



# ECONOMICS GROUP

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## Breaking Water: Monitoring the Recession's Progress III

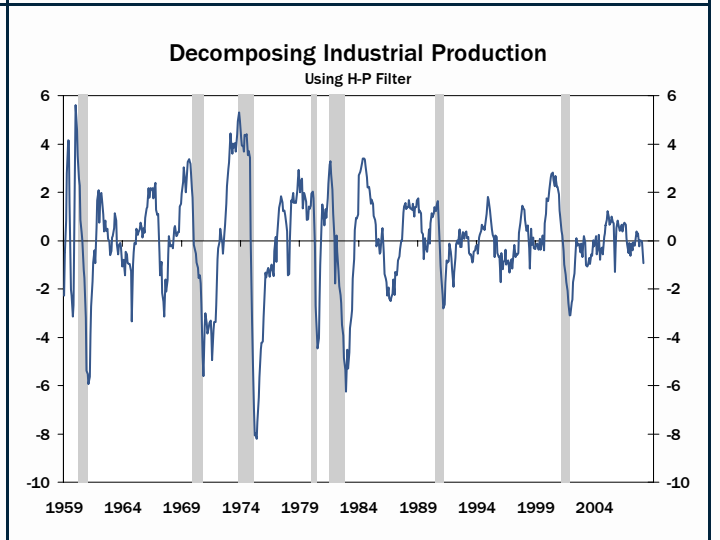
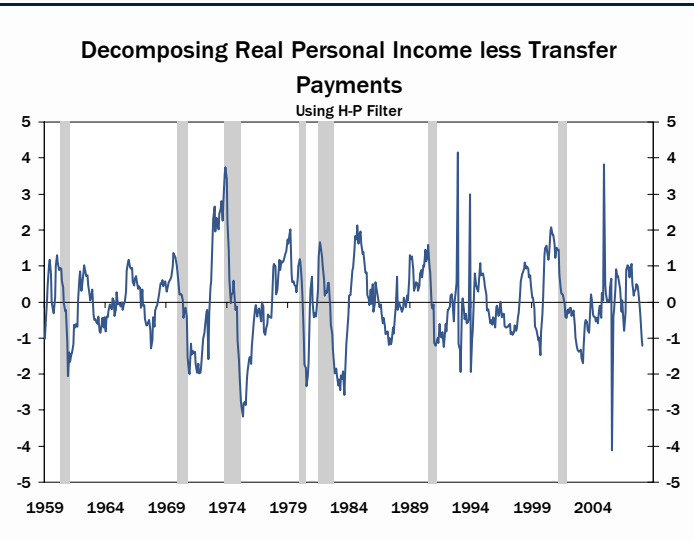
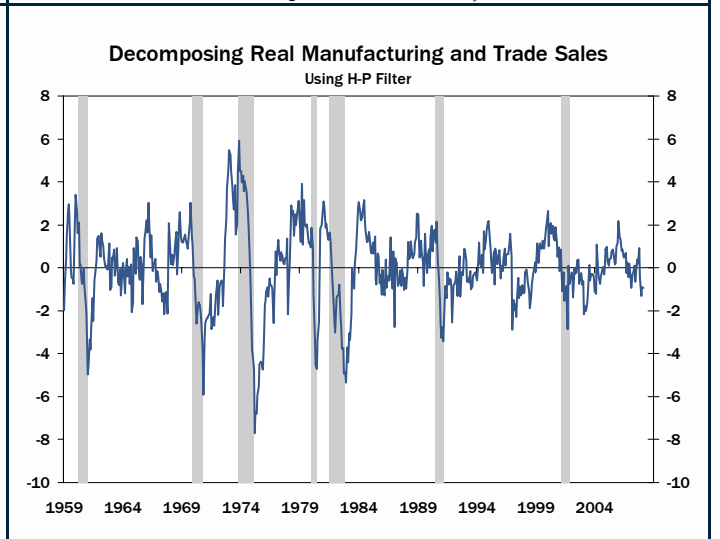
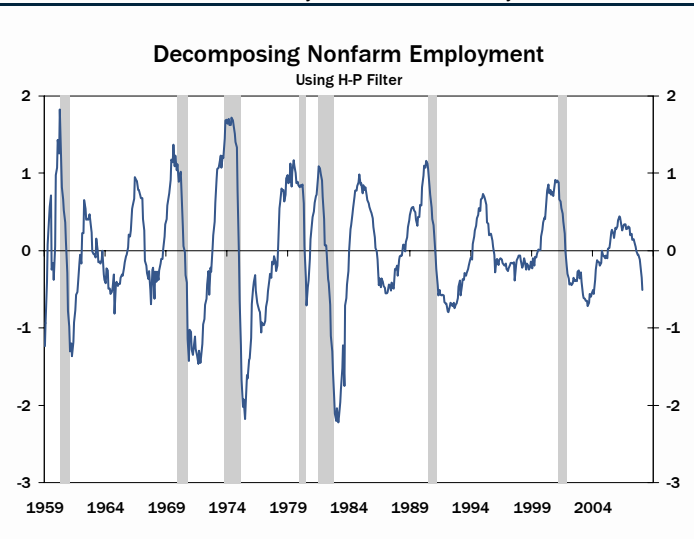
*Both employment and personal income are showing the stress of the recession. Over the first quarter both series have fallen far below their trend values. This suggests continued weakness in the overall economy through the current quarter and below par growth in the second half of the year. Still too early to make the recovery call.*

### Employment and Personal Income: Recession-Like

- The downdraft in the employment series, shown below, has been fairly dramatic over the last six months. The degree of weakness is reminiscent of prior recession periods.
- Similarly, personal income growth has slowed dramatically suggesting weaker consumer spending. Employment and income weakness is likely for the rest of this year.

### Sales and Production: Far Less a Slowdown

- Real manufacturing and trade sales began to weaken in mid-2006 and served us well as a signal that underlying demand in the economy was declining. Yet the extent of that decline remains modest at this time. Recession may be here but the extent of the decline appears modest.
- Meanwhile, industrial production is also just a bit below trend.



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