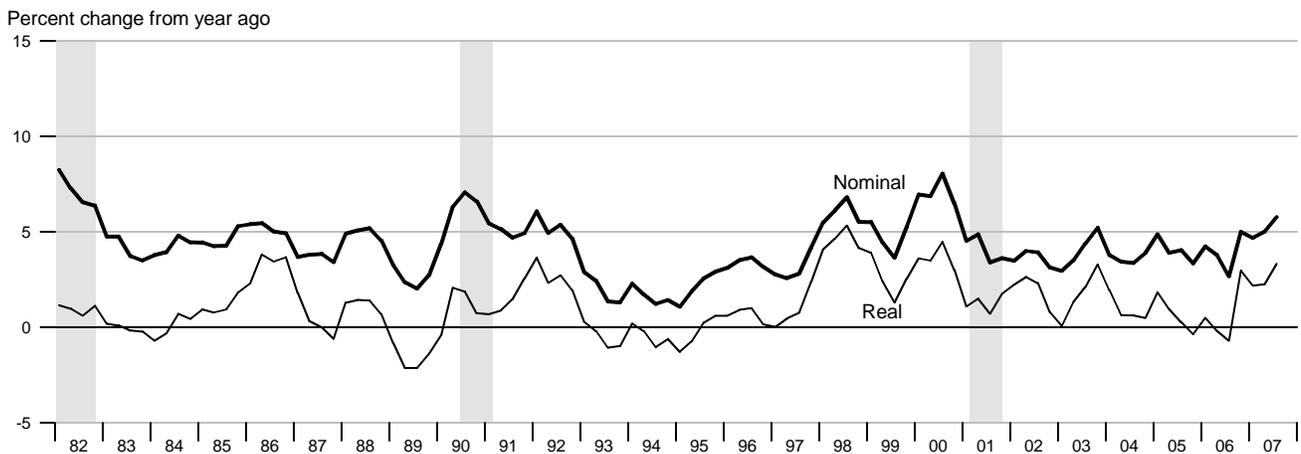


Output per Hour and Capacity Utilization, Manufacturing

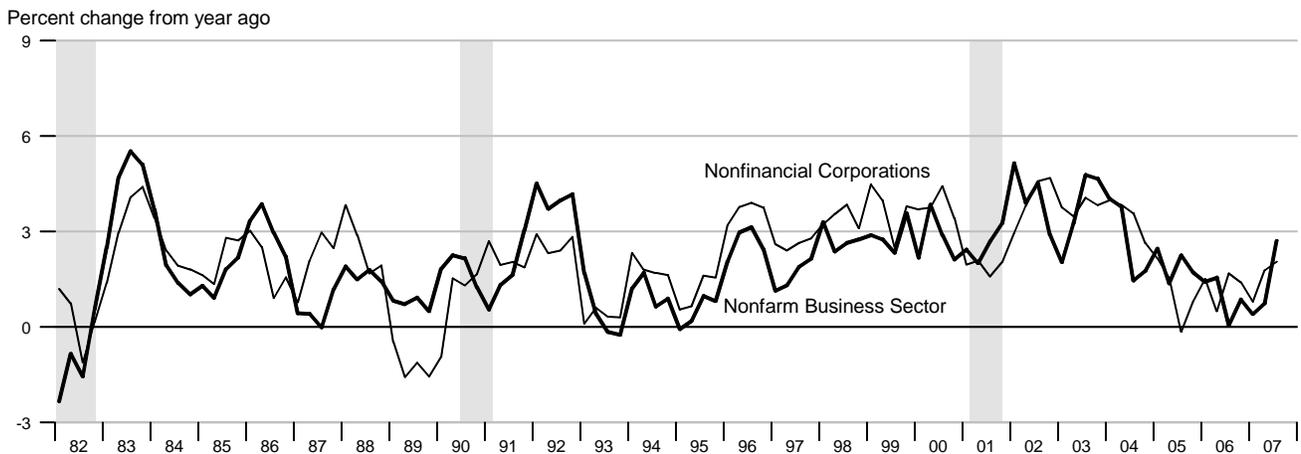


*Data from 1987 to the present are on a NAICS basis; data prior to 1987 are on an SIC basis and are not strictly comparable (see End Note).

