

DAILY GLOBAL COMMENTARY

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**Corporate Profits Plunge, Minor Q4 GDP Revisions**  
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Real GDP is estimated to have dropped at an annual rate of 6.3% in the fourth quarter of 2008. This is virtually unchanged from the earlier estimate of a 6.2% drop of real GDP. In 2008, real GDP increased 1.1% after a 2.03% increase in 2007. On a Q4-to-Q4 basis, the 0.85% drop in real GDP in the fourth quarter is the first decline in real GDP since the 1990-91 recession. The economy is expected to post another sharp quarterly reduction in real GDP in the first quarter of 2009 (-6.1%), with these two quarterly declines chalking up to be the weakest quarters of the current recession.

Chart 1  
Real Gross Domestic Product  
SAAR, %Chg

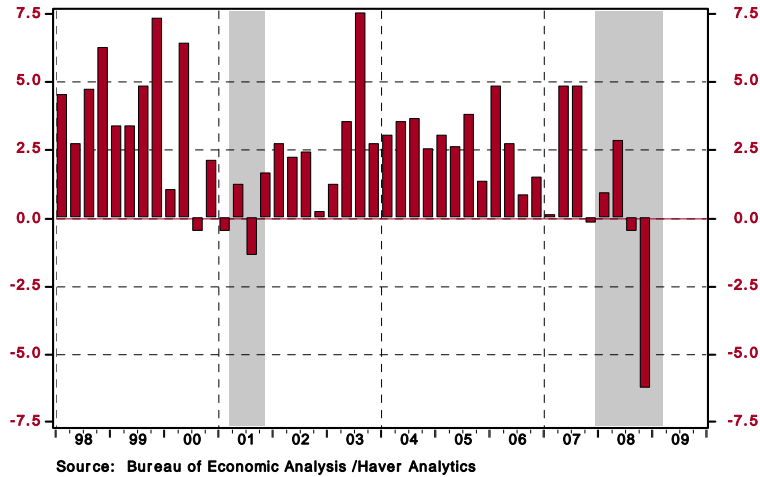
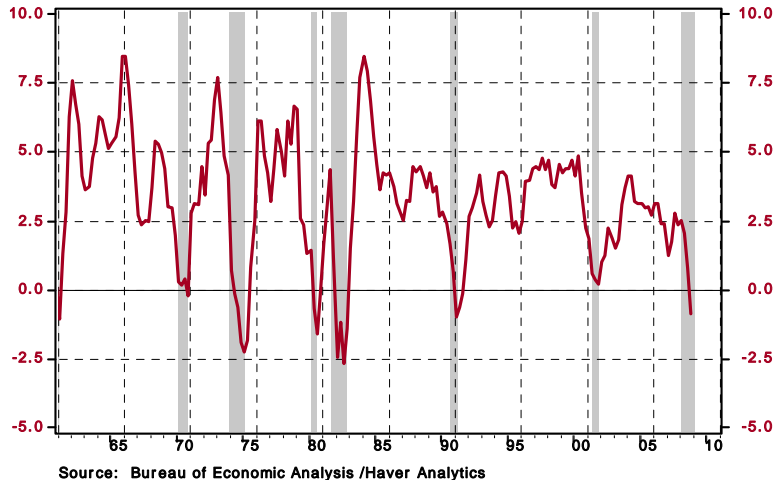


Chart 2  
Real Gross Domestic Product  
% Change - Year to Year SAAR, Bil.Chn.2000\$

