

THE CURRENT ECONOMIC SITUATION IS WONDERFUL, BUT WATCH OUT IN 2007

As the pleasantness of our marvelous Thanksgiving meals fades to a lovely memory (I certainly hope they are lovely memories for you), we turn our thoughts to the ongoing Christmas shopping season. All the signs are excellent that the 2006 one will eclipse all previous records.

Just about all the omens are favorable. We are past the dreadful election season and no longer are being bombarded by awful commercials telling us the world will end if we don't vote for whichever candidate says, "I'm (insert candidate's name here) and I approved this ad." History books tell us that elections were far more vicious in the 19th century, but based on the lows we saw in many races around the country this year, that's sure hard to believe.

In any event, the effort by consumers to make this the highest volume Christmas ever seen started off with a bang. The National Retail Federation estimated that over 140 million people

went shopping on the weekend after Thanksgiving and spent over \$360 apiece. That's a big boost to moving retail sales to new record territory. On December 13 the Census Bureau reported that total retail and food services sales in November were \$368.9 billion seasonally adjusted. This was up 5.6 percent from November 2005. These sales totaled \$3.9 trillion for the first eleven months of 2006, up 6.4 percent from the same period in 2005.

Of course millions of other consumers stayed home and used the Internet to buy gifts for their loved ones. Online shopping grows steadily in popularity even though some web sites are far from user-friendly.

Consumers have never been in better shape to get out and shop. Over 145 million of us are employed with total incomes in excess of \$11 trillion. Even after taxes, disposable personal income is over \$9.7 trillion.

On top of that, consumers had a net worth of \$54.1 trillion on September 30,

according to the quarterly "Flow of Funds" report released on December 7 by the Board of Governors of the Federal Reserve System (www.federalreserve.gov). Most of this won't be spent this year or anytime soon, but if just a tiny fraction of it is used for consumption this year, that would give a huge boost to retail sales.

In the aggregate, retail sales amount to about one-third of all economic activity. Total personal consumption expenditures were 70.3 percent of GDP in the third quarter. This broader concept includes utilities, health care and other services.

The level of consumer confidence is at relatively high levels in all surveys. The Index of Consumer Sentiment (ICS), produced since 1946 by the Survey Research Center at the University of Michigan, stood at 92.1 in November (March 1966=100). While that is well below the highest levels ever recorded, it is consistent with strong retail sales.

The index hit its low of 51.7 in May 1980. That was during the 1980 recession in the dark days of a dreadfully misguided national implementation of the Credit Control Act of 1969. The all-time high was 112.0 in January 2000 at the peak of the "dot.com" hysteria. The index was 100.0 or higher in all but one month (October 1998) from March 1997 through November 2000.

The November reading of 92.1 is the second highest this year behind only

Dr. James F. Smith

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EMPLOYMENT DATA BY STATE SHOW MANY INTERESTING THINGS

While both total employment and nonfarm payroll employment in the U.S. have been setting new records every month for quite a while now, the same can't be said for every state. Tables 1-3 contain data from the November 21 BLS release (www.bls.gov) that covers total employment for the states and regions of the U.S.

These data came from a national probability sample of about 60,000 households a month. (This is a survey that interviews individual households to determine if that household's residents are employed, unemployed and looking for work, or not in the labor force.) This is the survey from which the unemployment rate and all information about employment by age, educational attainment, race and sex is obtained.

Table 1 (see page 7) lists the states and the District of

Columbia in alphabetical order. This makes it easy to find the information on whatever state you want. The left column shows the month around the last recession when total employment peaked in that state. The next column to the right shows how many people were employed in that state at the peak. The next column shows the difference in October 2006 from the peak and the last column shows the percentage change for the same two periods.

Table 2 (see page 8) ranks the states in terms of their percentage change from the 2000 or 2001 peak to October 2006. Nevada leads all the other states with an increase of 19.1 percent. Arizona and Utah are next at 15.9 and 15.8 percent respectively followed by Florida at 14.2 percent, Idaho at 13.5 percent, New

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the 93.6 of October. It is an 11.3 percent increase from a year ago, which is very healthy.

Levels above 90.0 are consistent with high levels of consumption. Since the U.S. economy runs on the "shop 'til you drop, then fall to the floor, rest for a while, and go shop some more" system to ensure continued economic growth, this is very good news.