Nonfarm Compensation per Hour

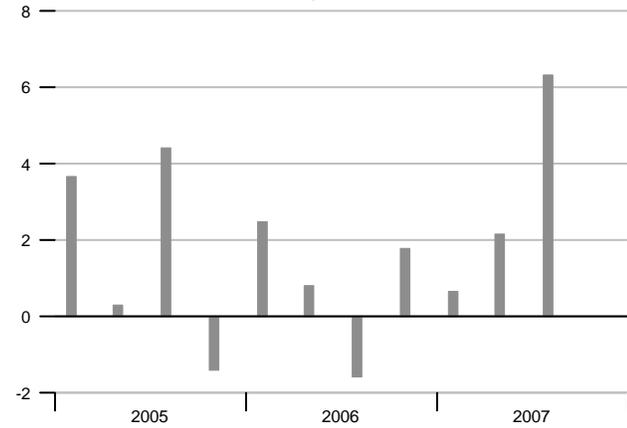


Output per Hour, Nonfarm Business and Nonfinancial Corporations



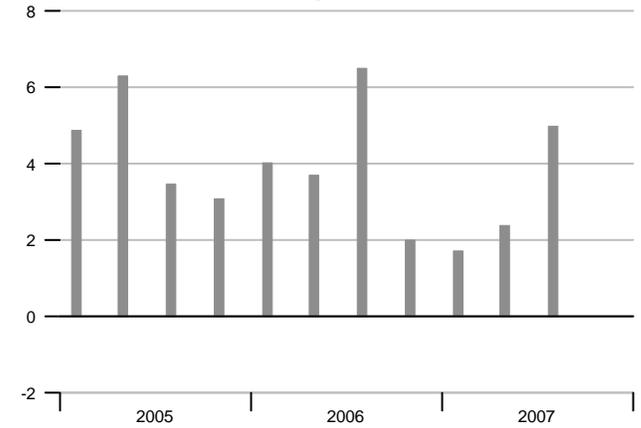
Nonfarm Output per Hour

Compounded annual rates of change

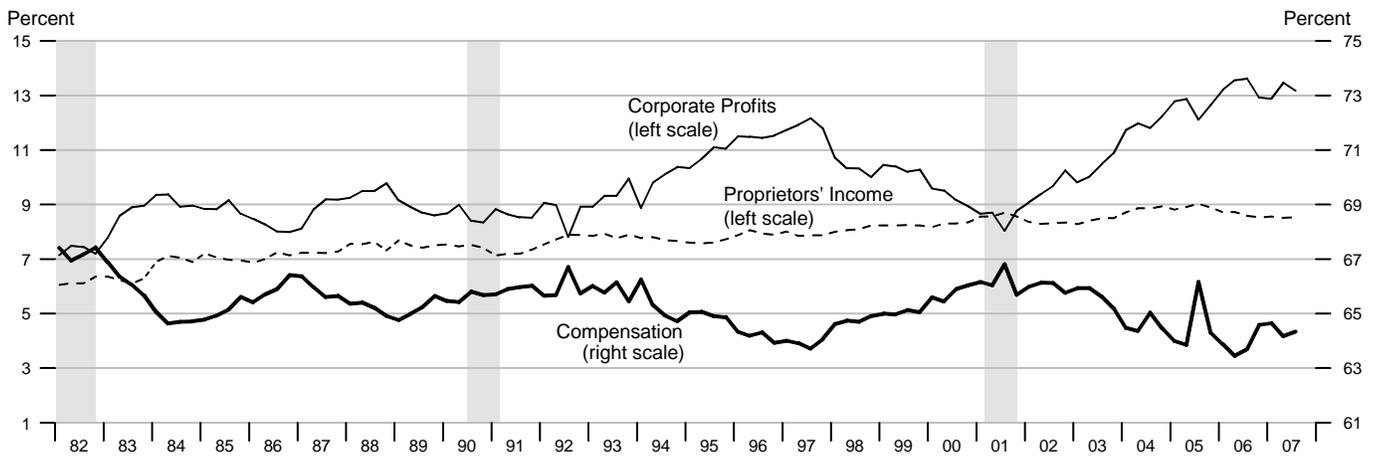


Manufacturing Output per Hour

Compounded annual rates of change

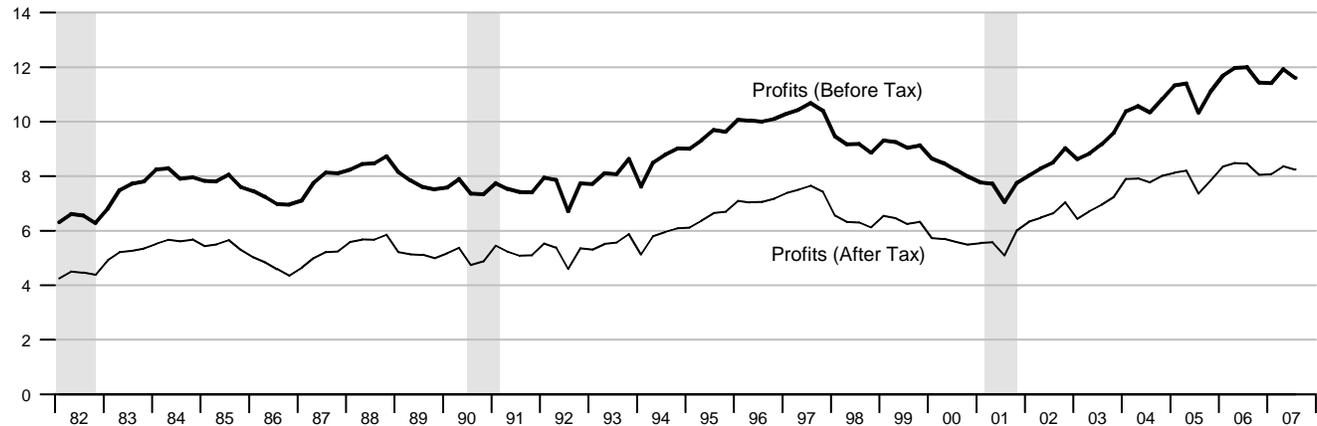


Selected Component Shares of National Income



Corporate Profits

Percent of GDP



	GDP Chain Price Index			Employment Cost Index			ECI: Wages			ECI: Benefits		
	Index	Percent change		Index	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2003	106.409		2.1	92.7		3.8	94.2		2.8	88.8		6.1
2004	109.462		2.9	96.2		3.8	96.7		2.7	94.8		6.8
2005	113.005		3.2	99.2		3.1	99.2		2.5	99.2		4.6
2006	116.568		3.2	102.1		2.9	102.0		2.9	102.1		2.9
2004 1	108.180	3.7	2.3	94.9	4.8	3.8	95.7	2.5	2.7	92.9	11.0	6.8
2	109.185	3.8	2.9	95.8	3.8	3.9	96.4	3.0	2.7	94.4	6.6	7.2
3	109.807	2.3	3.0	96.7	3.8	3.8	97.2	3.4	2.6	95.4	4.3	6.7
4	110.677	3.2	3.2	97.3	2.5	3.7	97.6	1.7	2.6	96.5	4.7	6.6
2005 1	111.745	3.9	3.3	98.2	3.8	3.5	98.3	2.9	2.7	98.0	6.4	5.5
2	112.455	2.6	3.0	98.8	2.5	3.1	98.8	2.1	2.5	98.8	3.3	4.7
3	113.422	3.5	3.3	99.5	2.9	2.9	99.4	2.5	2.3	99.6	3.3	4.4
4	114.398	3.5	3.4	100.1	2.4	2.9	100.1	2.8	2.6	100.3	2.8	3.9
2006 1	115.363	3.4	3.2	100.8	2.8	2.6	100.8	2.8	2.5	100.8	2.0	2.9
2	116.350	3.5	3.5	101.6	3.2	2.8	101.6	3.2	2.8	101.5	2.8	2.7
3	117.030	2.4	3.2	102.5	3.6	3.0	102.4	3.2	3.0	102.5	4.0	2.9
4	117.527	1.7	2.7	103.3	3.2	3.2	103.2	3.2	3.1	103.4	3.6	3.1
2007 1	118.750	4.2	2.9	103.9	2.3	3.1	104.3	4.3	3.5	103.1	-1.2	2.3
