

DAILY GLOBAL COMMENTARY

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Initial Jobless Claims – Leading Indicator! May 7, 2009

Initial jobless claims fell 34,000 to 601,000 for the week ended May 2, the fourth weekly decline in the past five weeks. The peak for initial claims appears to have occurred during the week ended March 28 (674,000). The four-week moving average is down 35,250 to 623,500 from the peak on April 4, 2009. These are noteworthy numbers because initial jobless claims are part of the Index of Leading Economic Indicators which forewarn about economic conditions. Continuing claims, which lag initial claims by one week, moved up 56,000 to 6.351 million (see chart 1), a new record high; and the insured unemployment rate rose to 4.8% from 4.7% in the prior week. The mixed news from initial jobless claims and continuing claims is typical at turning points of a business cycle because initial jobless claims have peaked well ahead of continuing claims (see table 1 and charts 2-6, shaded regions denote recessions). We will be tracking jobless claims data closely in the weeks ahead as there is strong signal that the turning point of the business cycle is around the corner.

Chart 1
Unemployment Insurance: Initial Claims, State Programs
SA, Thous
Continuing Claims
SA, Thous

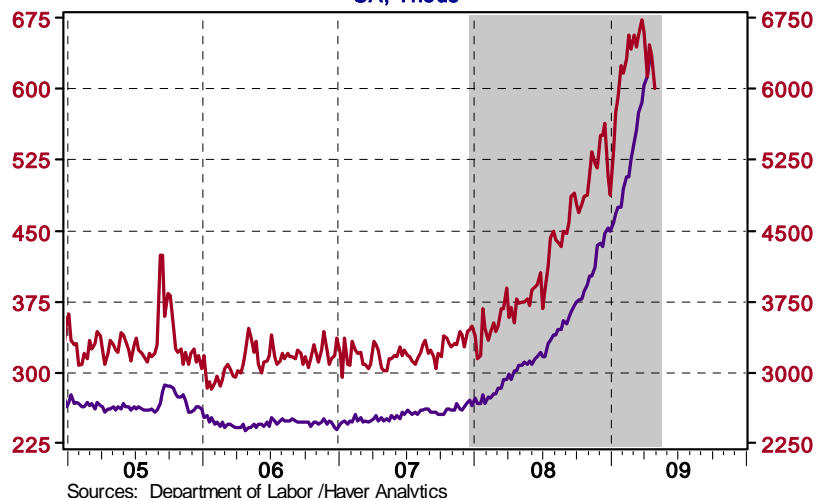


Table 1 Initial and Continuing Jobless Claims – Historical Peaks

Peak to Trough Business Cycles	Peak-Initial Claims*		Peak-Continuing Claims*	
	Date	Level ('000s)	Date	Level (millions)
Dec.1969 - Nov.1970	Oct-70	334	Nov-70	2.300
Nov.1973 - Mar.1975	Mar-75	547	May-75	4.578
Jan.1980 - Jul.1980	May-80	616	Jul-80	3.846
Jul.1981 - Nov.1982	Sep-82	661	Oct-82	4.640
Jul.1990 - Mar.1991	Mar-91	499	May-91	3.494
Mar. 2001 - Nov.2001	Oct-01	481	May-03	3.719

