Edward J. Bloustein School: National Economic Summary
Current Conditions as of 24 January 2005

Positives

GDP (Constant $)	**4.0%**	**3rd Qtr growth picks up from 3.3% in 2nd qtr. 11 straight quarters of growth.**
Consumer Spending (Qrtly; constant $)	**5.1%**	**3rd Qtr; up from 1.6% in 2nd qtr. Durable consumption +17.2%; services + 2.9%.**
Consumer Spending (Monthly, Current $)	**.2%**	**Nov 04; modest increase after strong Oct.**
Consumer Confidence Index (Conference Board)	**90.5**	**Nov 04; downward trend since July. Consumers' momentum slipping.**
Retail Sales	**1.2%**	**Dec 04: w/o autos, + .3%. Dec 03 to Dec 04 sales up 8%.**
Auto Sales	**-1%**	**Nov 04 vs. Nov 03; 16.4 million annual sales rate.**
Corporate Profits (with inventory adj and capital consumption adj.)	**-4.8%**	**3rd Qtr 2004. Up 5.8% from 3rd Qtr 2003. Profits fall by $55.9B from 2nd Qtr 04 (insurance payouts).**
Federal Spending	**4.8%**	**3rd Qtr 04; defense spending up 10.1%. Federal spending up 6.6% in 2003.**
Productivity (nonfarm bus.sector)	**1.8%**	**3rd Qtr 04; further slowing; may cause hiring to expand.**
Personal Income	**.3%**	**Nov 04; steady growth continues.**
Interest Rates: Fed. Funds	**2.25%**	**"Measured increases" continue.**
10 Year T Bond	**4.14%**	**21 Jan; long term rates stay low.**
30 Year Fixed Mortgage (bankrate.com)	**5.71%**	**21 Jan; rates holding below 6%. Home equity loans, $431B in 04;boosts consumer spending. Mortgage apps index 682.9, 14 Jan;+16.2% from wk ago. But index down 27.5% from year ago.**
New Home Sales (annual rate)	**1.1M**	**Nov 04; -12%, new housing finally cooling.**
Existing Home Sales (annual rate)	**6.94M**	**Nov 04; +2.7%, new record! +13.2% above Nov 03. Demand strong as mortgages remain below 6%.**
Housing Starts (annual rate)	**2M**	**Dec 04; +10.9% above Nov 04; -3% below Dec 03. Starts 1.95M in 04; +5.3% over 2003; best yr since 1978! Permits -.3% in Dec 04; 2.021M annual rate.**
Residential Investment (Constant $)	**1.6%**	**3rd Qtr 04, slows from 2nd quarter pace of 16.5%!**
Non-residential Fixed Investment	**13.0%**	**3rd Qtr, 04; solid growth continues.**
Computer Equipment/Software	**17.5%**	**3rd Qtr 04; further encouraging growth for tech sector. 6.4 % increase in 2003 vs. - 5.5% in 2002, -4.9% in 2003.**

Median Price of Existing Homes (Single-family)	**10.4%**	**Nov 04 vs Nov 03; US Median = $188.2K in Nov 04. NJ Median Price = $307,600; 2nd Qtr 04. N.J. Median Sales Price, + 12.2% from 2003, 2nd Qtr.**
Consumer Price Index	**3.3%**	**Dec 03 to Dec 04; highest annual increase since 2000. CPI +2.2% excluding energy in 2004.**
	2.4%	**Personal Cons. Expenditures index up from Oct 03.**
Producer Price Index	**-.7%**	**Dec 04; w/o food/energy, +.1%. Finished goods +4.1% from Dec 03; 2.2% w/o food/energy.**
Construction Spending	**-.4%**	**Nov 04; $1,013.3B annual rate. Spending up 6.9% vs. Nov 03.**
Supply Managers (Non-mfg. index)	**63.1**	**Nov 04; +1.8 pts; 62.5 average for 2004 highest on record.**
Index of Leading Indicators (Conference Board)	**.2%**	**115.4 Dec 04; up for two straight months.**
U.S. Dollar Index	**81.32**	**3 Jan; up 5.9% since Jan 04. Euro = $1.3051; 21 Jan; +3.2% since year ago. Yen = 102.67 per US $; 21 Jan, -3.9% since year ago. China has largest export total to U.S. Yuan fixed to $.**
Federal Tax Cut	**$330B with $40B in 2004, but short-term stimulus now over. Sunset provisions create future concerns (federal deficit and tax hikes). Tax benefits skewed to higher incomes (top rate falls to 35% from 38.6%).**	
Employment	**Job gains solid in Dec 04, +157K. Business and Professional Services +546K in 2004. Health care and social assistance +342K in 2004. Total jobs up 2.2M in 2004; best year since 1999.**	
Unemployment Rate	**U.S. = 5.4% in Dec 04. NJ = 4.2% in Dec 04; +75.9K jobs in 2004; 49.8K> than Dec 2000 peak. 2004 was best NJ job growth year since 2000 (79.6K jobs).**	
Initial Unemployment Claims	**319K; 15 Jan, down 48K, labor markets expanding.**	
Supply Managers Index (Mfg)	**58.6**	**Dec 04; mfg sector expanding for 19 months. Employment index down, but new orders rising.**
Factory Orders (all mfg industries)	**1.2%**	**$377.4B, Nov 04; increases in 6 of last 7 months.**
Durable Mfg Goods Orders	**1.4%**	**$198.2B; Nov 04.**
Industrial Production Index	**Index = 117.8; +.8% Dec 04. Manufacturing index +.7% in Dec 04. Capacity in use, 79.2%; up 2.4 pts. from Dec 03.**	
Inventories (GDP account)	**$26.6 drop in non-farm inventories in 3rd Qtr 04 from 2nd Qtr.**	
Agriculture	**Net farm income up; lower dollar helps exports. But ag export prices down 5% in 2004.**	