2	119.527	2.6	2.7	104.8	3.5	3.1	105.1	3.1	3.4	104.2	4.3	2.7
3	119.837	1.0	2.4	105.6	3.1	3.0	105.9	3.1	3.4	105.0	3.1	2.4
	Exports			Imports			Nonfarm Output per Hour			Nonfarm Compensation per Hour		
	Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2003	1026.109		1.3	1545.017		4.1	128.034		3.7	150.423		4.0
2004	1126.134		9.7	1719.939		11.3	131.542		2.7	155.869		3.6
2005	1203.444		6.9	1821.457		5.9	134.097		1.9	162.149		4.0
2006	1304.104		8.4	1928.567		5.9	135.393		1.0	168.506		3.9
2004 1	1101.785	10.0	9.8	1650.888	12.3	9.3	130.220	0.9	4.0	152.871	-0.2	3.8
2	1119.392	6.5	12.0	1710.450	15.2	12.1	131.713	4.7	3.8	154.850	5.3	3.4
3	1128.041	3.1	9.9	1730.757	4.8	12.4	132.000	0.9	1.5	156.824	5.2	3.4
4	1155.317	10.0	7.4	1787.662	13.8	11.5	132.222	0.7	1.8	158.890	5.4	3.9
2005 1	1172.397	6.0	6.4	1796.826	2.1	8.8	133.417	3.7	2.5	160.300	3.6	4.9
2	1199.343	9.5	7.1	1800.339	0.8	5.3	133.515	0.3	1.4	160.889	1.5	3.9
3	1205.647	2.1	6.9	1809.724	2.1	4.6	134.964	4.4	2.2	163.153	5.7	4.0
4	1236.387	10.6	7.0	1878.952	16.2	5.1	134.485	-1.4	1.7	164.210	2.6	3.3
2006 1	1270.569	11.5	8.4	1910.696	6.9	6.3	135.311	2.5	1.4	167.079	7.2	4.2
2	1288.438	5.7	7.4	1915.005	0.9	6.4	135.583	0.8	1.5	166.978	-0.2	3.8
3	1306.571	5.7	8.4	1940.374	5.4	7.2	135.041	-1.6	0.1	167.517	1.3	2.7
4	1350.861	14.3	9.3	1948.210	1.6	3.7	135.638	1.8	0.9	172.417	12.2	5.0
2007 1	1354.654	1.1	6.6	1966.775	3.9	2.9	135.858	0.7	0.4	174.906	5.9	4.7
2	1379.485	7.5	7.1	1953.360	-2.7	2.0	136.584	2.2	0.7	175.353	1.0	5.0
3	1441.150	19.1	10.3	1974.272	4.4	1.7	138.693	6.3	2.7	177.179	4.2	5.8