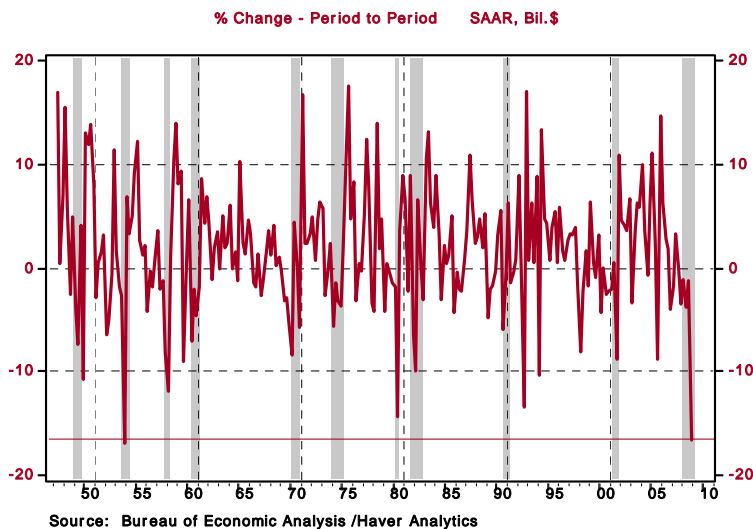


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Among the revisions, the three large changes were from net exports (-\$364.5 billion vs. -\$372.9 billion), inventories (-\$25.8 billion vs. -\$19.9 billion), and the 9.4% drop in structures outlays vs. the earlier estimate of a 5.9% decline.

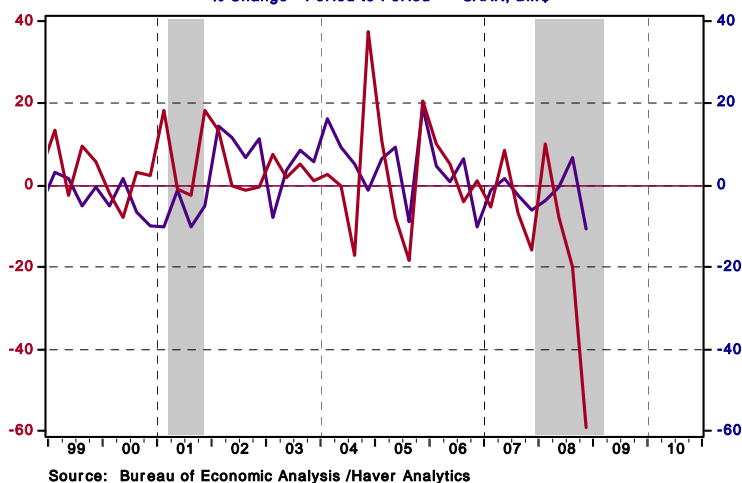
The important new information in this report was with regard to corporate profits, which fell as expected. Corporate profits dropped 16.5% in the fourth quarter, which is the largest quarterly decline since the fourth quarter of 1953.

**Chart 3**  
**Corporate Profits with IVA and CCAAdj**



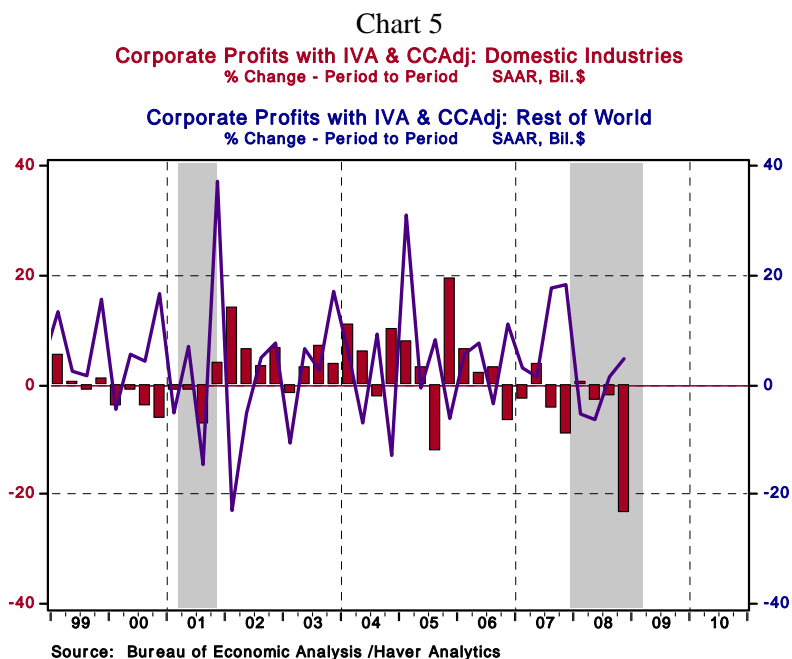
The financial sector (-59.4%) was responsible for a large part of the decline of corporate profits in the fourth quarter (see chart 4).

