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EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

February 5, 1993

MEMBER

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: ALAN S. BLINDER, CHIEF ECONOMIST

SUBJECT: Employment and Unemployment in January, Labor Department Release, This Morning, 8:30 a.m.

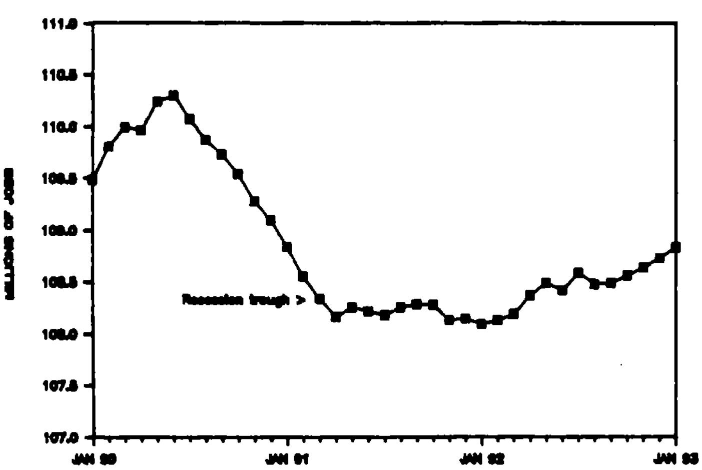
The Employment Situation release for January came in slightly better than expected: the unemployment rate fell, nonfarm payrolls increased, and production hours increased. However, payroll gains remain below what typically occurs during a recovery. Specifically:

- <u>The civilian unemployment rate fell to 7.1 percent in January --the lowest in a year--from 7.3 percent in December</u>. But it remains above the 6.8 percent rate at the recession trough (March 1991). Private analysts had expected the unemployment rate to be unchanged from December's 7.3 percent. (The unemployment rate is determined from the household survey, which showed both the labor force and employment falling in January.)

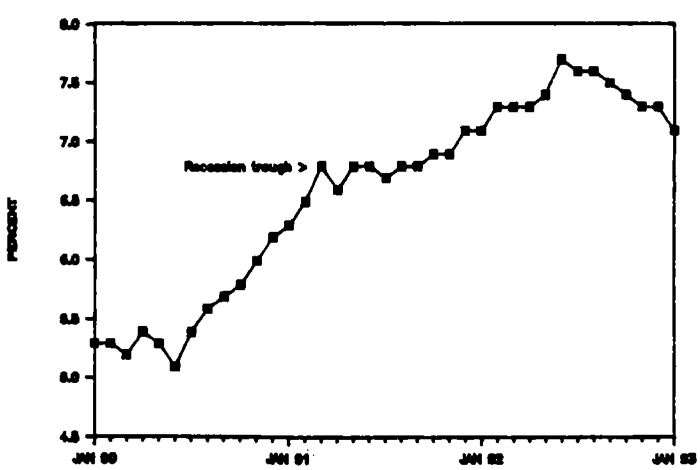
- <u>Nonfarm payroll employment--the number the market often focuses on--increased by 106,000 jobs in January</u>. It was the fifth consecutive monthly increase, though none of them have been large. (January's increase is the largest.) Private analysts had expected an increase of 91,000. (Payroll employment comes from the establishment survey.)

- Goods-producing jobs fell slightly, as a gain in manufacturing was more than offset by declines in mining and construction. Service-producing jobs increased, largely in wholesale and retail trade.

