

The economy managed to grow by a small amount in the first quarter, roughly matching expectations. Real GDP increased 0.6% for the second quarter in a row. Despite great concern about inflation, the GDP price index increased only 2.6% at an annual rate from the previous quarter and 2.2% compared with a year earlier.

Improvement in the trade deficit combined with a slight pick-up in inventory accumulation to offset a decrease in purchases by U.S. consumers and businesses. Real final sales to domestic purchasers declined for the first time since the fourth quarter of 1991, falling by 0.4%. Consumer spending slowed abruptly, business capital spending decreased modestly, and investment in residential structures fell at a record pace. Slower growth in state and local government expenditures was balanced by strong federal defense spending.

Consumer spending gained only 1.0%, after rising 2.6% in 2007. Investment in nonresidential structures fell 6.2% compared with 15.1% last previous year. Investment in equipment and software fell 0.7% after rising 3.6% in the previous year. Imports rebounded to a small gain of 2.5% from a decrease of 1.4% in the previous quarter. Government expenditures increased by 2.0% – the same as in the fourth quarter – reflecting a 6.0% increase in federal defense outlays.

Adding to real GDP growth, exports expanded 5.5% and business inventories increased by \$1.8 billion at an annual rate. That was up from a decrease of \$18.3 billion in the fourth quarter, adding 0.8 percentage points to growth.

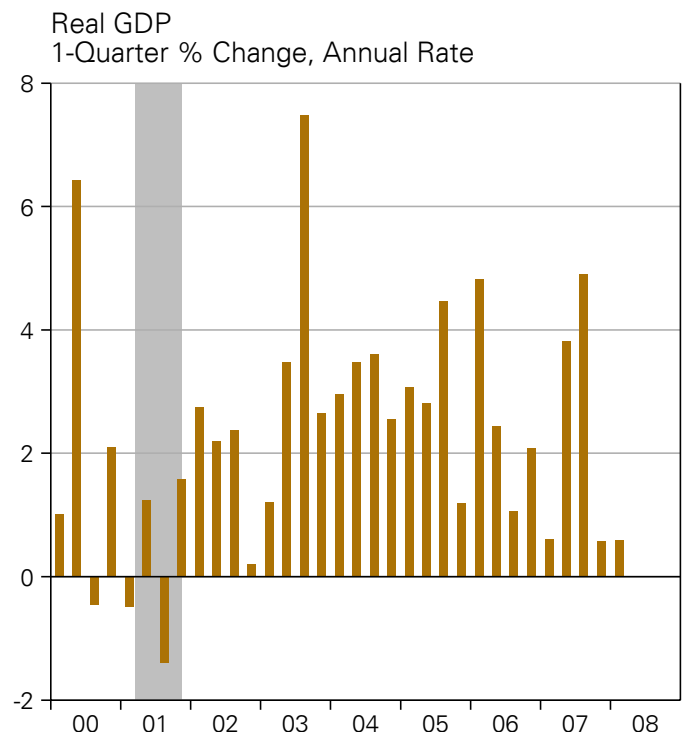
The deterioration in labor markets continued in April, but at a slower pace. Total employment decreased for the fourth straight month, this time by 20,000 jobs. Employment declined by an average of 80,000 jobs during the previous three months. Private sector payrolls decreased by 29,000 jobs – the fifth straight monthly decline – bringing the total private sector job loss to 326,000 since the start of the year.

At 5.0%, the unemployment rate was little changed, compared with 5.1% in March. The length of the work-week decreased slightly and total hours worked fell at an annual pace of about 4%. Average hourly earnings man-

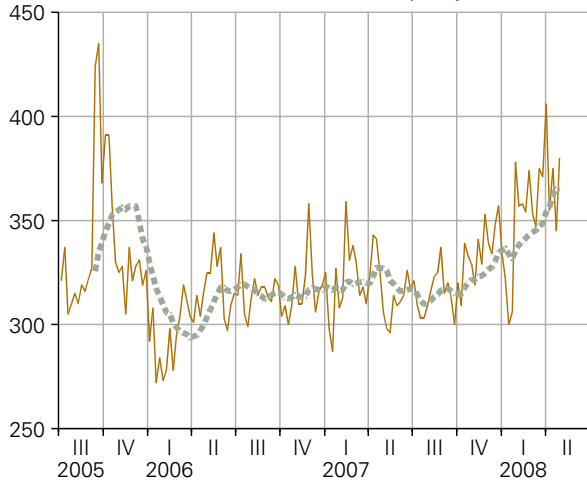
Real GDP grew 0.6% in the first quarter – the same as in the fourth quarter. Most analysts look for a decline in the second quarter. Employment fell for the fourth straight month in April but by a smaller amount.

aged only a 0.1% increase during the month to 3.4% above the year earlier level – about in line with inflation during the period. The year-over-year change in hourly earnings peaked at 4.2% in March 2007.

Employment in temporary help services decreased for the sixth consecutive month to 5.7% below its December 2006 peak. Temporary help employment has led other measures of economic activity in the past, because of the ease with which temporary staff can be added or reduced. Prior to the start of the last recession in March 2001, temporary help employment decreased by 7.2% from its peak.



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100



Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA

