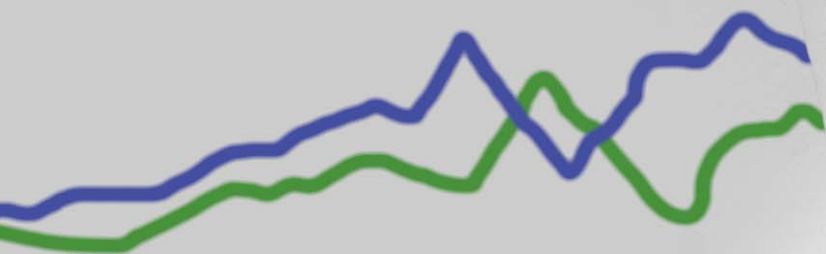


AUGUST 28, 2009



Hudson Institute Economic Report

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August 28, 2009

This week saw green shoots in the economy from the housing market, although the new deficit projections from the White House, with a \$9 trillion cumulative deficit over the next decade and debt held by the public rising to 76% of GDP in 2019, cast a pall on our economic future.

July new home sales rose substantially for the second straight month. The seasonally adjusted annual sales rate of 433,000 was 9.6 percent above June's revised rate of 395,000, which in turn was 9.1 percent above May's revised rate of 362,000. These individual month increases are not statistically significant; the 90 percent confidence interval for July was 13.4 percent, and for June was 13.2 percent. But cumulatively they are significant. Sales have increased for four consecutive months; the July rate was the highest since last September. The new home sales increase parallels the increase in existing home sales, reported last week. The inventory of unsold homes declined to 7.5 months' supply, the lowest level in over two years, although still well above the normal rate of about 4 months. The median sales price was flat: \$210,100 in July compared to \$210,400 in June. The May median price was \$221,400.

Personal income remained unchanged in July, following a revised 1.1% decrease in June. Real disposable personal income was down 0.1%. However, personal spending rose for the third consecutive month. Personal spending rose 0.2%, following a revised 0.6% increase in June. Spending on durable goods increased 1.3%, mostly due to the increase in purchase of motor vehicles and parts, aided by the "cash for clunkers" program.

New orders for manufactured durables increased 4.9% in July, following a 1.3% decline in June. However, after a 3.6% increase in June, new orders of core capital goods, which exclude the aircraft and defense capital goods, fell 0.3% in July.

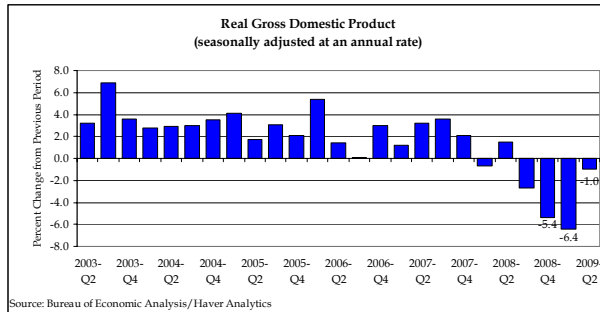
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Hudson's Center for Employment Policy is grateful to the Ewing Marion Kauffman Foundation for the support of this program.

I. Output Data

***New this week**

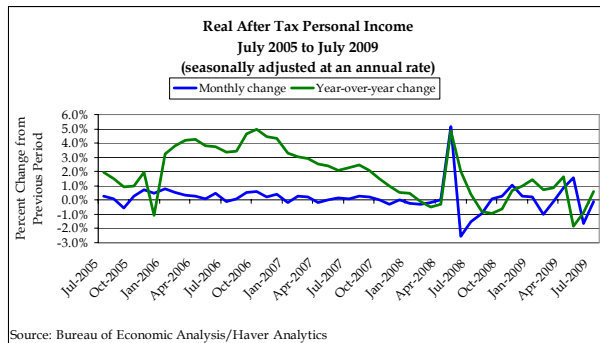


- Second quarter real GDP contracted at an annual rate of 1.0%. It fell 6.4% in the first quarter.
- From 2nd quarter 2008 to 2nd quarter 2009, real GDP shrank at 3.9%.
- Real GDP growth in 2008 was 0.4% for the year.

1.