NONFARM PAYROLL EMPLOYMENT



CIVILIAN UNEMPLOYMENT RATE



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

February 2, 1993

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

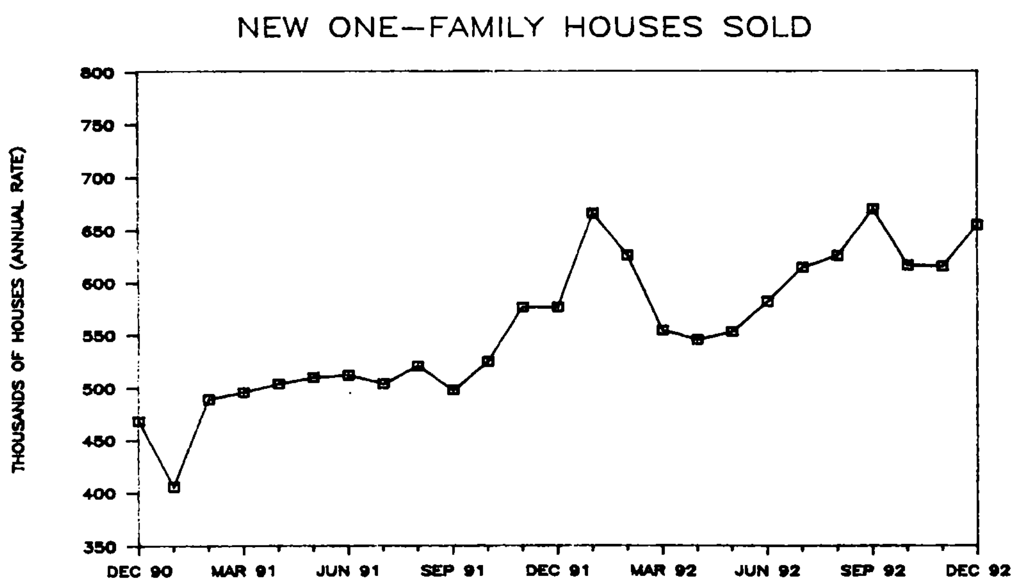
FROM: LAURA D. TYSON, CHAIR-DESIGNATE Laura Tyson

SUBJECT: December Housing Sales, Commerce Department Release, This Morning, 10:00 a.m.

Sales of new single-family houses increased strongly in December after being flat in November. Specifically:

- <u>Housing sales increased 6.3 percent in December to an annual rate of 656,000 units</u>. November sales were revised up significantly to a rate of 617,000 units from the 565,000 rate reported in late December. Private analysts had expected sales to increase to a 599,000 rate from the initially reported 565,000 rate for November--an increase of 6.0 percent.

- The large upward revision for November housing sales continues a pattern that has existed for several months in which preliminary estimates have understated the level of sales. Beginning with this release, however, a new methodology is being used that should help alleviate that problem.



EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

February 2, 1993

THE CHAIRMAN

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: LAURA D. TYSON, CHAIR-DESIGNATE Laura Tyson

SUBJECT: December Index of Leading Indicators, Commerce Department Release, This Morning, 8:30 a.m.

The index of leading indicators--designed to predict the economy's likely short-term performance--rose strongly in December for the third consecutive monthly increase. Specifically:

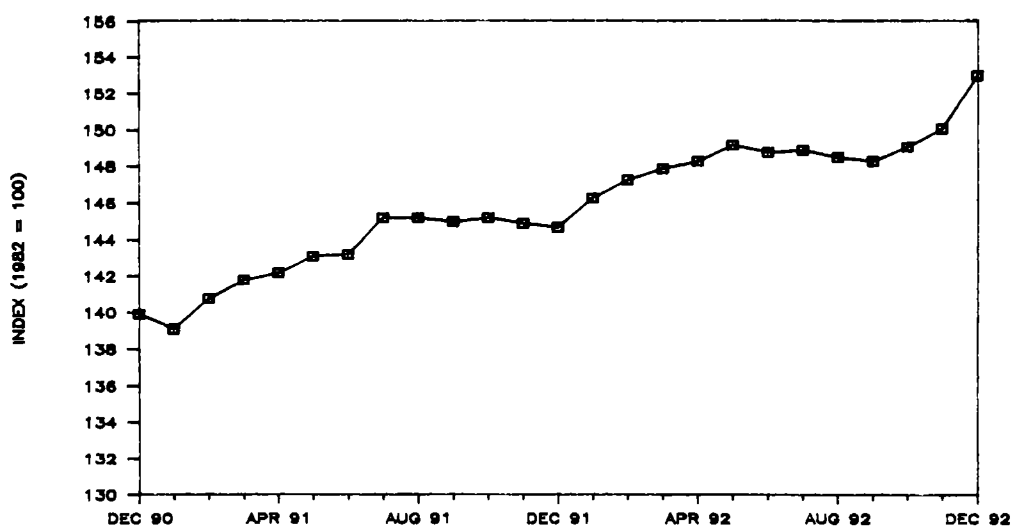
- The index of leading indicators rose 1.9 percent in December, the largest increase in nearly 10 years. Private analysts had expected a 1.7 percent increase.

