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The Future of the U.S. Economy Looks Promising

By: Robert Travis and Anna Zysk

The Congressional Budget Office (CBO) projects that if current laws and policies remain the same, the government will run a deficit of $337 billion in 2006. To understand how much, or how little, a $337 billon dollar deficit is, we must gauge it to something. Many economists, when talking about outlays, revenues, surpluses, or deficits like to use them in terms of a percentage of GDP.

Since 1965, the average budget deficit is 2.3 percent of GDP. This year it's projected a bit higher, at around 2.6 percent, and total government spending is expected to be about 20.3 percent of GDP.

Prior to World War II, federal spending was approximately 10 percent of GDP. By the last year of the war in 1945, however, federal spending was up around 42 percent reflecting a tremendous growth in the size of the federal government relative to the economy as a whole. By the 1950's, federal spending had fallen back down to about 15 percent of GDP. Since that time federal spending has grown relative to GDP.

In 2005 the budget deficit dropped from $412 billion (3.6 percent of GDP) in 2004 to $318 billion (2.6 percent). This improved outcome came from a robust growth in federal revenues. Revenues rose more than $274 billion above 2004 levels, which are currently at 17.7 % of GDP. This percentage, however, is a little below the past 40 year average of 18.2 percent.

Accumulated federal debt held by the public in forms of Treasury securities is about 38 percent of GDP and will continue at the same pace through 2009. After this time, there are projections of a shrinking annual deficit and even small surpluses that will diminish the governments borrowing needs. This will allow the debt held by the public to fall to about 28 percent.

The budget deficit totals $270 billion (2.0 percent of GDP) in 2007 and continues to fall afterward, reaching a balance in 2012. After that, the budget remains close to balance in the baseline, showing small surpluses ranging from $40 to $73 billion through 2016.

The U.S. economy will continue growing at a good pace throughout calendar years 2006 and 2007. CBO forecasts that GDP will grow by 3.6 percent (in real, inflation-adjusted, terms) this year and by 3.4 percent next year. That rate of growth is projected to slow to an average of 3.1 percent from 2008 through 2011 and 2.6 percent from 2012 through 2016.

The aging of the U.S. population combined with rapidly rising health care costs will put significant strains on the federal budget, which begin to be apparent within the projection period. When the first members of the baby-boom generation reach age 62 in 2008, they will become eligible for Social Security benefits. As a result, the annual rate of growth of Social Security spending is expected to increase from about 4.8 percent in 2008 to 6.5 percent in 2016.

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Because the cost of health care is likely to continue rising rapidly, the annual rate of growth of Medicare spending is projected to increase from 7.4 percent in 2008 to about 8.9 percent in 2016. Rapid growth is also projected for Medicaid spending—an average of 8.3 percent annually from 2008 to 2016. Social Security, Medicare, and Medicaid together will account for 56 percent of all federal spending by the end of the projection period. Spending for the three programs will equal 10.8 percent of GDP in 2016, up from 8.7 percent this year.

Deficits decline gradually through 2010, as outlays increase at an average annual rate of 4.0 percent and revenues rise by 5.7 percent a year. Beyond 2010, spending related to the aging of the baby-boom generation raises projections of the average annual growth of total outlays to 4.5 percent.

Revenues increase sharply in 2011 and 2012, growing by 8.9 percent and 7.6 percent, under the assumption that various tax increases occur as scheduled and thereby bring the baseline projection of the budget near balance. Beyond 2012, revenues grow at about the same pace as outlays (roughly 5 percent a year), which keeps the bottom line showing small surpluses through 2016. From 2007 through 2016, outlays are projected to remain between 19 percent and 20 percent of GDP.

Mandatory spending (funding determined by laws other than annual appropriation acts) is projected to grow by 5.8 percent a year which is faster than the economy as a whole. Discretionary appropriations are assumed simply to keep pace with inflation and, with wage growth. Consequently, discretionary outlays are projected to increase by about 2.0 percent per year, on average (a pace less than half as fast as the projected rate of growth of nominal GDP and significantly slower than the average annual rate of 4.3 percent over the past 20 years).

The structure of the tax code and rapid growth in retirement income will cause revenues to increase faster than the overall economy in each year of the projection period. In addition, CBO assumes that the various tax provisions enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and modified by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) and by the Working Families Tax Relief Act of 2004 (WFTRA) will expire as scheduled. Many of those provisions are set to expire at the end of December 2010 (some have an earlier expiration date). As a result, revenues are projected to rise slightly through 2010 as a percentage of GDP, from 17.7 percent to 18.0 percent, and to increase more rapidly over the following two years, to 19.3 percent of GDP in 2012. By the year 2016, revenues are projected to reach 19.7 percent of GDP.

Accumulated federal debt held by the public will equal about 38 percent of GDP through 2009. Thereafter, projections of shrinking annual deficits and small surpluses diminish the government's anticipated borrowing needs, causing debt held by the public to decline to about 28 percent of GDP by 2016.