There are a few amazing things the media do this time of year you should ignore. One is to call the Friday after Thanksgiving "Black Friday" based on some preposterous theory that on that day retailers make up for 10-1/2 months of losses and move into profitability or "the black." No store could remain in business very long if they had to wait for nearly 90 percent of a year to make money. I spent the first fifteen years of my professional career in retailing and never heard a single retail employee at any level call that day "Black Friday" as it makes no sense. It may once have been the highest-volume shopping day of the year, but those honors now belong to the two Saturdays closest to Christmas.

My other pet peeve regarding media coverage of retail sales, especially at individual retailers, is their continuing discussion of a concept called "same store sales," which is only relevant to a retailer that has only one

outlet. Some media person or Wall Street analyst came up with this nonsensical calculation ten or more years ago and for some inexplicable reason it caught on and is regularly reported.

For example, on November 27 the stock of Wal-Mart was hammered down because they said the sales in November in stores open a year or longer might be down 0.1 percent from a year ago. When they report total sales for November, it will be seen they rose by 11.0 percent or more, a very strong performance.

Most retailers are continually expanding their number of outlets. The simplest way to see the stupidity of the "same store sales" concept is to look at a town with only one outlet of a regional or national retail chain. As the town grows, the retailer decides to add a second store. Because the first store is impacted by the new one, the total sales of both outlets are removed from the same store sales calculations until the second store has been open for a year. This makes no economic sense at all. What is important is total retail sales, not whether some of those sales were made at a store that is less than a year old or an older outlet that is impacted by a new store. You should always just look at total sales, whether for an individual firm or all retailers combined.

Record retail sales are also good news to the budget officers of the 45 states that have sales taxes. Those states and many county and city governments as well

will see a welcome surge in receipts from all those eager shoppers this Christmas season.

Total retail and food services sales, which is what the Census Bureau reports every month, should be up 5.0-7.0 percent in November-December compared to the same two months in 2005. That will be a good Christmas season, but not a phenomenal one.

It could have possibly hit the 11.0-12.0 percent range, but retailers were just too cautious in ordering enough goods to make that a reality. It's very difficult to convince a dedicated shopper to buy a gift certificate instead of that special something she (or he) had their heart set on buying.

There is a growing business in gift certificates, though. Many people love to give them when they can't think of a particularly wonderful gift for a person on their list. They are very popular with teenagers who prefer-to-buy-their-own-clothes-and-accessories-thank-you and men who would much prefer a Barnes & Noble or Borders certificate to yet another tie or pair of socks.

The popularity of gift certificates has become so large in recent years that January sales have been boosted enormously. This is because gift certificates are not counted as retail sales when the gift giver purchases the certificate, but rather when the recipients uses them to buy goods or services.

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Mexico at 11.9 percent, Virginia at 10.7 percent, Texas at 10.2 percent and Colorado at 10.0 percent.

Only four states and the District of Columbia had fewer people employed in October 2006 than at their peaks in the last recession. Two of those—Louisiana and Mississippi—are still suffering from the destruction of Hurricane Katrina in August 2005.

Michigan is obviously hard hit by all the travails of the domestic automobile industry. It may be years before it gets back to its April 2000 record.

No one has yet come up with a logical explanation for the Massachusetts situation. Total employment there has dropped by 1.8 percent since January 2001, which was just before the last recession started that March.

Table 3 (see page 9) ranks the states in terms of the number of people employed in October 2006 compared to their 2000 or 2001 peaks. Here we see the phenomenal employment growth in Florida and Texas, both of which have seen increases of over one million people in their employed populations.

Tables 4-6 contain the same comparisons for nonfarm payroll jobs. These data come from a monthly sample of about 160,000 businesses and government agencies covering approximately 400,000 establishments. This survey is the source for industry detail. It makes no adjustments for multiple jobholders and by definition does not include agricultural workers or self-employed people.

Table 4 (see page 10) lists the states in alphabetical order again, for ease of use. Table 5 (see page 11) lists them in descending order by percentage change. Here the stupendous difference between Nevada and every other state is obvious. The Nevada increase of 23.0 percent is even more dramatic than their 19.1 percent in increase in total employment.

Table 6 (see page 9) lists the states in descending order of the number of net new nonfarm payroll jobs created. Eleven states had fewer payroll jobs in October

than at their peaks around the last recession. Michigan has performed worse than any other state with the loss of 337,400 payroll jobs.