		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
2003		137729	1248		0.9	129990	-357		-0.3	98.6			-1.4
2004		139242	1512		1.1	131423	1433		1.1	100.2			1.6
2005		141716	2474		1.8	133696	2273		1.7	102.7			2.5
2006		144421	2706		1.9	136175	2478		1.9	105.7			2.9
2007		146049	1628		1.1	137975	1800		1.3	107.5			1.6
2005	1	140380	334	1.0	1.4	132656	427	1.3	1.6	101.5	0.3	1.2	2.2
	2	141516	1136	3.3	1.9	133371	715	2.2	1.6	102.4	0.9	3.5	2.5
	3	142314	797	2.3	2.0	134107	736	2.2	1.9	103.1	0.7	2.8	2.6
	4	142652	338	1.0	1.9	134652	546	1.6	1.8	103.9	0.8	3.3	2.7
2006	1	143356	704	2.0	2.1	135393	741	2.2	2.1	104.8	0.8	3.4	3.2
	2	144083	727	2.0	1.8	135913	520	1.5	1.9	105.6	0.8	3.1	3.1
	3	144604	521	1.5	1.6	136442	529	1.6	1.7	106.0	0.3	1.4	2.8
	4	145642	1038	2.9	2.1	136951	509	1.5	1.7	106.5	0.5	2.0	2.5
2007	1	145983	340	0.9	1.8	137447	496	1.5	1.5	106.8	0.3	1.1	1.9
	2	145904	-78	-0.2	1.3	137864	417	1.2	1.4	107.4	0.5	2.1	1.7
	3	146019	115	0.3	1.0	138143	278	0.8	1.2	107.7	0.3	1.2	1.6
	4	146291	272	0.7	0.4	138445	302	0.9	1.1	108.0	0.2	1.0	1.4
2005	Dec	142778	214	1.8	1.9	134904	202	1.8	1.9	104.2	0.2	2.3	2.7
2006	Jan	143086	308	2.6	2.0	135110	206	1.8	2.0	104.5	0.3	3.5	3.2
	Feb	143362	276	2.3	2.1	135410	300	2.7	2.0	104.8	0.3	3.5	3.1
	Mar	143619	257	2.2	2.2	135659	249	2.2	2.1	105.1	0.3	3.5	3.3
	Apr	143791	172	1.4	1.8	135803	144	1.3	2.0	105.6	0.5	5.9	3.1
	May	144088	297	2.5	1.8	135906	103	0.9	1.9	105.4	-0.2	-2.2	3.1
	Jun	144369	281	2.4	1.9	136030	124	1.1	1.8	105.8	0.4	4.7	3.1
	Jul	144295	-74	-0.6	1.6	136252	222	2.0	1.7	106.0	0.2	2.3	3.1
	Aug	144671	376	3.2	1.6	136438	186	1.7	1.7	105.9	-0.1	-1.1	2.8
	Sep	144846	175	1.5	1.7	136636	198	1.8	1.8	106.0	0.1	1.1	2.4
	Oct	145395	549	4.6	2.0	136745	109	1.0	1.8	106.3	0.3	3.4	2.6
	Nov	145583	188	1.6	2.1	136941	196	1.7	1.7	106.3	0.0	0.0	2.2
	Dec	145949	366	3.1	2.2	137167	226	2.0	1.7	106.9	0.6	7.0	2.6
2007	Jan	145915	-34	-0.3	2.0	137329	162	1.4	1.6	106.7	-0.2	-2.2	2.1
	Feb	145888	-27	-0.2	1.8	137419	90	0.8	1.5	106.4	-0.3	-3.3	1.5
	Mar	146145	257	2.1	1.8	137594	175	1.5	1.4	107.3	0.8	10.6	2.1
	Apr	145713	-432	-3.5	1.3	137716	122	1.1	1.4	107.1	-0.2	-2.2	1.4
	May	145913	200	1.7	1.3	137904	188	1.7	1.5	107.3	0.2	2.3	1.8
	Jun	146087	174	1.4	1.2	137973	69	0.6	1.4	107.7	0.4	4.6	1.8
	Jul	146045	-42	-0.3	1.2	138066	93	0.8	1.3	107.6	-0.1	-1.1	1.5
	Aug	145753	-292	-2.4	0.7	138159	93	0.8	1.3	107.7	0.1	1.1	1.7
	Sep	146260	507	4.3	1.0	138203	44	0.4	1.1	107.8	0.1	1.1	1.7
	Oct	146016	-244	-2.0	0.4	138362	159	1.4	1.2	107.9	0.1	1.1	1.5
	Nov	146647	631	5.3	0.7	138477	115	1.0	1.1	108.0	0.1	1.1	1.6
	Dec	146211	-436	-3.5	0.2	138495	18	0.2	1.0	108.0	0.0	0.0	1.0