Weaknesses

Federal Deficit	**$415B FY04 record deficit; 3.5% of GDP. Deficit of $2.3 trillion projected for next decade by CBO.**
International Trade	**2003 deficit of $496.5B. +17% over 2002. 4.5% of GDP. Deficit with China $124B in 03; -$16.6B in Nov 04; -$147B 2004 YTD. Nov 04 deficit, $60.3B, up $4.3B from Oct 04. Nov 04 exports, $95.6B, down $2.2B from Oct 04. Nov 04 imports, $155.8B, up $2B from Oct 04.**
Exports	**+6.3%, 3rd Qtr 04; +1.9% for 2003 vs. -2.3% in 2002. Lower dollar helps!**
Imports	**+4.6%, 3rd Qtr 04; +4.4% in 2003 vs. +3.4% in 02. Energy prices add to import total, plus strong US demand for foreign goods.**
Import Prices	**-1.3% in 04; non-petroleum prices +.5%, petroleum prices, -11.5%. Petroleum prices +30.8% from Dec 03! Non-petrol. prices +3.8%.**
State and Local Gov't Expenditures	**Fiscal weakness persists; -.1.7% in 3rd Qtr 04; +1.9% in 2nd qtr. Up only .7% for 2003.**
Oil	**Oil prices rise; $48.53 (21 Jan) for near month delivery. Each 1 cent rise in gas prices = $1B loss in purchasing power. Each $10 rise in price of barrel of oil = $70B tax on consumers.**
Natural Gas	**Prices high; $6.24 per mil BTU (21 Jan). Large cost increases for industries/consumers.**

Wild Cards

Terrorism	**Continued uncertainity overhangs economic decisions.**
War in Iraq/Afganistan	**Entangled and messy. Risk to confidence and equity and energy markets.** **Cost est. $5B per month. $87B add on this year; $25B more committed.** **Guns AND Butter (i.e., War and aftermath costs <u>and</u> tax cuts)** **All financed by debt.**
Stock Markets	**Post-election rebound for stocks cools.** **Dow Jones; -16.8% for 2002; +25.3% in 2003; +3.15% in 2004.** **NASDAQ; -31.5% for 2002; +50% in 2003; +8.59% in 2004.** **S&P 500 -23.4% for 2002; +26.4% in 2003; 8.99% in 2004.** **Dow Jones = 10,783.01 on 31 Dec 04.** **S&P 500 = 1,211.92 on 31 Dec 2004.** **NASDAQ Composite, 2,175.44 on 31 Dec 2004.** **Dow peak, 11,723 on 14 Jan 00.** **S&P peak 1,527 on 24 Mar 00.** **NASDAQ peak 5,048 on 10 Mar 00.** **Dow Jones 10,392.99, 21 Jan 05, -3.62% YTD.** **S&P 500 1,167.87, 21 Jan 05, -3.63% YTD.** **NASDAQ Comp. 2,034.27, 21 Jan 05, -6.49% YTD.**