

DAILY GLOBAL COMMENTARY

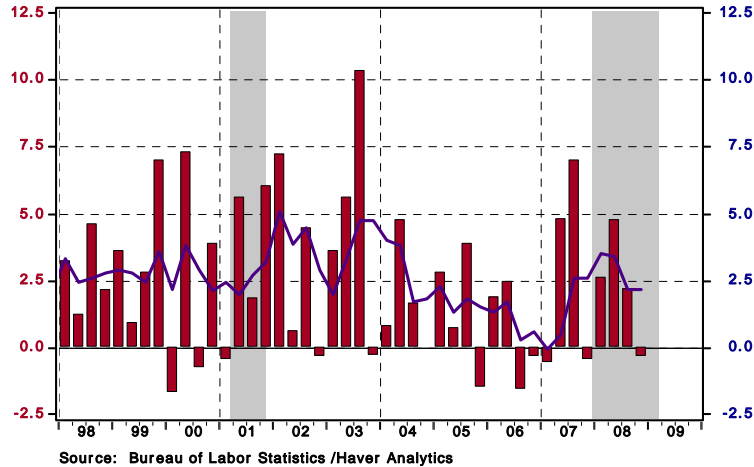
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Productivity Decline Reflects GDP Revision
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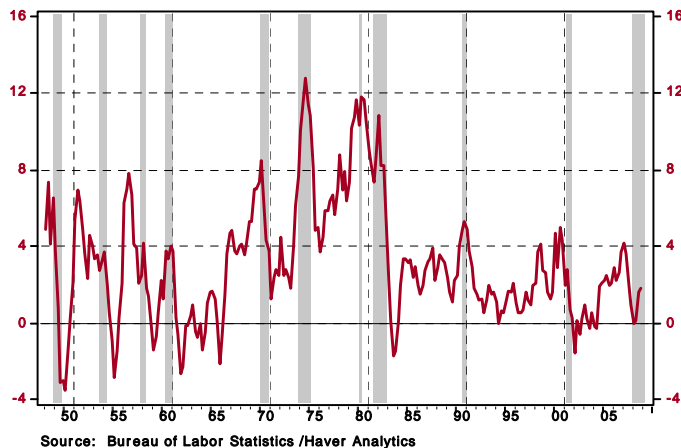
Productivity of the U.S. economy declined 0.4% in the fourth quarter after a 2.2% increase in the third quarter. The revision of productivity data resulted in a change from a gain of 3.2% to a 0.4% drop, which reflects the downward revision of the fourth quarter decline in GDP (-6.2% from a 3.8% drop). On a year-to-year basis, productivity held steady at 2.2%.

Chart 1
Nonfarm Business Sector: Output Per Hour of All Persons
SAAR, % Chg
Nonfarm Business Sector: Output Per Hour, All Persons
SA,%Chg.Yr.Ago



Unit labor costs have risen significantly on a quarterly and year ago basis in the second-half of 2008. Unit labor costs appear to peak during a recession (see chart 2) or prior to the onset of a recession. There is an atypical situation in the current cycle (see chart 2), the reasons for which are unclear.

Chart 2
Nonfarm Business Sector: Unit Labor Cost
SA, %Change.Year.Ago



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Productivity and Costs – 2008:Q4

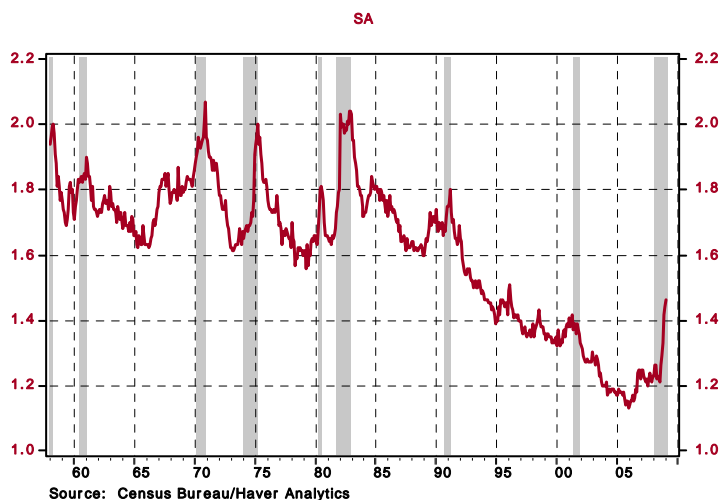
	percent change from previous quarter at annual rate				
	2007-Q4	2008-Q1	2008-Q2	2008-Q3	2008-Q4
Productivity	-0.5	2.6	4.7	2.2	-0.4
Output	-0.7	0.9	2.8	-1.9	-8.7
Hours	-0.2	-1.7	-1.7	-3.9	-8.3
Unit labor costs	5.0	1.1	-2.8	3.5	5.7
Hourly Compensation	4.4	3.7	1.7	5.7	5.3
Real hourly compensation	-0.5	-0.6	-3.2	-0.9	15.9
Implicit Price Deflator	2.1	2.1	0.9	4.7	0.5