(Next update: September 30)

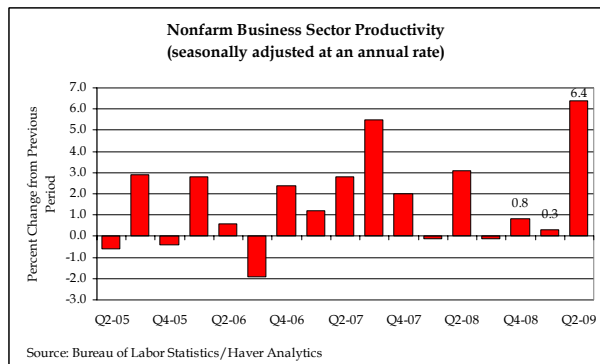
***New this week**



- Personal income remained unchanged in July, but was 2.4% lower than a year ago.
- Real after-tax personal income, at an annual rate of \$9,955 billion, was down 0.1% from June, yet was 0.6% higher than a year ago.

2.

(Next update: October 1)

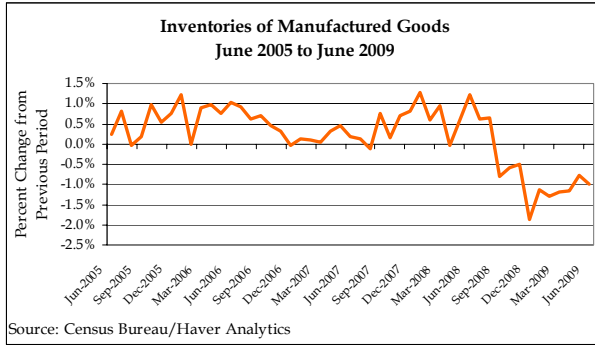


- Second quarter nonfarm business productivity growth was 6.4%.
- The year-on-year growth rate was at 1.8%.

3.

(Next update: September 2)

***New this week**

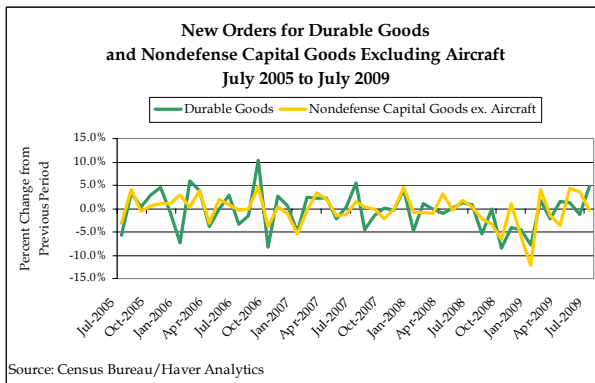


- Inventories of manufactured goods declined 1.0% to \$507.3 billion in June. Shipments rose by 1.7%.
- New orders for manufactured goods in June rose by 0.9%.

4.

(Next update: September 2)

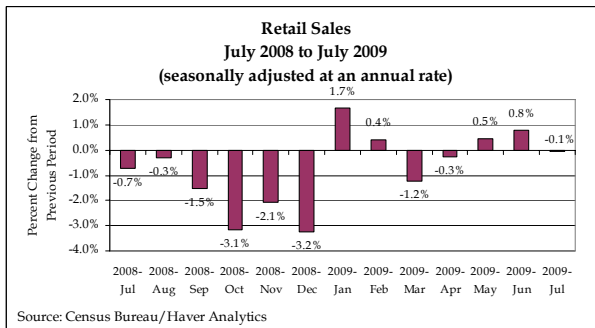
***New this week**



- New orders for manufactured durable goods increased 4.9% in July, following a 1.3% decrease in June. Shipments were up 2.0%, following a 0.7% increase in June.
- More important, new orders of core capital goods decreased 0.3% in July, following a 3.6% increase in June. Shipments increased 0.5%.

5.

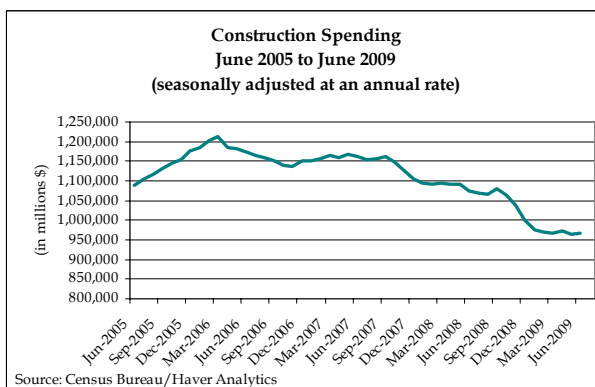
(Next update: September 2)



- Retail sales in July fell 0.1%, and were 8.3% lower than a year ago.
- Excluding the volatile auto sector, retail sales declined by 0.6% in July, and were 8.5% lower than a year ago.

6.