Once again, Louisiana and Mississippi can blame Hurricane Katrina for their woeful performances. It's hard to guess what has caused the job losses in Missouri, Kansas, Connecticut, Indiana, New York, Illinois, Massachusetts and Ohio, though one suspects some of it is certainly due to the general population shift southward over the past few years.

At least all of those states except Louisiana, Massachusetts, Michigan and Mississippi have experienced growth in total employment. Massachusetts and Michigan may have some serious structural problems regarding the age, wage expectations and skills of their labor forces that will take several years to resolve.

Some states have experienced dramatically greater growth in total employment than in payroll employment. North Carolina, for example, has had a small increase of 26,000 nonfarm payroll jobs or 0.7 percent from its old peak in January 2001. However, total employment has grown by 277,100 people or 6.9 percent over the same period. This boom in entrepreneurial activity in North Carolina remains unexplained, but is quite welcome.

For the entire U.S., nonfarm payroll employment hit its post-recession low in August 2003 at 129,797,000 jobs. This was a decline of 2,754,000 jobs or 2.1 percent from the February 2001 peak of 132,551,000 jobs, all on a seasonally adjusted basis. In October, there were a record 135,844,000 such jobs, up 3,293,000 jobs from the old peak or 2.5 percent. This was an increase of 6,047,000 payroll jobs or 4.7 percent from the August 2003 low.

For total employment, the October 2006 record is 145,287,000 people employed. That's up 7,504,000 people from the March 2001 recession peak or 5.5 percent. It's an increase of 7,762,000 people or 5.6 percent from August 2003 to put it on a comparable basis with payroll employment. The actual trough in total employment on a seasonally adjusted basis was 135,688,000 people in January 2002.

RAISING THE MINIMUM WAGE IS A REALLY BAD IDEA DESPITE ITS POPULARITY

Every observer expects that the 110th Congress will move very quickly to raise the minimum wage shortly after it convenes in January 2007. The popularity of this concept is a very sad testimonial to the economic illiteracy of the public as well as our elected representatives.

Businesses have every incentive to compete for the most productive workers. This is true whether you are talking about your local restaurants or dry cleaners, your favorite or least favorite sports team or firms engaged in global commerce. In order to get the best workers you have to offer them enough money and benefits to induce them to rent their labor skills to you rather than to your competitor. This is true in every industry.

The idea is that a firm will keep hiring workers and paying them more in accordance with how much profit the workers produce for the firm. The pay of the last worker hired should be just equal to the incremental profit that he or she adds to the firm.

Enacting a minimum wage or increasing an existing one interferes with this process because it mandates that some people should be paid more than they are worth in terms of their marginal contribution to the firm's profits. If the firm hires these people, it will see its profits shrink and eventually it will go bankrupt.

If Congress could just determine what people should be paid without

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economic consequences, then why should they stop at \$7.25 an hour or \$14,500 a year? Why not go for \$10 an hour (\$20,000 a year) or \$20 an hour (\$40,000 a year or about the median income in the U.S.) or even \$82.60 an hour or \$165,200 a year, which is what they pay themselves? Whether you choose a minimum wage of \$7.25 an hour or \$82.60 an hour, the consequences to the firm hiring these employees are similar—it simply reduces the number of people the firm will hire.

The really sad part of this misguided effort to raise the incomes of the working poor is that the people hurt the worst by increasing the minimum wage are young blacks, ages 16-19. They already have the highest unemployment rate of any group

(27.6 percent in November compared to the national average of 4.5 percent). This also compares very poorly with the 7.3 percent unemployment rates for black women aged 20 and up or the 7.9 percent for black men in that age group.

Raising the minimum wage simply means more of them will wait much longer to get their first job or will lose the entry-level job they have now. This is because their contribution to the firm's profit is less than \$7.25 per hour. One wishes Congress would find economically useful things to do such as reducing the over \$1.2 trillion deadweight loss of regulations rather than taking steps to raise unemployment rates among the least-skilled members of the labor force.

USING CORN TO MAKE ETHANOL TO HELP FUEL AUTOMOBILES IS A TERRIBLE PLAN THAT IS LIKELY TO HAVE DIRE CONSEQUENCES

There is hardly any hotter business in the U.S. right now than building new plants to turn corn into ethanol and selling the ethanol to be blended with gasoline to be used to power the over 230 million vehicles registered in the U.S. today. We are the first country ever to have more registered vehicles than licensed drivers, of which there are about 200 million.