* - monthly average

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Chart 2

Recession December 1969 – November 1970

Unemployment Insurance: Initial Claims, State Programs
SA, Thous

Continuing Claims
SA, Thous

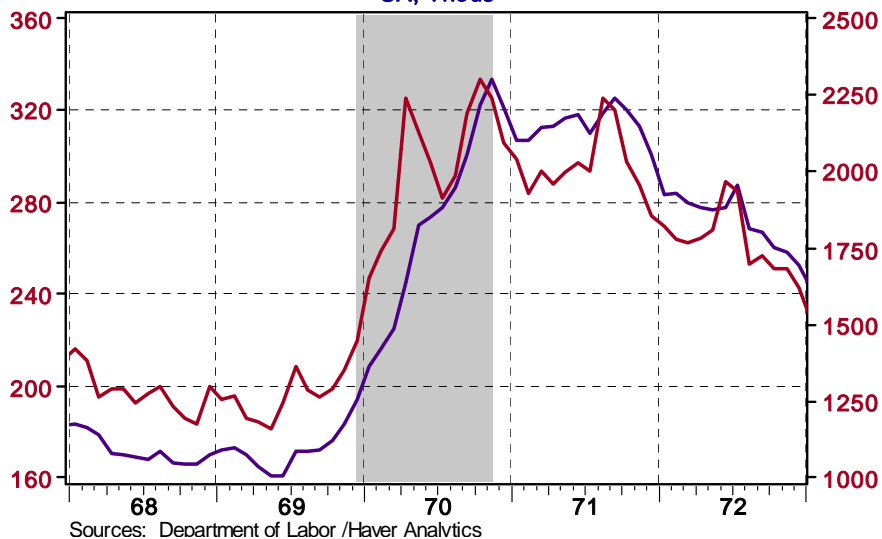
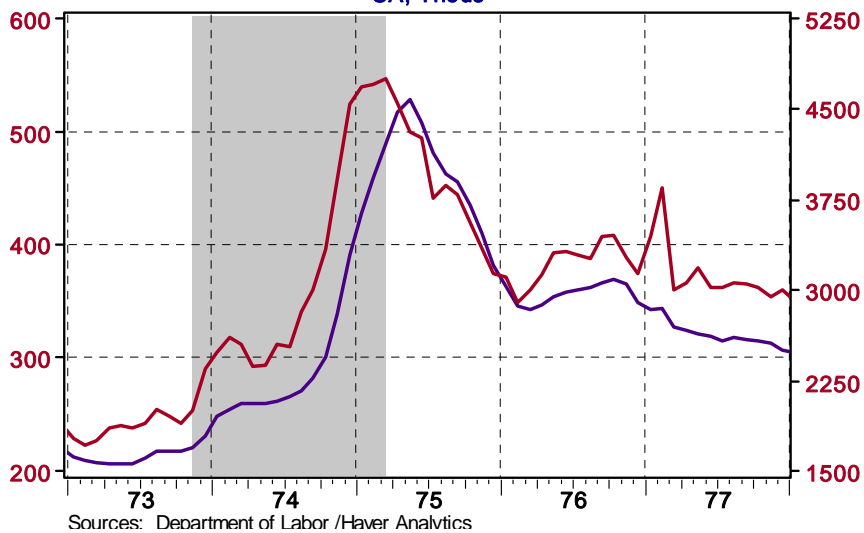


Chart 3

Recession November 1973 – March 1975

Unemployment Insurance: Initial Claims, State Programs
SA, Thous

Continuing Claims
SA, Thous



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Chart 4

Recession January 1980 – July 1980

Recession July 1981–November 1982

Unemployment Insurance: Initial Claims, State Programs
SA, Thous

Continuing Claims
SA, Thous

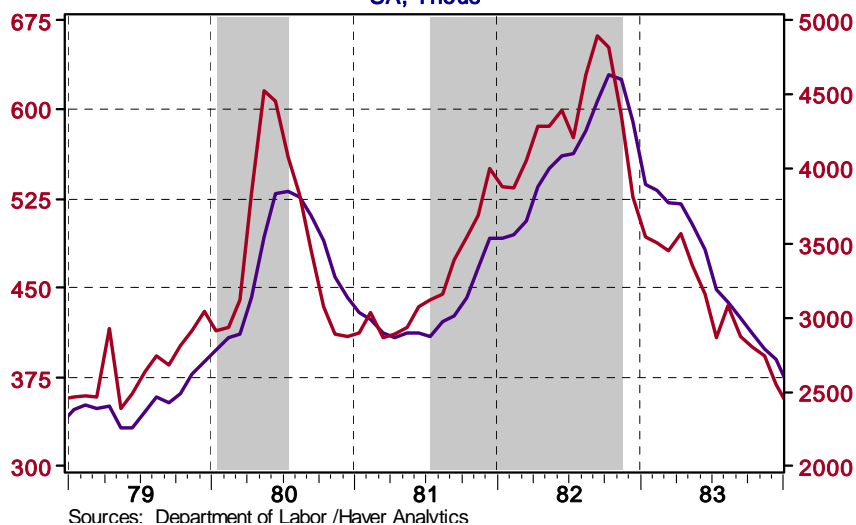
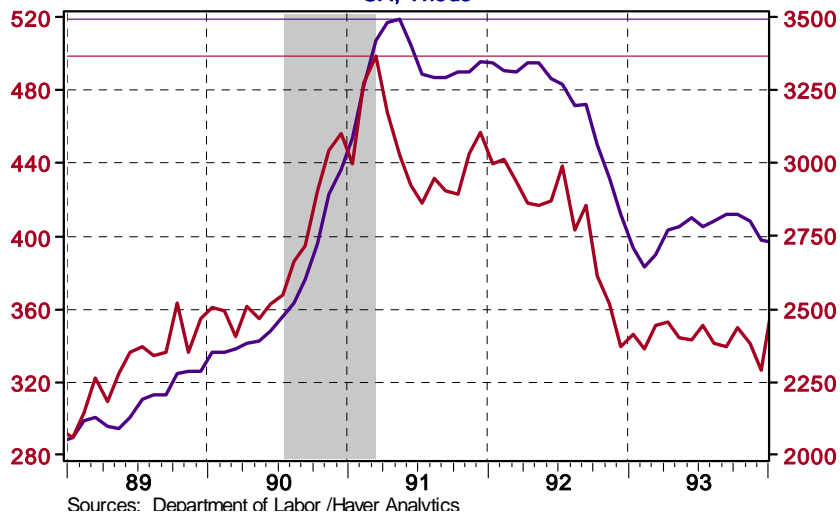