Real GDP will grow by 3.6 percent this year and by 3.4 percent in 2007. Despite an anticipated weakening in the housing market, economic growth will be driven by forces already set in motion—firms' continued need to expand productive capacity, solid increases in household income and wealth, and the lagged effects of declines in the value of the dollar since 2002.

The housing market is expected to slow because potential buyers are likely to be deterred by concerns about the future growth of home prices and by higher interest rates. Business investment, however, will continue its recent strength because it has not yet fully caught up with the acceleration in the growth of demand in 2004 and 2005. The increases in employment and wages that were seen last year also expect to continue, with the unemployment rate remaining near 5 percent.

The lower value of the dollar combined with somewhat stronger economic growth abroad will cause exports to increase faster than imports (in real terms), causing bolstering of the economy and keeping the U.S. trade deficit near its current level. Along with healthy growth in demand and output, the growth of labor productivity (which usually slows in the later stages of economic expansions) will remain strong.

Inflation, measured by the consumer price index is likely to be lower this year than in 2005, when rising energy prices boosted it. According to CBO's forecast, the growth of the consumer price index will decline from the 3.4 percent recorded last year to 2.8 percent in 2006 and 2.2 percent in 2007. But the core rate of inflation— which excludes food and energy prices— will increase slightly in the near term, from 2.2 percent in 2005 and 2006 to 2.3 percent in 2007.

Short-term interest rates are expected to rise in the first half of 2006, reaching 4.5 percent. Long-term interest rates are also anticipated to rise—to more than 5 percent, widening the spread between the rates on three-month Treasury bills and 10-year Treasury notes that existed in mid-January (when that spread was very small).

Hurricanes Katrina and Rita interrupted the economy's momentum temporarily. They reduced economic growth in the second half of 2005 by about 0.5 percentage points, in part by pushing up energy prices, which had already risen sharply since 2003. The impact of those natural disasters on the overall economy is expected to be relatively brief, however.

This year, the recovery of energy production, rebuilding, and related activities are likely to boost growth by an amount similar to the reduction in 2005. Beyond 2007, the pace of economic growth will probably slow somewhat. The main reason is that the labor force is projected to grow less quickly as members of the baby-boom generation begin to retire and as the scheduled expiration of various tax provisions in 2011 discourages work by raising marginal tax rates.

Real GDP is projected to grow at an average annual rate of 3.1 percent between 2008 and 2011 and at 2.6 percent between 2012 and 2016. The rate of inflation is assumed to average 2.2 percent after 2007; and the unemployment rate, 5.2 percent. Interest rates on three-month and 10-year Treasury securities are projected to average 4.4 percent and 5.2 percent.

Sources: www.bea.gov

www.bls.gov

The Macro Economy

By: Michael Krebs and Lynn Rych

When attempting to understand the state of the U.S. Economy, there are four major indicators that are often used to measure the production, the job growth, the financial markets and the price stability: Gross Domestic Product, Employment, Interest Rates and Inflation. Gross domestic product (GDP) is the broadest measure of national economic performance. The GDP is the figure that measures the total value of all *final* goods and services produced in the country. The term final goods is used to assure the exclusion of intermediate goods and prevent double-counting. Government statistics report both nominal and real GDP. Nominal GDP is the measurement of the final goods and services at current market prices. Real GDP is also the market value of all final goods and services but that market value is computed in terms of the prices of a designated “base year”. During the fourth quarter of 2005, Nominal GDP measured at $12,735.3 billion dollars, while real GDP measured at $11,233.459 (billions in year 2000 dollars).

The second important indicator of national economic health is the level of employment and job growth. As the economy expands it generates new jobs. If the number of new jobs is greater that the number of new entrants in the labor force, then the unemployment rate decreases. If the growth of GDP is not sufficiently vigorous then unemployment rate increases. In January 2006 the unemployment rate stood at 4.7%, which was an improvement over its previous December 2005 figure of 4.9%.

Another important aspect of the aggregate economy is the interest rate. There are two rates that can be controlled by the Federal Reserve and serve as leading the trend in all other rates of interest: The Federal Funds Rate and the Discount Rate.

The Federal Funds Rate is the rate that banks charge each other on overnight loans made between them. This is done so that the banks can cover their daily cash flow and reserve requirements. Presently, the Federal Funds Rate is at 4.29%. This rate is slightly higher than it was in the previous months of 2005, which ranged between 2.28% and 4.16%. The importance of the Federal Funds Rate is that it reflects the trend set by the Federal Reserve’s monetary policy and also the intentions of the Fed.

The Discount Rate is the interest rate at which the Federal Reserve lends money to commercial banks. Currently, the Discount Rate is at 5.26%. The previous rates in 2005 ranged between 3.25% and 5.15%. The present Discount Rate shows that there has been a slight increase since 2005.