Partly in a highly misguided effort to help raise the level of "energy independence," partly to increase demand (and therefore the price) of corn, and partly to increase their campaign contributions from Archer Daniels Midland (ADM), a majority of the members of Congress have voted to increase subsidies to ethanol for use as a

motor fuel. Few of them or the Presidents who have signed these bills into law have stopped to ask whether this makes any economic sense at all.

The answer is that it does not. Ethanol only contains about sixty percent of the energy of an equivalent amount of gasoline. It is also highly corrosive and thus can't be burned in normal gasoline engines in a concentration above 5.0 percent of the total. Even specially modified and thus more costly engines can't burn a mixture that is more than 15 percent ethanol, the so-called "E-85" that Ford, GM and others are touting today.

One real problem is that using corn to produce ethanol is not a very efficient process as opposed to producing ethanol from sugar cane. Most careful

estimates are that the amount of energy used in producing and shipping the corn and turning it into ethanol is greater than the energy produced from burning the ethanol in your car or truck. Notice that this immediately knocks out "energy independence" as a reason for converting corn to ethanol.

This alone should be enough to have prevented us from ever starting to produce ethanol from corn in the first place. In order to offset this disadvantage, Congress mandated a \$0.51 subsidy on every gallon of ethanol produced. You are the payer of this subsidy.

As noted above, producing ethanol from sugar cane is highly energy efficient, and therefore sensible. Brazil

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is the world leader in this process and its production levels are so high that not only has it become energy independent, but it is also able to export large amounts of ethanol to other countries.

You might think that if the U.S. really wants to use ethanol, it would be smarter to import it from Brazil, a country with which we have good relations, rather than to distort the corn markets here at home. Basic economics would lead you to that conclusion, but Congress was ahead of you and slapped a \$0.54 a gallon tariff on imported ethanol.

Last spring, the Bush Administration attempted to get Congress to repeal this tariff. However, five Democrats in the Senate from corn-producing states stopped that effort on May 6. Senators Durbin and Obama of Illinois, Harkin of Iowa, Dorgan of North Dakota and Johnson of South Dakota were the people who blocked this attempt to lower your driving costs.

Even with this \$1.05 a gallon subsidy, corn-based ethanol is still not competitive. However, we also have a ban on using MTBE as a blending agent for certain types of gasoline, so ethanol is the only cost-effective substitute.

All of this bias toward ethanol is seriously distorting agricultural markets in the U.S. and will soon hit your pocketbook at the grocery store. This is because the value of corn as ethanol feedstock is higher than it is for consumption by people either directly or indirectly through eating beef, chicken or pork. It turns out that the byproducts from ethanol plants can be used as feed for cattle, but not at all for poultry and only in a very limited way for hogs.

The demand for corn for ethanol has not only been driving up the price of corn, but also rice and wheat. The demand for more corn will cause farmers to increase the acreage devoted to it at the expense of soybeans, wheat and other crops.

Global stocks of grains are low. The U.S. has never produced more than eleven billion bushels of corn in even our best years. Ethanol demand alone will use up nine billion bushels by 2009 and twelve billion by 2012.

This means we need 1.3 billion more bushels of corn over each of the next four years than we've ever produced before from 7.9 million more acres devoted to it. We can probably count on Mother Nature to mess this up at some point before 2012.

This will lead to huge price increases for cereal, steak, chicken, pork and cola drinks (which use corn syrup for sweetening because of our sugar subsidies and tariffs) that should lead to a huge public outcry. It could potentially make enough consumers mad enough to demand that Congress repeal the subsidies. Since estimates are that about half the subsidy goes directly to ADM, we could hope that people might begin to think that was at least a little unfair.

All this will complicate drafting of a new farm bill in 2007. The old one expires then. There are a lot of trade issues involved with agriculture as well.

Even though only two percent of the U.S. labor force is employed in the agricultural sector, they wield highly disproportionate political power. You need to hold onto your wallet when the 110th Congress wades into this thicket next year.

THE INVERTED YIELD CURVE IS STILL SIGNALING ECONOMIC TROUBLES AHEAD

The U.S. Treasury yield curve has now been fully inverted from three months to ten years for over four months. In the past 91 years this occurrence has always been followed by a recession.