**Chart 4**  
**Corporate Profits with IVA & CCAAdj: Financial**  
**Corporate Profits with IVA & CCAAdj: Nonfinancial**

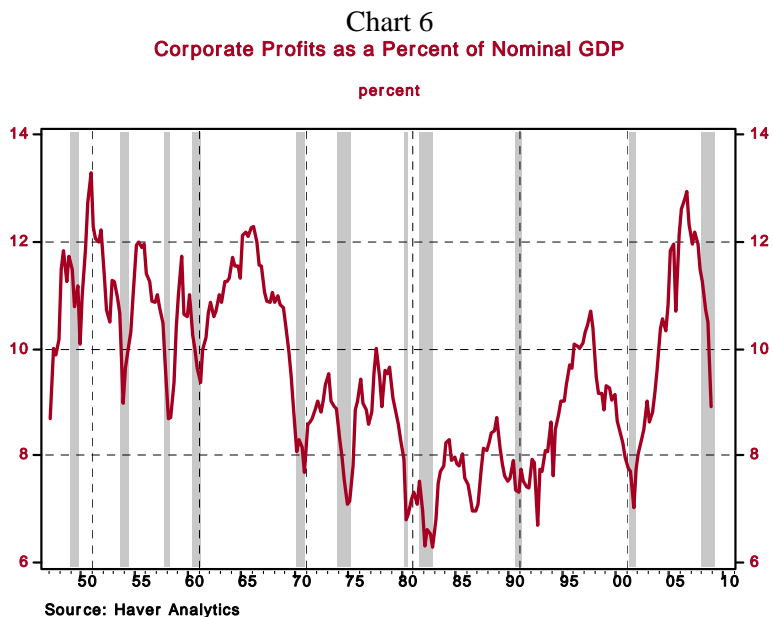


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Operations abroad made a positive contribution to overall corporate profits while domestic industries posted a setback (see chart 5).



Corporate profits as a percent of GDP was shockingly small in the 1981-82 recession. The percentage point decline in profits as share of GDP is noticeably large (4.0 percentage points) in the current recession, with larger declines recorded in the 1969-70 (4.6 percentage points) and 1953-54 (4.3 percentage points) recessions (see chart 6).



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## Real Gross Domestic Product - Final Estimate 2008:Q4