(Next update: September 15)

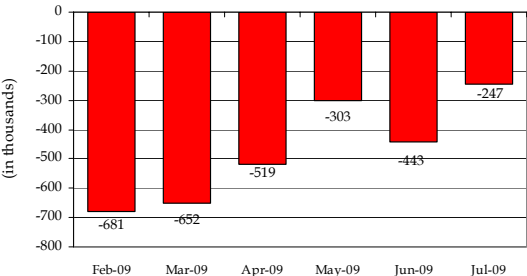
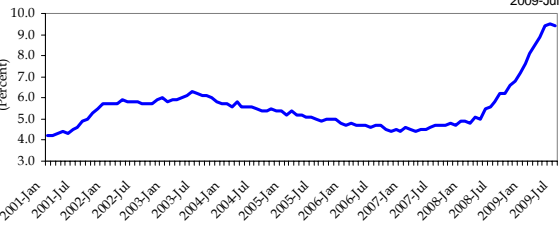
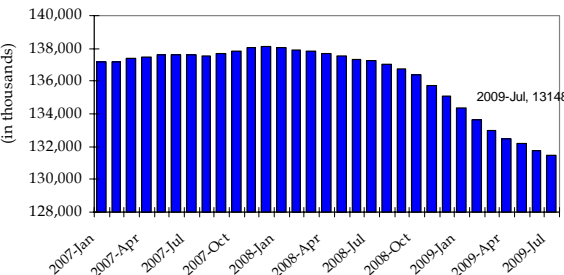


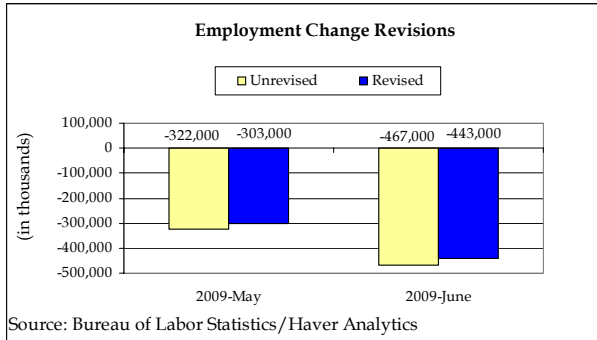
- Following a 0.8% decrease in May, construction spending increased 0.3% to an annual rate of \$965.7 billion in June.
- The June figure was 10.2% lower than a year ago.

7.

(Next update: September 1)

II. Labor Market Data

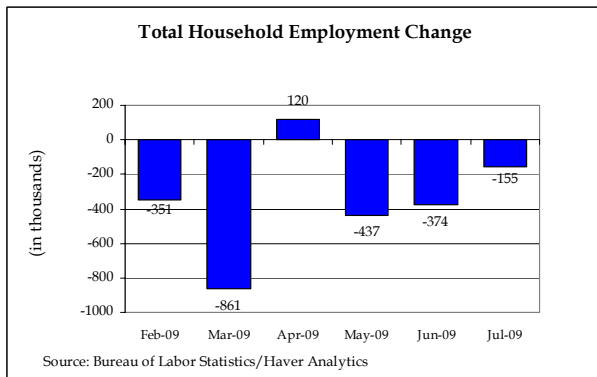
<p style="text-align: center;">Total Nonfarm Employment Change</p>  <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • In July, the payroll survey recorded a decrease of 247,000 jobs. • Over the past year, total payroll employment has decreased by 5.740 million jobs. Employment in the private sector has decreased by 5.767 million jobs. <p style="text-align: right;">8.</p> <p style="text-align: center;">(Next update: September 4)</p>
<p style="text-align: center;">Unemployment Rate since 2001</p>  <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • The unemployment rate in July 2009 was 9.4%, up from 5.8% a year ago. • The unemployment rate for adult men was 9.8% and for adult women was 7.5%. <p style="text-align: right;">9.</p> <p style="text-align: center;">(Next update: September 4)</p>
<p style="text-align: center;">Payroll Employment since 2007</p>  <p>Source: Bureau of Labor Statistics/Haver Analytics</p>	<ul style="list-style-type: none"> • From December 2007, the start of the recession, to July 2009, payroll employment has decreased by 6.664 million jobs. <p style="text-align: right;">10.</p> <p style="text-align: center;">(Next update: September 4)</p>



- In July, the change in May's nonfarm payroll employment was revised from -322,000 to -303,000. It was first estimated at -345,000.
- June's number was -443,000, revised from -467,000.
- The total upward revision was 43,000 fewer jobs lost.

11.