While the historic range has been that a recession has followed the onset of the three-month mark of the inversion within 9-19 months, the most common has been 11-13 months. This means you should start your recession watch next May and stay alert until a recession is obvious or March 2008, whichever comes first.

On December 12, three-month Treasury bills were yielding 4.81 percent while ten-year Treasury notes were only returning 4.49 percent to investors. You can follow the yield curve Tuesday through Friday in *The Wall Street Journal*, second chart from the left at the bottom of page C-2.

Just remember that inverted Treasury yield curves that persist for three months or longer, as has been true of the current episode, have always been followed by recessions since the Federal Reserve System has existed. Many people want you to think that this time is different, but as my late mother always said, "I'm from Missouri and you'll have to show me!" She probably was not the first person from Missouri to say this as it's been known as the "Show Me" state for a long time, but her advice is certainly good in the current situation.

THE FORECAST

My outlook is that this year will still post a reasonably decent 3.2 percent real GDP growth rate. My anticipated recession in 2007 is short and mild, causing only two quarters of declining GDP and without the big job losses of the 2001 recession. With a healthy rebound in the fourth quarter, we should still see real GDP rise by 1.4 percent in 2007. Then we should have a robust expansion in 2008 with real GDP growth of 4.2 percent. Growth could easily persist until 2020, when another recession will come along. (This assumes Congress gets a handle on Social Security and Medicare which is a seriously heroic assumption.)

The consensus forecast is for real

GDP growth of 3.1 percent or so this year and 2.6-2.9 percent in 2007 and 2008. This is certainly possible but would mean a long period of sub-par GDP growth and would also mark the first time that a 3-month to 10-year inversion of the Treasury yield curve that lasted for three months or longer has not given us an accurate warning of an impending recession.

The political implications of these two very different forecasts are polar opposites. If the consensus forecast turns out to be reasonably accurate, then the Democrats can nominate any person who was born in the USA, has lived here for 14 years or longer, is at least 35 years old and has never been convicted of a felony, and he

or she will win handily.

If my forecast of a mild recession in 2007 followed by strong growth in 2008 is close to the actual results, then the Republicans can nominate any person who was born in the USA, has lived here for a minimum of 14 years, is at least 35 years old and has never been convicted of a felony, and he or she will win by a goodly margin. Much research by many distinguished economists and political scientists has shown conclusively that the state of the economy determines the outcome of Presidential elections.

Keep watching the economy in 2007. It should be very interesting.

HAPPY NEW YEAR!



If you would like to book me for a speech, please visit my website or contact:

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Table 1

Employment Data from Household Survey, Recession Peak and October 2006						
					Difference	Percentage Change
	Peak Employment Month in the 2000-01 Recession	Peak Employment in the 2000-01 Recession	Employment in October 2006		October 2006 from 2000-01 Peak	October 2006 from 2000-01 Peak
Alabama	Mar-00	2,077.7	2,141.2		63.5	3.1%
Alaska	Dec-01	301.6	326.3		24.7	8.2%
Arizona	Dec-01	2,463.5	2,854.9		391.4	15.9%
Arkansas	Jun-00	1,208.0	1,316.6		108.6	9.0%
California	Mar-01	16,287.4	17,033.8		746.4	4.6%
Colorado	Dec-00	2,304.9	2,535.1		230.2	10.0%
Connecticut	Dec-01	1,701.7	1,778.3		76.6	4.5%
Delaware	Jan-01	405.9	433.6		27.7	6.8%
District Of Columbia	Nov-00	295.0	278.4		-16.6	-5.6%
Florida	Aug-01	7,721.2	8,814.9		1,093.7	14.2%
Georgia	Mar-01	4,112.0	4,519.9		407.9	9.9%
Hawaii	Mar-01	587.9	644.0		56.1	9.5%
Idaho	Aug-01	646.2	733.5		87.4	13.5%
Illinois	Apr-00	6,193.9	6,388.7		194.7	3.1%
Indiana	May-00	3,057.6	3,111.5		53.9	1.8%
Iowa	Dec-01	1,575.0	1,640.0		65.0	4.1%
Kansas	Jan-00	1,360.1	1,419.3		59.2	4.4%
Kentucky	Aug-00	1,872.9	1,938.5		65.6	3.5%
Louisiana	May-00	1,937.0	1,791.5		-145.5	-7.5%
Maine	May-00	653.4	687.3		33.8	5.2%
Maryland	Oct-01	2,723.4	2,907.9		184.5	6.8%
Massachusetts	Jan-01	3,289.1	3,230.6		-58.4	-1.8%
Michigan	Apr-00	4,978.6	4,758.9		-219.7	-4.4%
Minnesota	Mar-01	2,770.1	2,853.8		83.6	3.0%
Mississippi	Jun-00	1,247.6	1,236.1		-11.6	-0.9%
Missouri	May-01	2,868.4	2,911.0		42.6	1.5%
Montana	Jun-01	448.5	487.1		38.6	8.6%
Nebraska	May-01	930.4	962.0		31.6	3.4%
Nevada	Sep-01	1,049.6	1,250.5		200.9	19.1%
New Hampshire	Mar-01	681.3	721.3		40.0	5.9%
New Jersey	Apr-00	4,136.8	4,276.5		139.7	3.4%
New Mexico	Jun-01	820.8	910.7		89.9	11.0%
New York	Dec-00	8,778.7	9,071.4		292.7	3.3%
North Carolina	Jan-01	3,989.4	4,266.5		277.1	6.9%
North Dakota	Feb-01	337.2	353.9		16.8	5.0%
Ohio	Feb-01	5,588.2	5,675.4		87.2	1.6%
Oklahoma	Jul-01	1,615.7	1,701.4		85.7	5.3%
Oregon	Nov-00	1,727.6	1,806.6		79.0	4.6%
Pennsylvania	Mar-01	5,885.5	6,035.5		150.0	2.5%
Rhode Island	Apr-00	523.7	549.4		25.7	4.9%
South Carolina	Mar-01	1,910.6	1,994.7		84.1	4.4%
South Dakota	Dec-01	402.0	422.6		20.5	5.1%
Tennessee	Mar-00	2,762.0	2,869.3		107.3	3.9%
Texas	Dec-01	10,022.9	11,047.8		1,024.9	10.2%
Utah	Dec-01	1,104.5	1,278.6		174.1	15.8%
Vermont	Nov-01	330.7	354.8		24.1	7.3%
Virginia	Aug-01	3,531.7	3,909.5		377.8	10.7%
Washington	Mar-00	2,916.5	3,177.5		261.1	9.0%
West Virginia	Jun-00	765.2	780.3		15.1	2.0%
Wisconsin	Apr-01	2,904.6	2,956.4		51.7	1.8%
Wyoming	Dec-01	260.5	281.7		21.2	8.1%

*Source: Household Survey, BLS, data in thous.

Table 2

States Ranked by Percentage Change in Household Survey Employment Recession Peak to October 2006	
	Percent Change in Employment October 2006 from Recession Peak
Nevada	19.1%
Arizona	15.9%
Utah	15.8%
Florida	14.2%
Idaho	13.5%
New Mexico	11.0%
Virginia	10.7%
Texas	10.2%
Colorado	10.0%
Georgia	9.9%
Hawaii	9.5%
Arkansas	9.0%
Washington	9.0%
Montana	8.6%
Alaska	8.2%
Wyoming	8.1%
Vermont	7.3%
North Carolina	6.9%
Delaware	6.8%
Maryland	6.8%
New Hampshire	5.9%
Oklahoma	5.3%
Maine	5.2%
South Dakota	5.1%
North Dakota	5.0%
Rhode Island	4.9%
California	4.6%
Oregon	4.6%
Connecticut	4.5%
South Carolina	4.4%
Kansas	4.4%
Iowa	4.1%
Tennessee	3.9%
Kentucky	3.5%
Nebraska	3.4%
New Jersey	3.4%
New York	3.3%
Illinois	3.1%
Alabama	3.1%
Minnesota	3.0%
Pennsylvania	2.5%
West Virginia	2.0%
Wisconsin	1.8%
Indiana	1.8%
Ohio	1.6%
Missouri	1.5%
Mississippi	-0.9%
Massachusetts	-1.8%
Michigan	-4.4%
District Of Columbia	-5.6%
Louisiana	-7.5%