		Unempl. Rate	Retail and Food Services Sales				Industrial Production				Treasury Yields	
			Billions of dollars	Percent change			Index	Percent change			(Percent)	
				Monthly/ quarterly	Annual rate	Year ago			Monthly/ quarterly	Annual rate	Year ago	3-mo
2003		6.0	3614.093			4.2	101.0619			1.1	1.01	4.02
2004		5.5	3833.271			6.1	103.5734			2.5	1.37	4.27
2005		5.1	4085.340			6.6	106.9340			3.2	3.15	4.29
2006		4.6	4337.378			6.2	111.2407			4.0	4.73	4.79
2007		4.6									4.35	4.63
2005	1	5.3	994.839	1.0	4.1	6.0	105.9764	1.1	4.6	3.3	2.54	4.30
	2	5.1	1015.843	2.1	8.7	7.2	106.6983	0.7	2.8	3.4	2.86	4.16
	3	5.0	1034.026	1.8	7.4	7.4	106.9113	0.2	0.8	3.1	3.36	4.21
	4	4.9	1040.632	0.6	2.6	5.7	108.1499	1.2	4.7	3.2	3.83	4.49
2006	1	4.7	1072.960	3.1	13.0	7.9	109.4847	1.2	5.0	3.3	4.39	4.57
	2	4.7	1081.227	0.8	3.1	6.4	111.2261	1.6	6.5	4.2	4.70	5.07
	3	4.6	1089.867	0.8	3.2	5.4	112.3327	1.0	4.0	5.1	4.91	4.90
	4	4.4	1093.324	0.3	1.3	5.1	111.9193	-0.4	-1.5	3.5	4.90	4.63
2007	1	4.5	1109.368	1.5	6.0	3.4	112.2157	0.3	1.1	2.5	4.98	4.68
	2	4.5	1124.080	1.3	5.4	4.0	113.1718	0.9	3.5	1.7	4.74	4.85
	3	4.7	1134.310	0.9	3.7	4.1	114.2480	1.0	3.9	1.7	4.30	4.73
	4	4.8									3.39	4.26
2005	Dec	4.8	347.730	0.0	0.2	5.1	109.1496	0.8	10.5	3.6	3.89	4.47
2006	Jan	4.7	359.254	3.3	47.9	9.0	109.1081	-0.0	-0.5	3.3	4.24	4.42
	Feb	4.7	356.451	-0.8	-9.0	7.2	109.3862	0.3	3.1	3.0	4.43	4.57
	Mar	4.7	357.255	0.2	2.7	7.4	109.9597	0.5	6.5	3.6	4.51	4.72
	Apr	4.7	361.376	1.2	14.8	7.1	110.9443	0.9	11.3	4.5	4.60	4.99
	May	4.7	359.363	-0.6	-6.5	6.9	110.8746	-0.1	-0.8	4.0	4.72	5.11
	Jun	4.6	360.488	0.3	3.8	5.4	111.8594	0.9	11.2	4.3	4.79	5.11
	Jul	4.7	363.633	0.9	11.0	4.5	112.3067	0.4	4.9	4.7	4.95	5.09
	Aug	4.7	364.172	0.1	1.8	6.3	112.5208	0.2	2.3	4.6	4.96	4.88
	Sep	4.5	362.062	-0.6	-6.7	5.4	112.1707	-0.3	-3.7	6.0	4.81	4.72
	Oct	4.4	363.019	0.3	3.2	5.2	111.9994	-0.2	-1.8	4.6	4.92	4.73
	Nov	4.5	362.964	-0.0	-0.2	4.4	111.5291	-0.4	-4.9	3.0	4.94	4.60
	Dec	4.4	367.341	1.2	15.5	5.6	112.2295	0.6	7.8	2.8	4.85	4.56
2007	Jan	4.6	367.230	-0.0	-0.4	2.2	111.6827	-0.5	-5.7	2.4	4.98	4.76
	Feb	4.5	369.287	0.6	6.9	3.6	112.5319	0.8	9.5	2.9	5.03	4.72
	Mar	4.4	372.851	1.0	12.2	4.4	112.4324	-0.1	-1.1	2.2	4.94	4.56
	Apr	4.5	371.651	-0.3	-3.8	2.8	113.0619	0.6	6.9	1.9	4.87	4.69
	May	4.5	377.689	1.6	21.3	5.1	112.9510	-0.1	-1.2	1.9	4.73	4.75
	Jun	4.6	374.740	-0.8	-9.0	4.0	113.5026	0.5	6.0	1.5	4.61	5.10
	Jul	4.7	376.906	0.6	7.2	3.7	114.2392	0.6	8.1	1.7	4.82	5.00
	Aug	4.7	377.173	0.1	0.9	3.6	114.1040	-0.1	-1.4	1.4	4.20	4.67
	Sep	4.7	380.231	0.8	10.2	5.0	114.4008	0.3	3.2	2.0	3.89	4.52
	Oct	4.8	381.088	0.2	2.7	5.0	113.5893	-0.7	-8.2	1.4	3.90	4.53
	Nov	4.7	385.753	1.2	15.7	6.3	113.9019	0.3	3.4	2.1	3.27	4.15
	Dec	5.0									3.00	4.10