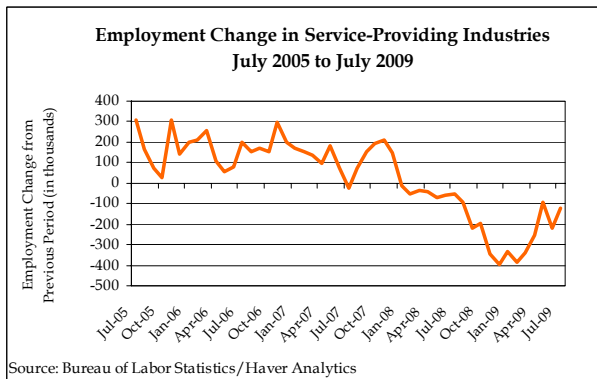
(Next update: September 4)



- The household survey showed a decrease of 155,000 employed workers in July 2009 and a loss of 5,555,000 workers over the past year.
- The household survey has shown a decline of over 6.253 million employed workers since December 2007.

12.

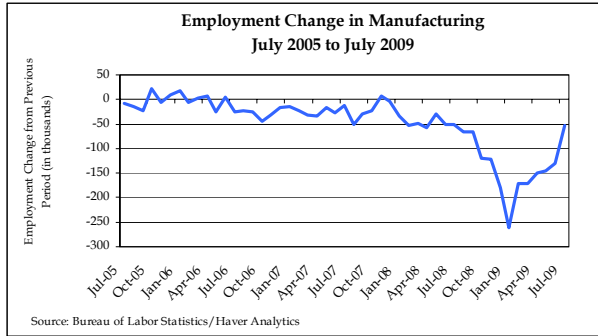
(Next update: September 4)



- Employment in services decreased by 119,000 in July 2009.
- Employment in services has declined by 3.311 million jobs since December 2007.

13.

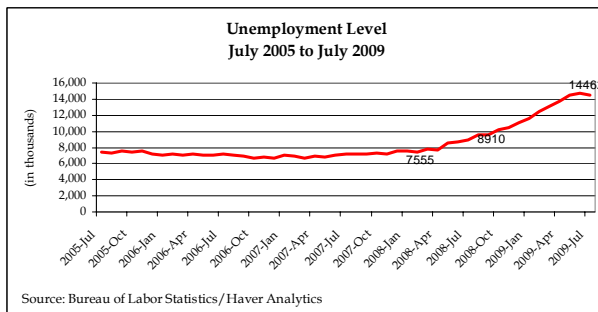
(Next update: September 4)



- Manufacturing employment decreased by 52,000 in July 2009.
- Manufacturing jobs were 1,637,000 below the level of July 2008.
- Manufacturing has lost 1.960 million jobs since December 2007.

14.

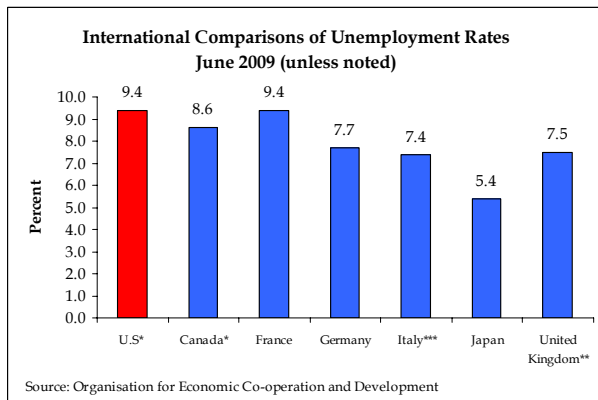
(Next update: September 4)



- The number of unemployed was 14.462 million in July 2009, compared with 8.910 million in July 2008.

15.

(Next update: September 4)



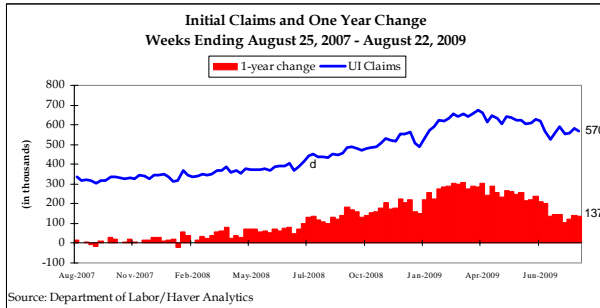
*July 2009 rate **April 2009 rate ***March 2009 rate

- The U.S. unemployment rate for July is higher than other industrialized countries. New data expected for other countries will probably show increases in unemployment.

16.