Source: Household Survey, Bureau of Labor Statistics

Table 3

States Ranked by Descending Order of Difference in Employment Recession Peak to October 2006	
	Difference in Employment October 2006 from Recession Peak
Florida	1,093.7
Texas	1,024.9
California	746.4
Georgia	407.9
Arizona	391.4
Virginia	377.8
New York	292.7
North Carolina	277.1
Washington	261.1
Colorado	230.2
Nevada	200.9
Illinois	194.7
Maryland	184.5
Utah	174.1
Pennsylvania	150.0
New Jersey	139.7
Arkansas	108.6
Tennessee	107.3
New Mexico	89.9
Idaho	87.4
Ohio	87.2
Oklahoma	85.7
South Carolina	84.1
Minnesota	83.6
Oregon	79.0
Connecticut	76.6
Kentucky	65.6
Iowa	65.0
Alabama	63.5
Kansas	59.2
Hawaii	56.1
Indiana	53.9
Wisconsin	51.7
Missouri	42.6
New Hampshire	40.0
Montana	38.6
Maine	33.8
Nebraska	31.6
Delaware	27.7
Rhode Island	25.7
Alaska	24.7
Vermont	24.1
Wyoming	21.2
South Dakota	20.5
North Dakota	16.8
West Virginia	15.1
Mississippi	-11.6
District Of Columbia	-16.6
Massachusetts	-58.4
Louisiana	-145.5
Michigan	-219.7

Source: Household Survey, Bureau of Labor Statistics, in thous.

Table 6

States Ranked by Descending Order of Difference in Nonfarm Payroll Employment October 2006 from 2000-01 Recession Peak	
Florida	909.6
Texas	493.4
Arizona	389.9
California	323.6
Nevada	243.4
Virginia	176.3
Washington	159.5
Utah	134.6
Maryland	110.5
Oregon	104.6
Georgia	101.8
New Mexico	79.7
Idaho	72.7
New Jersey	69.8
Minnesota	67.2
Hawaii	62.2
Pennsylvania	52.3
Tennessee	47.5
Montana	46.1
Alabama	38.7
South Carolina	35.8
Colorado	32.3
Arkansas	30.9
Oklahoma	30.7
Nebraska	30.4
Wisconsin	30.2
Wyoming	29.5
District Of Columbia	29.4
Iowa	27.3
North Carolina	26.0
Alaska	23.5
North Dakota	21.4
South Dakota	20.2
Delaware	15.4
Kentucky	14.6
Rhode Island	11.6
West Virginia	11.2
New Hampshire	9.0
Vermont	5.1
Maine	4.2
Missouri	-8.0
Kansas	-12.9
Mississippi	-13.0
Connecticut	-23.3
Indiana	-29.6
New York	-68.5
Illinois	-106.7
Louisiana	-135.0
Massachusetts	-149.2
Ohio	-180.3
Michigan	-337.4

*Source: Establishment Survey, the BLS, data in thous.