	percent change from corresponding quarter of previous year				
	2007-Q4	2008-Q1	2008-Q2	2008-Q3	2008-Q4
Productivity	2.6	3.5	3.4	2.2	2.2
Output	2.4	2.8	2.1	0.3	-1.8
Hours	-0.3	-0.6	-1.3	-1.9	-4.0
Unit labor costs	0.9	0.0	0.1	1.6	1.8
Hourly Compensation	3.6	3.5	3.6	3.9	4.1
Real hourly compensation	-0.4	-0.7	-0.7	-1.3	2.5
Implicit Price Deflator	2.0	1.6	1.5	2.4	2.0

Factory Inventories-Sales Ratio Registers New High

Orders of factory goods fell 1.9% in January, marking the sixth-straight monthly drop. Bookings of durables (-4.5%) fell while that of non-durables (0.5%) rose slightly. Shipments of factory goods dropped 1.7% and inventories dropped 0.8%. As a result of the fact that shipments fell more than inventories, the inventories-sales/shipments ratio rose to 1.46 in January, a new cycle high that exceeds the peak seen in the 2001 recession (see chart 3).

Chart 3
Mfrs' Inventory/Sales Ratio: All Manufacturing Industries



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Factory Orders, Shipments, and Inventories – January 2009

	Sep-2008	Oct-2008	Nov-2008	Dec-2008	Jan-2009
Factory Orders (% change m-m)					
Total	-3.1	-6.0	-6.5	-4.9	-1.9
Durable	0.0	-8.5	-4.0	-4.6	-4.5
Non-Durable	-5.8	-3.8	-8.7	-5.1	0.5
Shipments (% change m-m)	-3.1	-3.6	-6.5	-3.3	-1.7
Inventories (% change m-m)	-0.8	-0.6	-0.5	-1.9	-0.8
Inventories/Shipment Ratio	1.29	1.33	1.42	1.44	1.46
Unfilled Orders (% change m-m)	0.2	-0.9	-0.9	-1.5	-1.7

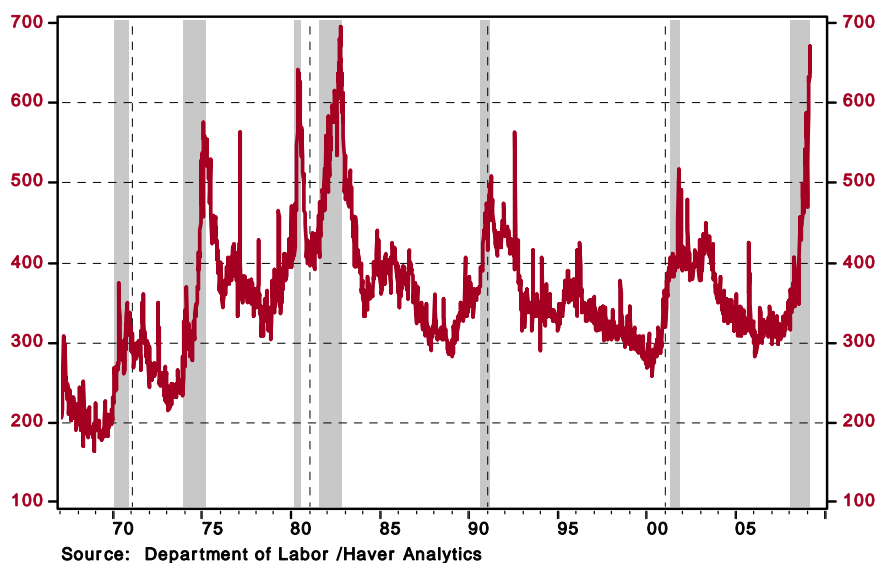
Jobless Claims – Decline is Noteworthy but Early to Identify as Turning Point

Initial jobless claims for the week ended February 28 fell 31,000 to 639,000. Is the previous week's reading of 670,000 initial jobless claims, the peak for the current cycle? It is premature to identify the latest decline as the turning point, particularly given the weakness of the U.S. economy. Continuing claims, which lag initial claims by one week, fell 14,000 to 5.106 million and the insured unemployment rate held unchanged at 3.8%.

Chart 4

Unemployment Insurance: Initial Claims, State Programs

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