(Next update: September 11)

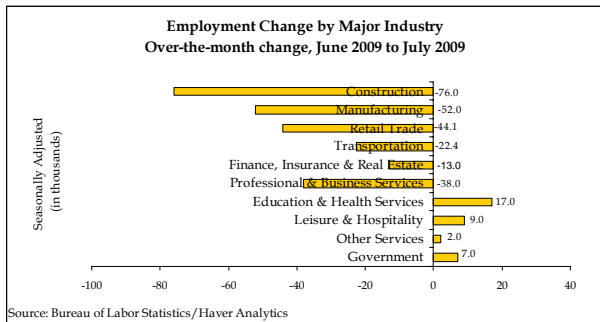
***New this week**



- During the week ending August 22, 2009, initial jobless claims decreased 10,000 to 570,000 from 580,000 the week before. They were 32% higher than a year ago.
- The four-week moving average of initial jobless claims was 566,250, down from 571,000 the week before. It was 29% higher than a year ago.

17.

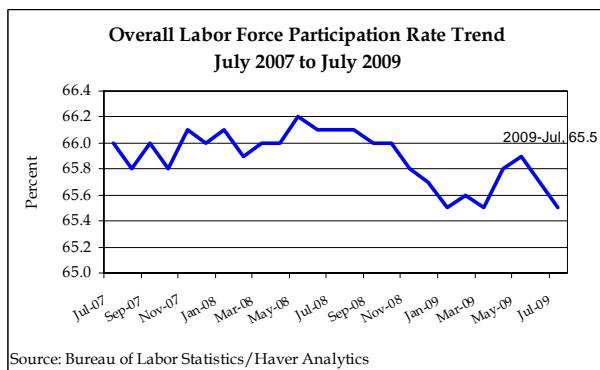
(Next update: September 3)



- The only industries that gained jobs in July were education and health services (+17,000), leisure and hospitality (+9,000), government (+7,000), and other services excluding public administration (+2,000).

18.

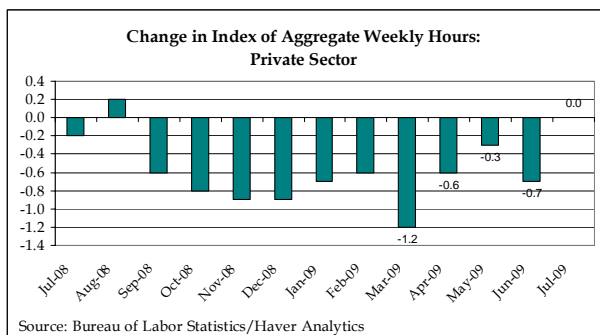
(Next update: September 4)



- In July 2009 the labor force participation rate declined to 65.5% from 65.7%.

19

(Next update: September 4)



- In July 2009 the index of aggregate weekly hours for the private sector remained constant.

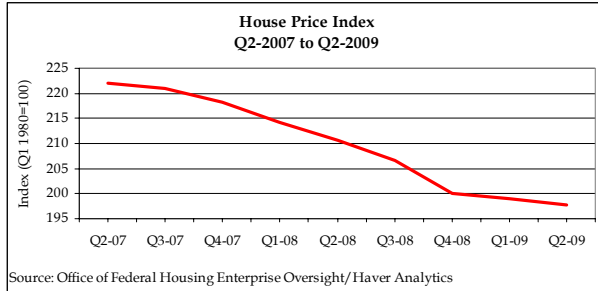
20.

(Next update: September 4)

III. Housing Data

<p>Housing Starts July 2007 to July 2009 (seasonally adjusted at an annual rate)</p> <p>Legend: Single-family (blue), Multifamily (5 units or more) (pink)</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> Following a 6.5% increase in June, housing starts declined 1.0% to an annual rate of 581,000 units in July from June's 587,000, and were 38% lower than a year ago. <p style="text-align: right;">23.</p> <p>(Next update: September 17)</p>
<p>Building Permits July 2007 to July 2009 (seasonally adjusted at an annual rate)</p> <p>Legend: Single-family (green), Multifamily (5 units or more) (orange)</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> Following a 10.0% rise in June, building permits declined 1.1% to 564,000 units in July from June's 570,000, and were 39% lower than a year ago. <p style="text-align: right;">24.</p> <p>(Next update: September 17)</p>
<p>*New this week</p> <p>Home Sales July 2007 to July 2009 (seasonally adjusted at an annual rate)</p> <p>Legend: New Home Sale (green), Existing Home Sale (blue)</p> <p>Source: Census Bureau/National Association of Realtors/Haver Analytics</p>	<ul style="list-style-type: none"> In July, existing home sales increased by 7.2% to an annual rate of 5,240,000 units. This figure was 5.0% higher than a year ago. Following a 9.1% increase in June, sales of new single-family homes increased 9.6% to an annual rate of 433,000 units in July. This figure was 13.4% lower than a year ago. <p style="text-align: right;">25.</p> <p>(Next update: New home sales - September 25 Existing home sales- September 24)</p>