- The increase was broadly based as 9 of the 11 components contributed to the increase. The largest contributions resulted from an improvement in consumer expectations, a decline in unemployment insurance claims, and increases in several series related to last Friday's strong manufacturers' durable goods orders report.

- The index of coincident indicators--designed to show the economy's contemporaneous performance--increased 0.6 percent in December. All of the available components of the index --nonfarm payroll employment, industrial production, and real personal income less transfer payments--made positive contributions.

The chart below shows that the index of leading indicators has turned up sharply in recent months following a flat period in the middle of last year.

LEADING ECONOMIC INDICATORS



EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE CHAIRMAN

January 29, 1993

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: LAURA D. TYSON, CHAIR-DESIGNATE
ALAN S. BLINDER, CHIEF ECONOMIST

SUBJECT: Advance Durable Goods in December, Commerce Department Release, This Morning, 8:30 a.m.

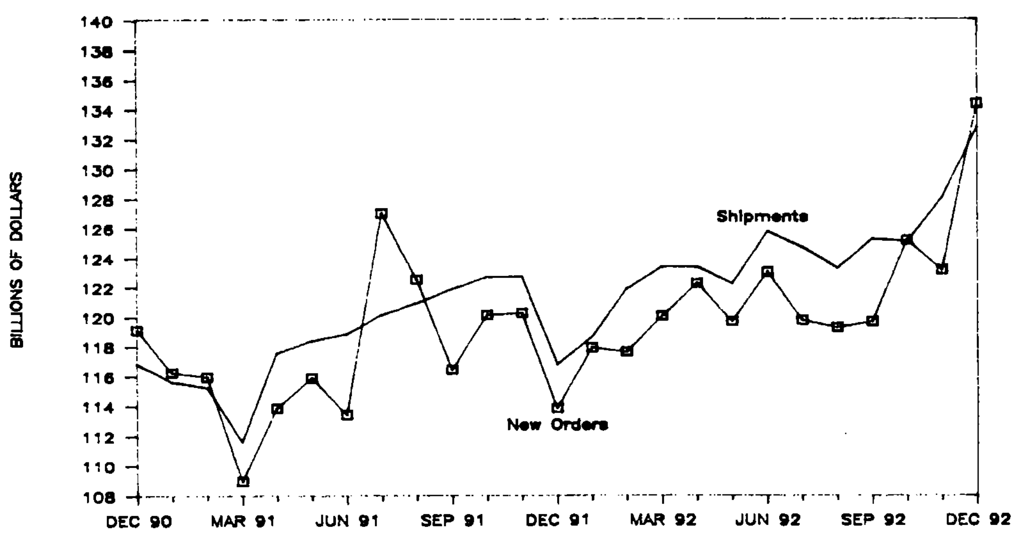
Advance durable goods orders and shipments came in much stronger than expected, indicating some improvement in the manufacturing sector. Specifically:

- New orders for durable goods rose 9.1 percent in December, the largest increase since July 1991, and the second largest increase in 4 years. Private analysts had expected a much smaller increase of 1.2 percent.

- Shipments of durable goods rose 3.7 percent. Shipments of nondefense capital goods--a key measure of durable equipment investment--rose 3.8 percent.

The chart below shows that the sharp increases in new orders and shipments in December reinforce the upward trends in those series over the past year. However, caution should be used in interpreting these data as they are inherently volatile and subject to revision.

DURABLE GOODS ORDERS & SHIPMENTS



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

January 29, 1993

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: LAURA D. TYSON, CHAIR-DESIGNATE
ALAN S. BLINDER, CHIEF ECONOMIST ASB

SUBJECT: December Personal Income and Outlays, Commerce Department Release, This Morning, 10:00 a.m.