	(2000 chained dollars)				Percent Change (SAAR)			
	08:3	08:4	08:4	08:4	from prior quarter			
	Final	Advance	Preliminary	Final	08:3 Fin	08:4 Adv.	08:4 Pre.	08:4 Final
GDP	11712.4	11599.4	11525.0	11522.1	-0.5	-3.8	-6.2	-6.3
CONSUMPTION	8260.6	8186.9	8169.9	8170.5	-3.8	-3.5	-4.3	-4.3
DURABLE GOODS	1180.1	1107.7	1108.6	1108.6	-14.8	-22.4	-22.1	-22.1
NONDURABLE GOODS	2376.3	2332.8	2319.4	2318.6	-7.1	-7.1	-9.2	-9.4
SERVICES	4711.3	4731.6	4728.1	4729.4	-0.1	1.7	1.4	1.5
INVESTMENT	1703.7	1648.5	1607.3	1596.0	0.4	-12.3	-20.8	-23.0
FIXED INVESTMENT	1731.1	1636.4	1630.3	1627.0	-5.3	-20.1	-21.3	-22.0
NONRESIDENTIAL	1425.7	1352.2	1343.9	1341.1	-1.7	-19.1	-21.1	-21.7
STRUCTURES	348.4	346.9	343.1	339.9	9.7	-1.8	-5.9	-9.4
EQUIPM. & SOFTWARE	1054.0	971.5	968.2	970.5	-7.5	-27.8	-28.8	-28.1
RESIDENTIAL	353.7	330.7	332.2	331.6	-16.0	-23.6	-22.2	-22.8
CHG. BUS. INVENT.	-29.6	6.2	-19.9	-25.8				
NET EXPORTS	-353.1	-356.4	-372.9	-364.5				
EXPORTS	1556.1	1472.8	1454.8	1454.9	3.0	-19.7	-23.6	-23.6
IMPORTS	1909.1	1829.2	1827.6	1819.4	-3.5	-15.7	-16.0	-17.5
GOVERNMENT (C & I)	2088.1	2097.7	2096.3	2094.7	5.8	1.9	1.6	1.3
FEDERAL	810.8	822.3	824.1	824.5	13.8	5.8	6.7	7.0
DEFENSE	550.4	553.3	554.7	555.0	18.0	2.1	3.1	3.4
OTHER	259.5	268.4	268.8	268.9	5.1	14.5	15.1	15.3
STATE AND LOCAL	1278.7	1277.2	1274.2	1272.3	1.3	-0.5	-1.4	-2.0
DISP. PERS. INC.	8689.1	8760.4	8769.6	8754.2	-8.8	3.3	3.4	2.7
FINAL SALES	11739.2	11588.0	11547.3	11552.2	-1.3	-5.1	-6.4	-6.2
GROSS DOMESTIC PURCHASES	12084.1	11932.3	11908.3	11904.0	-2.3	-4.9	-5.7	-5.8
PRICE DEFLATORS:								
GDP CHAIN TYPE	123.1	123.1	123.3	123.3	3.9	-0.1	0.5	0.5
GDP EX. FOOD & ENERGY					3.0	0.7	0.4	0.4
PCE CHAIN TYPE	123.0	121.3	121.5	121.5	5.0	-5.5	-5.0	-4.9
PCE EX. FOOD & ENERGY	117.5	117.6	117.7	117.7	2.4	0.6	0.8	0.9

## Jobless Claims – Persistent Upward Trend Remains in Place

Initial jobless claims increased 8,000 to 652,000 during the week ended March 21. Continuing claims, which lag initial claims by one week, rose 118,000 to 5.556 million and the insured unemployment rate moved up further to 4.2%. The 4.2% rate is the highest since May 1983. Charts 7-9 speak for themselves about the dire status of the labor market.