***New this week**

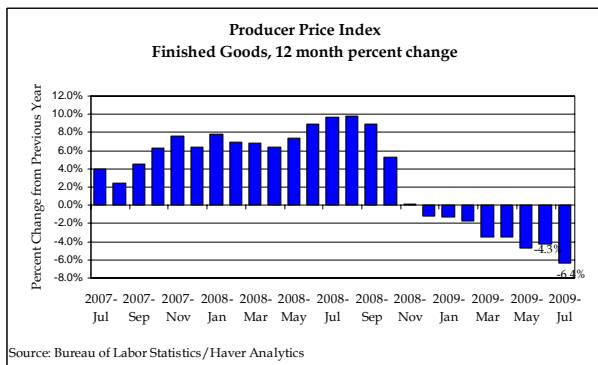


- Average home prices fell 0.7% in the second quarter of 2009, and were down 6.1% over the past year.
- During the past year, the only places that home prices increased were North Dakota, at 2.82%, Oklahoma, at 0.94%, South Dakota, at 0.67%, and Maine, at 0.04%.

26.

(Next update: November 24)

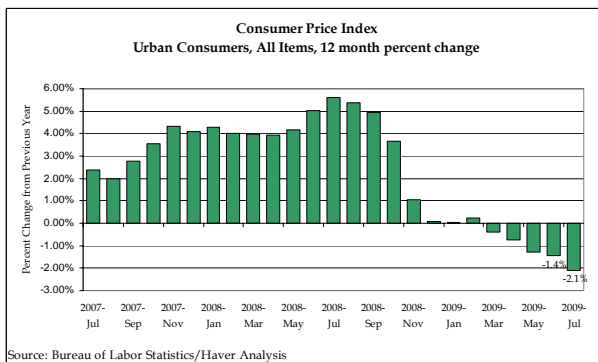
IV. Price and Interest Rate Data



- The producer price index for finished goods declined 0.9% in July, following a 1.8% increase in June.
- Over the past year, the PPI fell by 6.4%.
- The core PPI declined 0.1% in July and showed a year-on-year gain of 2.6%.

27.

(Next update: September 15)

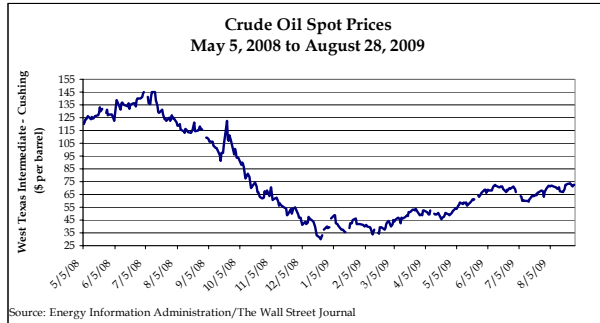


- The consumer price index for all items was unchanged in July, following a 0.7% increase in June.
- The 12-month change of the CPI was -1.9% in July 2009.
- Excluding food and energy, the core CPI rose 0.1% in July, and was up 1.6% over the past year.

28.

(Next update: September 16)

***New This Week**

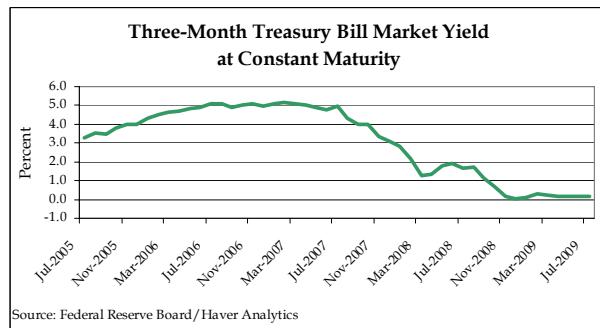


- Crude oil prices averaged about \$72.38 a barrel this week, compared to \$116.09 a barrel a year earlier.
- On August 28, oil traded around \$72.71 a barrel, up from Thursday's close of \$72.49 a barrel.

29.