		Consumer Price Index					Consumer Price Index less Food and Energy					Producer Price Index Finished Goods			
		Percent change					Percent change					Percent change			
		Index	Monthly/ quarterly	Annual rate	Year ago	Year to date	Index	Monthly/ quarterly	Annual rate	Year ago	Year to date	Index	Monthly/ quarterly	Annual rate	Year ago
2002		179.867			1.6		190.442			2.3		138.9			-1.3
2003		183.967			2.3		193.225			1.5		143.3			3.2
2004		188.900			2.7		196.625			1.8		148.5			3.6
2005		195.258			3.4		200.892			2.2		155.7			4.9
2006		201.583			3.2		205.925			2.5		160.3			2.9
2005	1	192.133	0.5	2.1	3.0	2.1	199.500	0.6	2.6	2.3	2.6	152.7	0.8	3.2	4.7
	2	193.967	1.0	3.9	2.9	3.0	200.433	0.5	1.9	2.2	2.2	154.0	0.9	3.5	4.1
	3	196.633	1.4	5.6	3.8	3.9	201.167	0.4	1.5	2.1	2.0	156.8	1.8	7.3	5.6
	4	198.300	0.8	3.4	3.7	3.7	202.467	0.6	2.6	2.1	2.1	159.4	1.7	7.0	5.2
2006	1	199.233	0.5	1.9	3.7	1.9	203.667	0.6	2.4	2.1	2.4	159.4	-0.0	-0.1	4.4
	2	201.700	1.2	5.0	4.0	3.5	205.333	0.8	3.3	2.4	2.9	160.9	0.9	3.7	4.4
	3	203.233	0.8	3.1	3.4	3.3	206.867	0.7	3.0	2.8	2.9	161.1	0.2	0.7	2.8
	4	202.167	-0.5	-2.1	1.9	1.9	207.833	0.5	1.9	2.7	2.7	159.9	-0.8	-3.1	0.3
2007	1	204.068	0.9	3.8	2.4	3.8	209.010	0.6	2.3	2.6	2.3	162.5	1.6	6.7	1.9
	2	207.057	1.5	6.0	2.7	4.9	210.006	0.5	1.9	2.3	2.1	166.4	2.4	10.0	3.4
	3	208.019	0.5	1.9	2.4	3.9	211.299	0.6	2.5	2.1	2.2	166.8	0.3	1.0	3.5
2005	Nov	197.900	-0.7	-7.6	3.5	3.8	202.500	0.2	3.0	2.1	2.2	158.7	-0.7	-8.0	4.3
	Dec	197.800	-0.1	-0.6	3.4	3.4	202.900	0.2	2.4	2.2	2.2	159.8	0.7	8.6	5.5
2006	Jan	199.000	0.6	7.5	4.0	7.5	203.200	0.1	1.8	2.1	1.8	160.3	0.3	3.8	5.6
	Feb	199.100	0.1	0.6	3.6	4.0	203.600	0.2	2.4	2.1	2.1	158.6	-1.1	-12.0	3.9
	Mar	199.600	0.3	3.1	3.4	3.7	204.200	0.3	3.6	2.1	2.6	159.3	0.4	5.4	3.6
	Apr	200.800	0.6	7.5	3.6	4.6	204.800	0.3	3.6	2.3	2.8	160.4	0.7	8.6	4.0
	May	201.900	0.5	6.8	4.1	5.0	205.300	0.2	3.0	2.4	2.9	160.7	0.2	2.3	4.4
	Jun	202.400	0.2	3.0	4.3	4.7	205.900	0.3	3.6	2.6	3.0	161.5	0.5	6.1	4.9
	Jul	203.200	0.4	4.8	4.2	4.7	206.400	0.2	3.0	2.7	3.0	161.3	-0.1	-1.5	3.9
	Aug	203.800	0.3	3.6	3.9	4.6	206.900	0.2	2.9	2.8	3.0	161.9	0.4	4.6	3.7
	Sep	202.700	-0.5	-6.3	2.1	3.3	207.300	0.2	2.3	2.9	2.9	160.2	-1.1	-11.9	0.8
	Oct	201.800	-0.4	-5.2	1.3	2.4	207.600	0.1	1.8	2.8	2.8	157.8	-1.5	-16.6	-1.3
	Nov	201.900	0.0	0.6	2.0	2.3	207.800	0.1	1.2	2.6	2.6	160.3	1.6	20.8	1.0
	Dec	202.800	0.4	5.5	2.5	2.5	208.100	0.1	1.7	2.6	2.6	161.5	0.7	9.4	1.1
2007	Jan	203.153	0.2	2.1	2.1	2.1	208.632	0.3	3.1	2.7	3.1	160.6	-0.6	-6.5	0.2
	Feb	203.906	0.4	4.5	2.4	3.3	209.135	0.2	2.9	2.7	3.0	162.6	1.2	16.0	2.5
	Mar	205.146	0.6	7.5	2.8	4.7	209.263	0.1	0.7	2.5	2.3	164.2	1.0	12.5	3.1
	Apr	205.999	0.4	5.1	2.6	4.8	209.634	0.2	2.1	2.4	2.2	165.6	0.9	10.7	3.2
	May	207.387	0.7	8.4	2.7	5.5	209.948	0.1	1.8	2.3	2.1	166.7	0.7	8.3	3.7
	Jun	207.784	0.2	2.3	2.7	5.0	210.436	0.2	2.8	2.2	2.3	166.8	0.1	0.7	3.3
	Jul	208.028	0.1	1.4	2.4	4.5	210.933	0.2	2.9	2.2	2.3	167.9	0.7	8.2	4.1
	Aug	207.738	-0.1	-1.7	1.9	3.7	211.250	0.2	1.8	2.1	2.3	165.3	-1.5	-17.1	2.1
	Sep	208.292	0.3	3.2	2.8	3.6	211.714	0.2	2.7	2.1	2.3	167.2	1.1	14.7	4.4
	Oct	208.903	0.3	3.6	3.5	3.6	212.050	0.2	1.9	2.1	2.3	167.3	0.1	0.7	6.0
	Nov	210.565	0.8	10.0	4.3	4.2	212.633	0.3	3.3	2.3	2.4	172.6	3.2	45.4	7.7