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Chart 7

Unemployment Insurance: Initial Claims, State Programs

SA, Thous

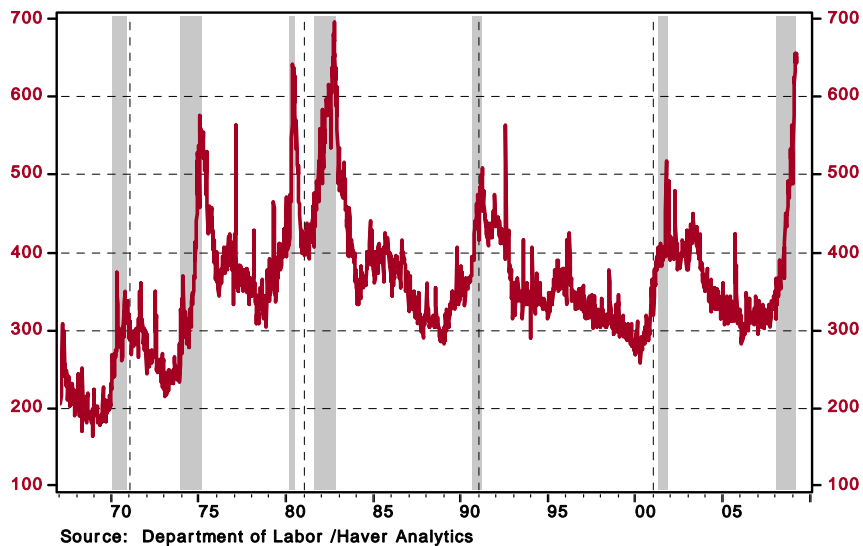
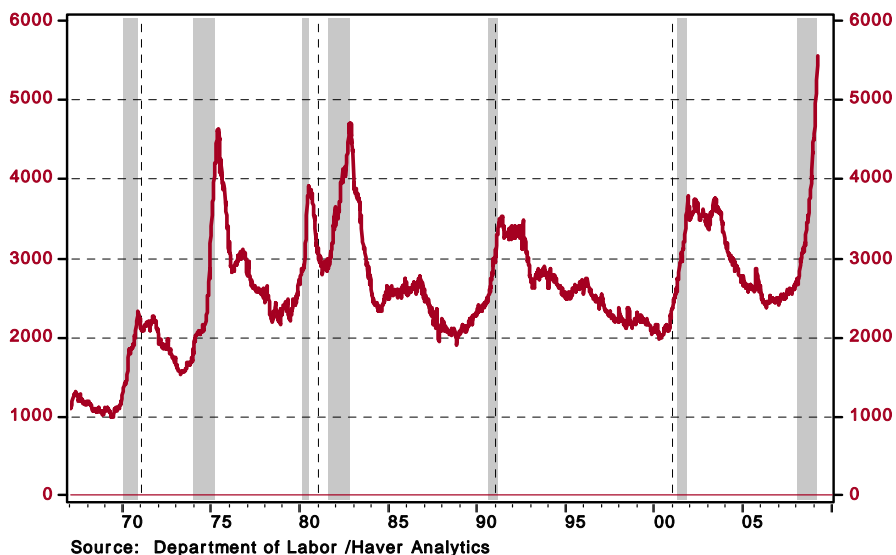


Chart 8

Continuing Claims

SA, Thous

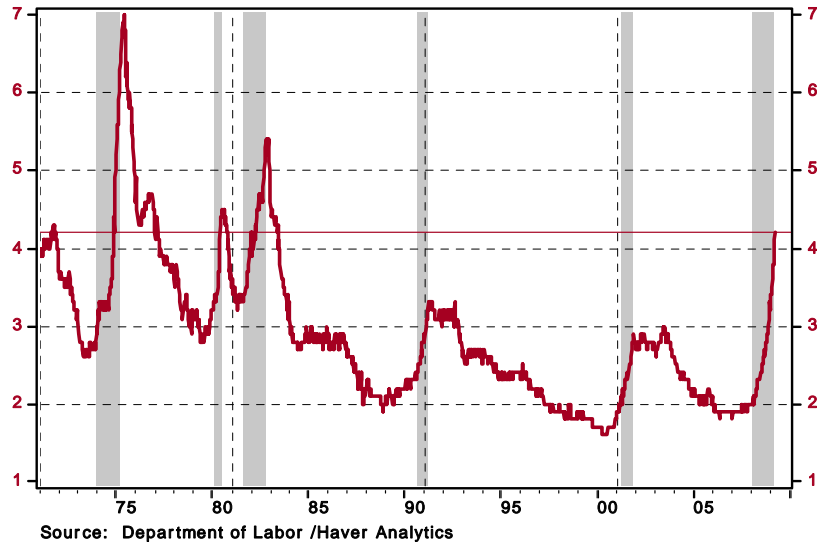


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Chart 9

Insured Unemployment Rate: Percent of Covered Employment

SA, %



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