(Updated daily)

***New This Week**

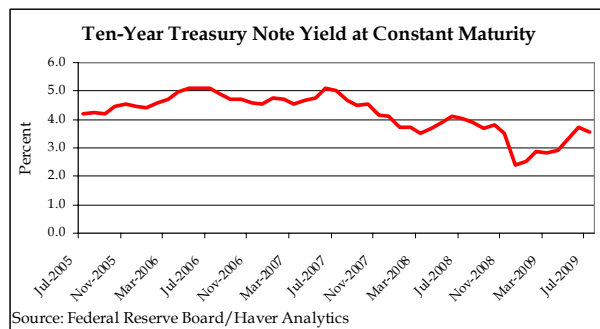


- For the week ending August 21, the latest three-month Treasury bill market bid yielded 0.17%, down from 0.18% a week ago, and down from 1.75% a year ago.

30.

(Updated Weekly)

***New This Week**



- For the week ending August 21, the latest ten-year Treasury note yielded 3.48%, down from 3.67% a week ago, and down from 3.83% a year ago.

31.

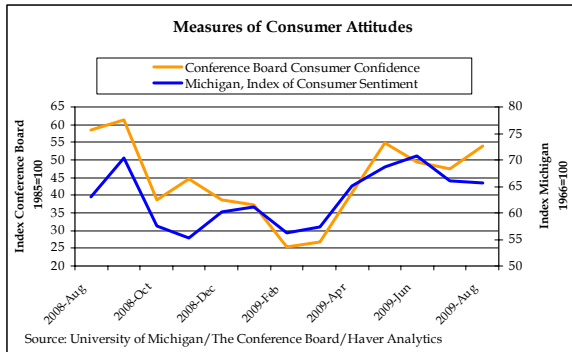
(Updated Weekly)

V. Trade Data

<p style="text-align: center;">Trade Deficit June 2007 to June 2009</p> <p>Source: Census Bureau/Haver Analytics</p>	<ul style="list-style-type: none"> • The trade deficit increased 4.0% in June to \$27.0 billion from May's \$26.0 billion. • Compared to May, exports rose by 2.0% and imports increased by 2.3%. • June's exports of \$125.8 billion were 22.2% lower than one year earlier. <p style="text-align: right;">32.</p> <p style="text-align: center;">(Next update: September 11)</p>
<p>*New this week</p> <p style="text-align: center;">U.S. Dollar Value vs. Euro and Yen July 2006 to July 2009</p> <p>Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> • Compared to last week, the dollar fell against the euro and the yen. • On August 28, the dollar traded at 0.6958 euros, down from Thursday's close of 0.6964 euros. • On August 28, the dollar traded at 93.46 yen, down from Thursday's close of 93.50 yen. <p style="text-align: right;">33.</p> <p style="text-align: center;">(Updated daily)</p>
<p style="text-align: center;">Real Trade Weighted Exchange Value of U.S. Dollars vs. Major Currencies</p> <p>Source: Federal Reserve Board/Haver Analytics</p>	<ul style="list-style-type: none"> • The index of real trade-weighted exchange value of the dollar relative to major currencies decreased to 85.91 in July from 86.62 in June. <p style="text-align: right;">34.</p> <p style="text-align: center;">(Next update: September 4)</p>

VI. Survey Data

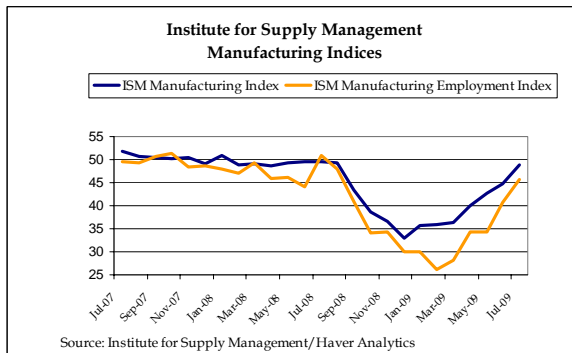
***New this week**



- The University of Michigan's consumer sentiment index fell 0.3 points to 65.7 in August from 66.0 in July.
- The Conference Board's index of consumer confidence increased 6.7 points to 54.1 in August from 47.4 in July.

35.

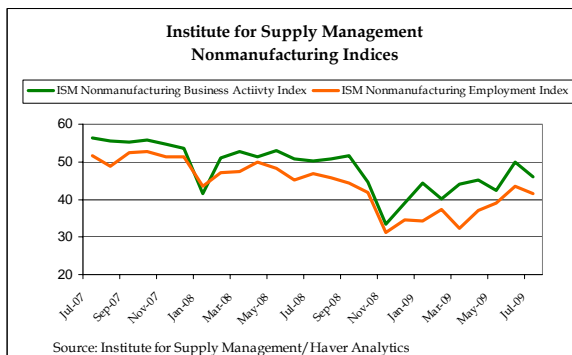
(Next update:
Mich Sentiment - September 11
Consumer Confidence - September 29)



- The Institute for Supply Management's Index of Manufacturing Activity rose 4.1 points to 48.9 in July from 44.8 in June.
- The ISM Manufacturing Employment Index rose 4.9 points to 45.6 in July from 40.7 in June.