Chart 5

Recession 1990-1991

Unemployment Insurance: Initial Claims, State Programs
SA, Thous

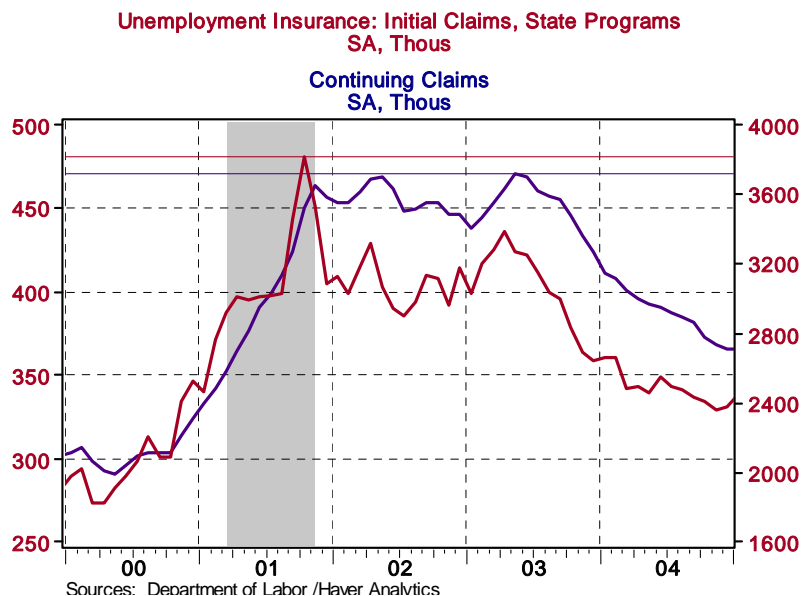
Continuing Claims
SA, Thous



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Chart 6

Recession March 2001-November 2001



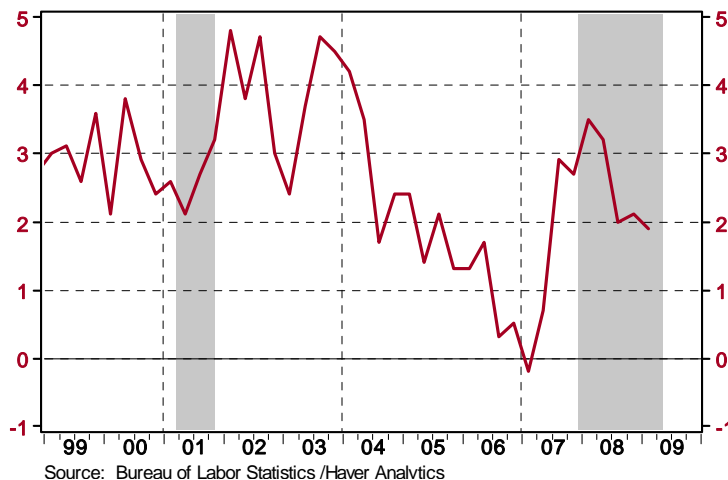
Productivity - 2009:Q1

Productivity of the U.S. economy grew 0.8% in the first quarter of 2009 vs. a 0.6% drop in the prior quarter. The gain reflects the smaller drop in output in the first quarter (-8.2%) vs. the fourth quarter (-8.8%) and a larger decline in hours worked (-9.0%) compared with the fourth quarter (-8.3%).

Chart 7

Business Sector: Output Per Hour of All Persons

SA, %Change.Yr.Ago



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Unit labor costs continue to show an upward trend, the peak should occur as the economy turns the corner. Excluding the 1950s and the 2001 recession, unit labor costs peak during a recession (see chart 8). However, there is no threat of inflation given the significantly weak economic conditions.

Chart 8
Nonfarm Business Sector: Unit Labor Cost

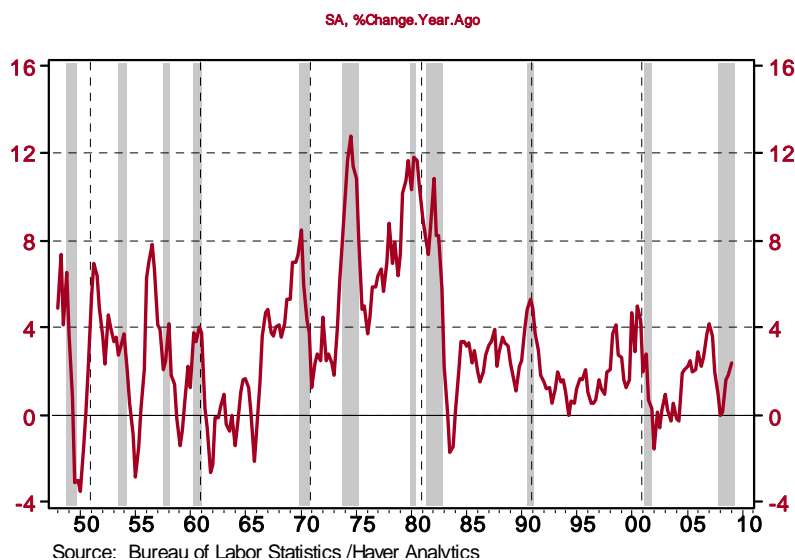


Table 2 Productivity and Costs – 2009:Q1

	percent change from previous quarter at annual rate				
	2008-Q1	2008-Q2	2008-Q3	2008-Q4	2009-Q1
Productivity	2.6	4.7	2.2	-0.6	0.8
Output	0.9	2.8	-1.9	-8.8	-8.2
Hours	-1.7	-1.7	-3.9	-8.3	-9.0
Unit labor costs	1.1	-2.8	3.5	5.7	3.3
Hourly Compensation	3.7	1.7	5.7	5.2	4.1
Real hourly compensation	-0.8	-2.7	-0.4	14.8	6.6
Implicit Price Deflator	2.1	0.9	4.7	0.6	2.9
	percent change from corresponding quarter of previous year				
	2008-Q1	2008-Q2	2008-Q3	2008-Q4	2009-Q1
Productivity	3.5	3.4	2.2	2.2	1.8
Output	2.8	2.1	0.3	-1.8	-4.1
Hours	-0.6	-1.3	-1.9	-4.0	-5.8
Unit labor costs	0.0	0.1	1.6	1.8	2.4
Hourly Compensation	3.5	3.6	3.9	4.1	4.2
Real hourly compensation	-0.7	-0.7	-1.3	2.5	4.4
Implicit Price Deflator	1.6	1.5	2.4	2.1	2.2

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