Notes

Pages 4, 5: **Final Sales** is gross domestic product (GDP) minus change in private inventories. **Advance, Preliminary, and Final GDP Growth Rates** are released during the first, second, and third months of the following quarter. Changes result from incorporation of more complete information. Real GDP is measured in 2000 dollars. The **ISM** (formerly Purchasing Managers' **Index**) is a weighted average of diffusion indexes for new orders, production, supplier deliveries, inventories, and employment. **Aggregate and Average Weekly Hours** are paid hours of production and nonsupervisory employees. The **Inventory-Sales Ratio** uses nominal (current-dollar) inventory and sales data.

Page 6: For information on how to calculate the **Contribution** of a component to the overall GDP growth rate, see the October 1999 issue of the Survey of Current Business, p. 16. The sign is changed for **Imports**.

Page 7: Ten-year **Treasury Yields** are adjusted to constant maturity; three-month yields are secondary market averages. All rates used in the yield curves are adjusted to constant maturity. The 30-year constant maturity series was discontinued by the Treasury Department as of Feb. 18, 2002. **Standard and Poor's 500 Index with Reinvested Dividends** shows the total return: capital gains plus dividends.

Pages 8, 9: **Oil** (West Texas intermediate) and **Natural Gas** (Henry Hub) spot and futures prices are listed in the *Wall Street Journal*. Spot prices are monthly averages of daily prices; futures prices are usually taken from the last trading day of the month. **Consumer Price Index** is for all urban consumers. The **Consumption Chain Price Index** is the index associated with the personal consumption expenditures component of GDP. The **Employment Cost Index (ECI)** covers private nonfarm employers. **ECI Compensation** refers to a fixed sample of jobs, while **Compensation per Hour** covers all workers in the nonfarm business sector in a given quarter. In both cases, compensation is wages and salaries plus benefits.