Table 4

Nonfarm Payroll Data by State, Recession Peak and October 2006					
	Peak Nonfarm Employment Month in the 2000-01 Recession	Peak Nonfarm Employment in the 2000-01 Recession	Nonfarm Employment in October 2006	Difference October 2006 from 2000-01 Peak	Percentage Change from Peak Nonfarm Employment to Present
Alabama	May-00	1,936.1	1,974.8	38.7	2.0%
Alaska	Aug-01	292.1	315.6	23.5	8.0%
Arizona	Mar-01	2,276.4	2,666.3	389.9	17.1%
Arkansas	Jun-00	1,162.7	1,193.6	30.9	2.7%
California	Mar-01	14,729.8	15,053.4	323.6	2.2%
Colorado	Dec-00	2,247.9	2,280.2	32.3	1.4%
Connecticut	Jul-00	1,700.2	1,676.9	-23.3	-1.4%
Delaware	Mar-01	424.8	440.2	15.4	3.6%
District Of Columbia	Dec-00	663.3	692.7	29.4	4.4%
Florida	Aug-01	7,199.9	8,109.5	909.6	12.6%
Georgia	Jan-01	3,995.5	4,097.3	101.8	2.5%
Hawaii	Sep-01	559.2	621.4	62.2	11.1%
Idaho	Mar-01	571.2	643.9	72.7	12.7%
Illinois	Nov-00	6,060.1	5,953.4	-106.7	-1.8%
Indiana	May-00	3,013.8	2,984.2	-29.6	-1.0%
Iowa	Mar-00	1,484.5	1,511.8	27.3	1.8%
Kansas	Jun-00	1,352.0	1,339.1	-12.9	-1.0%
Kentucky	Mar-00	1,831.6	1,846.2	14.6	0.8%
Louisiana	May-00	1,929.6	1,794.6	-135.0	-7.0%
Maine	Jun-01	610.2	614.4	4.2	0.7%
Maryland	Dec-00	2,485.9	2,596.4	110.5	4.4%
Massachusetts	Feb-01	3,372.2	3,223.0	-149.2	-4.4%
Michigan	Jun-00	4,687.5	4,350.1	-337.4	-7.2%
Minnesota	Mar-01	2,708.1	2,775.3	67.2	2.5%
Mississippi	May-00	1,159.5	1,146.5	-13.0	-1.1%
Missouri	Jun-00	2,754.9	2,746.9	-8.0	-0.3%
Montana	Jun-01	393.8	439.9	46.1	11.7%
Nebraska	Aug-01	922.8	953.2	30.4	3.3%
Nevada	Jun-01	1,059.5	1,302.9	243.4	23.0%
New Hampshire	Feb-01	634.0	643.0	9.0	1.4%
New Jersey	Jun-01	4,011.7	4,081.5	69.8	1.7%
New Mexico	Aug-01	759.1	838.8	79.7	10.5%
New York	Dec-00	8,694.2	8,625.7	-68.5	-0.8%
North Carolina	Jan-01	3,967.5	3,993.5	26.0	0.7%
North Dakota	Mar-01	330.8	352.2	21.4	6.5%
Ohio	Jun-00	5,636.1	5,455.8	-180.3	-3.2%
Oklahoma	Jun-01	1,516.7	1,547.4	30.7	2.0%
Oregon	Nov-00	1,619.2	1,723.8	104.6	6.5%
Pennsylvania	Feb-01	5,719.3	5,771.6	52.3	0.9%
Rhode Island	Feb-01	482.2	493.8	11.6	2.4%
South Carolina	Jun-00	1,876.8	1,912.6	35.8	1.9%
South Dakota	Mar-00	380.4	400.6	20.2	5.3%
Tennessee	Mar-00	2,738.4	2,785.9	47.5	1.7%
Texas	Mar-01	9,554.7	10,048.1	493.4	5.2%
Utah	Mar-01	1,086.5	1,221.1	134.6	12.4%
Vermont	Jan-01	303.8	308.9	5.1	1.7%
Virginia	Dec-00	3,560.3	3,736.6	176.3	5.0%
Washington	Dec-00	2,730.3	2,889.8	159.5	5.8%
West Virginia	May-00	747.0	758.2	11.2	1.5%
Wisconsin	Nov-00	2,843.5	2,873.7	30.2	1.1%
Wyoming	Nov-01	247.8	277.3	29.5	11.9%
U.S.	Feb-01	132,546.0	135,844.0	3,298.0	2.5%

*Source: Establishment Survey, the BLS, data in thous.

Table 5

States Ranked by Percentage Change in Non-farm Nonfarm Payroll Data, Recession Peak to October 2006	
	Percent Change in Nonfarm Payroll Employment October 2006 from 2000-01 Recession
Nevada	23.0%
Arizona	17.1%
Idaho	12.7%
Florida	12.6%
Utah	12.4%
Wyoming	11.9%
Montana	11.7%
Hawaii	11.1%
New Mexico	10.5%
Alaska	8.0%
North Dakota	6.5%
Oregon	6.5%
Washington	5.8%
South Dakota	5.3%
Texas	5.2%
Virginia	5.0%
Maryland	4.4%
District Of Columbia	4.4%
Delaware	3.6%
Nebraska	3.3%
Arkansas	2.7%
Georgia	2.5%
Minnesota	2.5%
Rhode Island	2.4%
California	2.2%
Oklahoma	2.0%
Alabama	2.0%
South Carolina	1.9%
Iowa	1.8%
New Jersey	1.7%
Tennessee	1.7%
Vermont	1.7%
West Virginia	1.5%
Colorado	1.4%
New Hampshire	1.4%
Wisconsin	1.1%
Pennsylvania	0.9%
Kantucky	0.8%
Maine	0.7%
North Carolina	0.7%
Missouri	-0.3%
New York	-0.8%
Kansas	-1.0%
Indiana	-1.0%
Mississippi	-1.1%
Connecticut	-1.4%
Illinois	-1.8%
Ohio	-3.2%
Massachusetts	-4.4%
Louisiana	-7.0%
Michigan	-7.2%

Source: Establishment Survey, Bureau of Labor Statistics