The personal income and outlays release showed that income growth was stronger than expected in December while consumer spending growth about matched expectations.

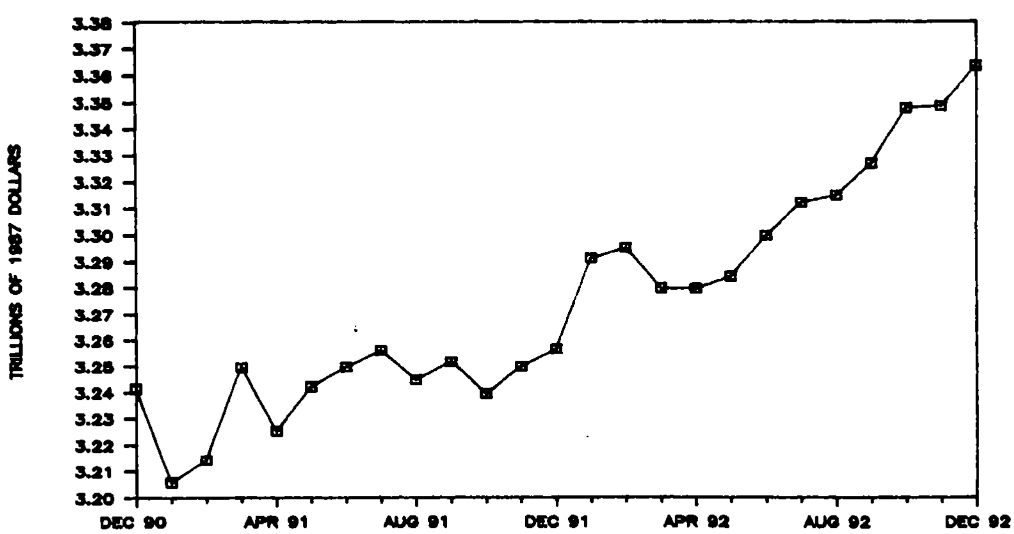
- In December, personal income increased $50.2 billion (seasonally adjusted annual rate) or at a 1.0 percent monthly rate. Private analysts had expected a 0.3 percent increase. Accelerated bonus payments in the securities industry accounted for $18 billion--about 36 percent of the increase. Those bonus payments are usually made in January.

- Real disposable personal income--income adjusted for inflation and taxes--increased 0.9 percent in December.

- Real personal consumption expenditures rose 0.4 percent in December.

While the quarterly values of these variables were reported in the GDP report released Thursday morning, the income and outlays report carries additional information about the composition and monthly pattern of the variables.

REAL PERSONAL CONSUMPTION EXPENDITURES



EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

January 28, 1993

THE CHAIRMAN

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: LAURA D. TYSON, CHAIR-DESIGNATE
ALAN S. BLINDER, CHIEF ECONOMIST

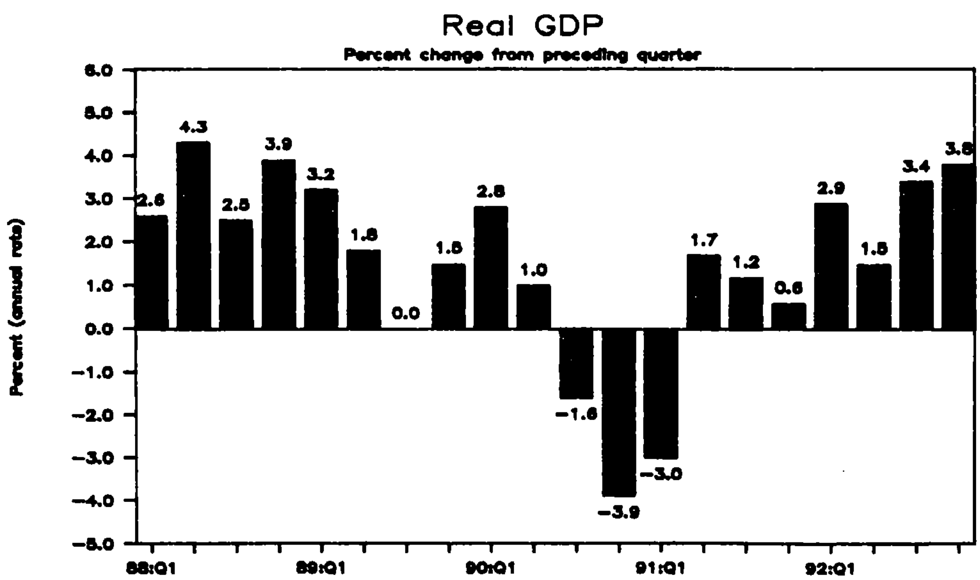
SUBJECT: Advance Estimate of Fourth-Quarter GDP, Commerce Department Release, This Morning, 8:30 a.m.