36.

(Next update: September 1)



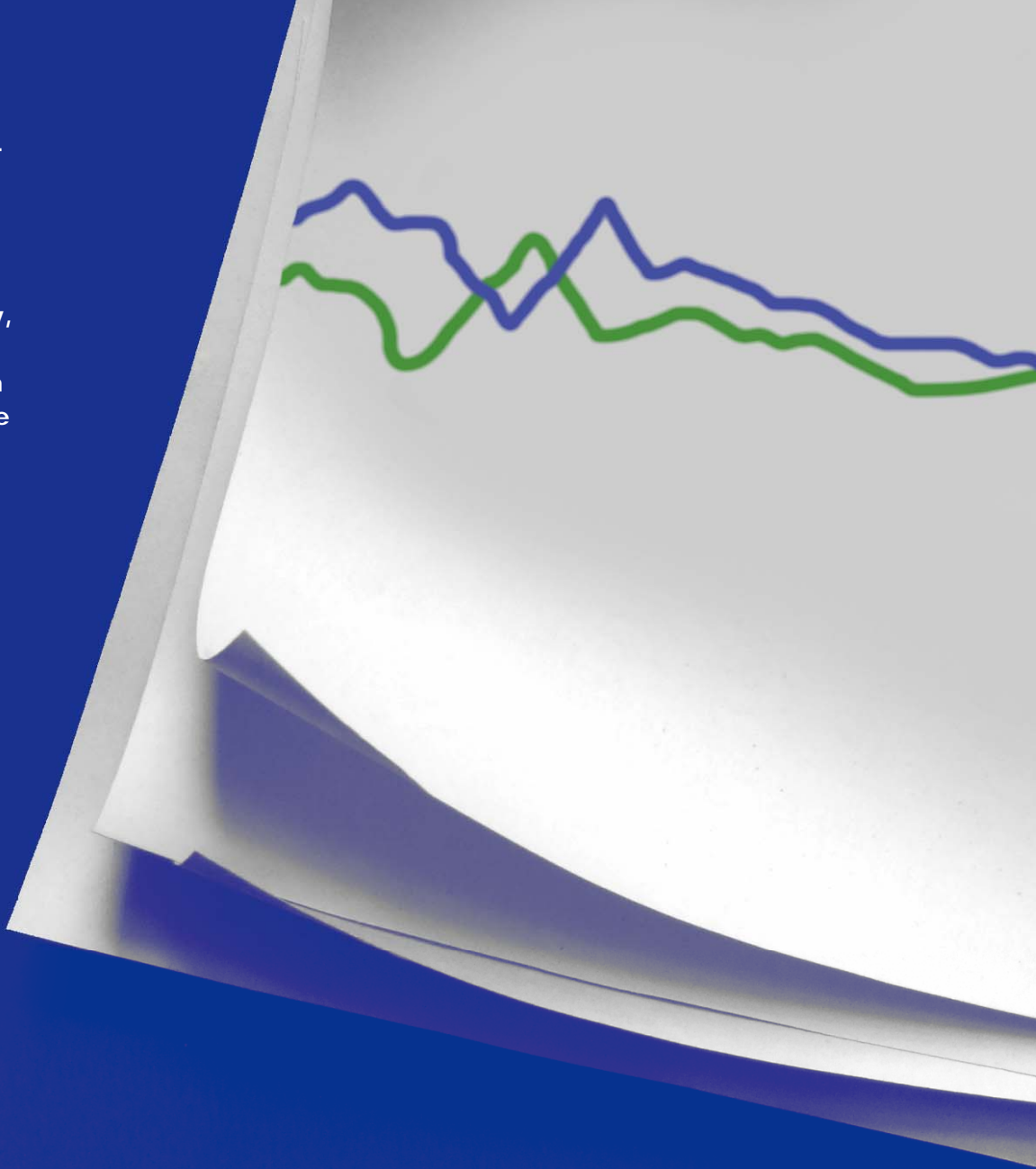
- The Institute for Supply Management's Index of Non-Manufacturing Business Activity declined 3.7 points to 46.1 in July from 49.8 in June.
- The Employment Index declined 1.9 points to 41.5 in July from 43.4 in June.

37.

(Next update: September 1)

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