Pages 10, 11: Effective with the May 2003 **Employment Situation**, the establishment survey data for employment, hours, and earnings have been converted from the 1987 SIC system to the 2002 NAICS system. For more information see <http://www.bls.gov/ces/>. **Nonfarm Payroll Employment** is counted in a survey of about 400,000 establishments (Current Employment Statistics). It excludes self-employed individuals and workers in private households, but double-counts individuals with more than one job. The **Household Survey** (Current Population Survey) of about 60,000 households provides estimates of civilian employment, unemployment rate, labor force participation rate, and employment-population ratio. **Population** is civilian, noninstitutional, 16 years and over. The 90 percent confidence intervals for the unemployment rate (± 0.2 percentage points) and change in household survey employment ($\pm 290,000$) measure uncertainty due to sample size. Because the household survey was changed in January 1994, data prior to this date are not strictly comparable. The Bureau of Labor Statistics announced several revisions to the Household Survey on Feb. 7, 2003, with the release of the January 2003 data. For more information, see www.bls.gov/cps/. The **Job Openings rate** is the number of job openings on the last business day of the month as a percent of total employment plus job openings.

Page 13: The **Michigan Consumer Sentiment Index** shows changes in a summary measure of consumers' answers to five questions about their current and expected financial situation, expectations about future economic conditions, and attitudes about making large purchases. The survey is based on a representative sample of U.S. households.

Page 15: **Gross Private Saving** is the sum of personal saving, undistributed corporate profits with IVA and CCAAdj (see notes for pp. 18-19), and private wage accruals less disbursements. **Gross Government Saving** is net government saving (surplus/deficit) plus consumption of fixed capital. **Balance on Current Account (NIPA)** is net capital transfer payments to the rest of the world plus net lending or net borrowing (international trade and income flows).

Pages 16, 17: **Government Consumption and Investment** is current expenditures on goods and services, including capital consumption (depreciation) and gross investment, as reported in the NIPAs. The **Unified Federal Budget**

Surplus/Deficit differs from **NIPA Basis** in four main ways: (1) NIPA excludes transactions involving existing assets; (2) NIPA outlays exclude government investment and include consumption of government capital, while unified budget outlays do the reverse; (3) NIPA accounts exclude Puerto Rico and U.S. territories; and (4) various timing issues are handled differently. **Outlays and Receipts** are from the NIPAs, except as noted. Since 1977, the federal **Fiscal Year** starts on October 1. Excluded agency debt was 0.6 percent of federal debt at the end of fiscal 1997. **Federal Debt Held by the Public** includes holdings of the Federal Reserve System and excludes holdings of the social security and other federal trust funds. Federal grants in aid to state and local governments appear in both state and local receipts and federal outlays.

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

Pages 20, 21: **Output per Hour (Y/H)**, **Unit Labor Cost (C/Y)**, and **Compensation per Hour (C/H)** are indexes which approximately obey the following relationship: $\%(Y/H) + \%(C/Y) = \%(C/H)$ with $\%()$ meaning percent changes. Unit labor cost is shown on page 9. **Real Compensation per Hour** uses the CPI to adjust for the effects of inflation. Nonfarm business accounted for about 76 percent of the value of GDP in 1996, while nonfinancial corporations accounted for about 54 percent. **Inventory Valuation Adjustments (IVA)** remove the effect of changes in the value of existing inventories from corporate profits and proprietors' income. (This change in value does not correspond to current production and therefore is not part of GDP). **Capital Consumption Adjustments (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.

NOTE: Most measures of economic activity are now based on the 2002 North American Industry Classification System (NAICS), which replaces the 1987 Standard Industry Classification (SIC) system.

Sources

Bureau of Economic Analysis (BEA), U.S. Dept. of Commerce

National income and product accounts, international trade and investment data (except by country), auto and light truck sales.

Census Bureau, U.S. Dept. of Commerce

Inventory-sales ratios, retail sales, capital goods orders, housing starts, exports and imports by country.

Bureau of Labor Statistics (BLS), U.S. Dept. of Labor

All employment-related data, employment cost index, consumer and producer price indexes, unit labor cost, output per hour, compensation per hour, multifactor productivity.

United States Department of Treasury

Unified budget receipts, outlays, deficit, debt.

Federal Reserve Board

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

The Survey Research Center, The University of Michigan

Consumer sentiment index.

Organization for Economic Cooperation and Development (OECD)

GDP for major trading partners (not available on FRED).