Real GDP growth in the fourth quarter of 1992 was 3.8 percent at a seasonally adjusted annual rate--up from 3.4 percent in the third quarter.

The 3.8 percent number is the highest figure in four years. Since the market survey expectation had been for just 3.0 percent growth, this release will definitely be seen as good news. (However, many private forecasters have been marking up their forecasts in recent weeks.)

You should be aware that these initial estimates are based on fragmentary data, and are therefore subject to substantial revision. For example, the Commerce Department's first estimate of third quarter GDP growth was 2.7 percent; then they estimated 3.9 percent; now they estimate 3.4 percent.

Domestic spending increases were strong across the private sector. Real consumer purchases advanced at a 4.3 percent rate, business fixed investment at a 9.7 percent rate, and housing at a stunning 29.1 percent rate. In fact, while housing accounts, on average, for only about 4 percent of GDP it accounted for 27 percent of the increase in GDP in the fourth quarter. The weak sectors were government purchases, net exports, and inventory investment, each of which declined.



Inflation as measured by the fixed-weight price index for GDP ran at a 3.2 percent annual rate in the fourth quarter, in line with the view that we now live in a world of 3 percent inflation.

Real disposable income increased 3.8 percent in the fourth quarter, vastly higher than its third-quarter rate (0.5 percent). As a result, strong consumption growth was financed with virtually no change in the personal saving rate.

This latest GDP report continues the "good news, bad news" pattern of recent quarters. The good news is that the economy is moving uphill, albeit modestly by the standards of past recoveries, and that productivity is doing very nicely. The bad news is that very few new jobs are appearing. Employment rose at only a 1 percent annual rate in the fourth quarter (just 279,000 new jobs) while GDP was rising at a 3.8 percent rate. While output has now increased 3.8 percent since GDP bottomed out seven quarters ago, employment has increased only 1 percent and the unemployment rate remains much higher than it was at the "bottom" of the recession.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

MEMBER

January 26, 1993

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MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: ALAN S. BLINDER, CHIEF ECONOMIST AB

SUBJECT: Employment Cost Indexes for December 1992, Labor Department Release, This Morning, 8:30 a.m.

The employment cost index (ECI) is a measure of wage, salary, and benefit costs for workers in nonfarm private industry and State and local governments that is generally considered the best measure of labor costs available. The new data (to be released tomorrow at 8:30 a.m.) show modest increases in labor costs for the fourth quarter of 1992, in line with the behavior of the index for the past year and a half. Specifically:

- o The ECI rose 0.9 percent during the fourth quarter and 3.5 percent for the year ending in December of 1992. Gains in compensation were roughly the same for State and local government employees as for private industry workers.

- o Benefits continued to rise faster than wages and salaries. Benefit costs rose 1.2 percent for the quarter and 5.3 percent for the year, while wage and salary costs rose 0.8 percent for the quarter and 2.7 percent for the year.

- o Looking across occupations, the ECI rose 3.7 percent for blue-collar workers, 3.4 percent for white-collar workers, and 3.2 percent for services workers during 1992.

The chart shows a clear downward trend in recent years, which signals declining and durably low inflation. The bad news is that this implies real wages and benefits rose less than 1 percent in 1992.

Changes in Employment Cost Indexes