The fourth important aggregate economic indicator is the rate of inflation. The Inflation Rate measures the annual percentage increase of the cost of living in the economy. The most recent inflation rate reported by the Bureau of Labor Statistics was 3.99% in January of 2006. This means that the Consumer Price Index in January 2006 was 3.99% higher than the CPI reported in January of last year. The inflation rate reported in 2005 fluctuated between 2.97% and 3.42%. In contrast to other countries, the Inflation Rate of the United States is relatively low. Developed countries typically have a rate of 1% to 4%, whereas developing countries range between 5% and 60%. National inflation rates vary widely in individual cases, from declining prices in Japan to hyperinflation in several Third World countries.

These four facets are just some of the many variables that affect the characteristics of the aggregate economy. However, these specific variables are given considerable weight because of their visibly direct impact on the general public. By taking the time to understand these areas of the economy, both consumers and producers can benefit. Each individual part of the economy helps us understand the workings of the economy as a whole, therefore allowing us to contribute in a more effective and efficient manor. In the long term this will allow for a more sustainable economy.

Sources: www.economagic.com and

www.stloisfed.org

President Bush’s Fiscal Year Proposal 2006

by: Michael Haggerty

On Monday, February 6th 2006, President Bush sent his proposed budget for 2007 to Congress. The budget is for $2.77 trillion, which is up by 2.3 percent of the proposed spending for this year of $2.71 trillion.

The biggest increase will go to the military. Also proposed are increases for areas such as Homeland Security, Education in the Math and Science Fields, and overall science programs. The military’s increase is up $493.3 billion (6.9%). This proposed increase will lead to a rise in the number of U.S. Special Forces by 15 percent, funding for language training, production of more unarmed vehicles and the preservation of expensive weapons systems used to counter conventional threats. The budget also proposes a 2.2 percent increase in basic military pay, which will be used to provide more funds to improve housing for military personnel.

The Department of Homeland Security would receive about an 8 percent increase in their funding, which would increase the department's spending by $42.7 billion (6%). The budget also calls for $4.7 billion to fund aviation security programs, strengthen the border by providing 6,700 more immigration detention beds and 1, 500 more border patrol agents. The budget also includes a proposal for $10 million dollars to fund a new office to oversee chemical site security.

For the Math and Science fields in education there is a proposal to provide $380 million, a 51% increase, to expand advanced science and math instruction by retraining 70,000 teachers over the next five years. The overall field of science will not only see an increase in education spending, but also an increase in three civilian agencies. The National Science Foundation would get a $6 billion increase (7.8%), the Department of Energy's science programs would get a $4.1 billion increase (14%), and core science programs at the National Science Institute for Standards and Technology, would get a $467 million increase (18%). These three agencies will see an increase because President Bush feels that these investments will produce new technologies and products that will strengthen the U.S. economy. The budget also proposed to increase spending by $1 billion dollars for the scientific community on basic research in the physical sciences, such as chemistry and physics. However, areas such as biomedical and environmental studies will see spending reduced or frozen. These are not the only areas that are going to see a reduction.

Such areas as the Health Department, the Environmental Protection Agency (EPA), and other departments are listed in the budget to see a reduction in 2007. The $2.77 trillion budget calls for slowing the growth of entitlement spending by $65 billion over the next five years. Most of the decrease will come from Medicare. The budget proposes that the $350 billion program see a reduction of $36 billion over the next five years. The center for disease control and prevention would see a reduction of $367 million, bringing their budget to $5.8 billon. Funding for the Health Resources and Services Administration would drop $252 million, bringing their budget to $6.7 billion.

For the EPA, the proposed cut in spending is $300 million (4%). The biggest cut would come out of the programs that help states and communities update aging sewer systems. The President's request is $200 million below the 2006 budget and $600 million below the funding level from a few years ago.

The Department of the Interior will have a cut of $400 million (4%). The National Parks Service will have a cut of about $100 million. Most of this money comes from construction are used for restoring, repairing or replacing facilities at National Parks. The Department of Agriculture gets a $2.2 billion (11%) reduction and the Department of Education's budget will be reduced to $54.4 billion from this year's $57.6 billion, giving that department the smallest budget since 2003.

Overall 9 out of 15 Department agencies will see reductions. The budget is also asking Congress to end or reduce 141 federal programs that the administration deems ineffective or outdated which will amount to savings of almost $15 billion. Programs that are not targeted for elimination will see their spending frozen to this year's level.

With the fiscal year not beginning until October 1st, Congress can look forward to months of debate, which will lead to modifications of the President's proposed budget.

Sources:

Bloomberg.com, FoxNews.com, NPR.org, ABCNews.com, MSNBC.com

The Yield Curve

By: George Harper

The yield curve is a very significant tool in determining future economic trends in the U.S economy. It is a graph showing the yields of investments of a specific risk interest rates on the vertical axis and years time to maturity on the horizontal axis. A typical yield curve would slope up to the right because of the risks investors take by tying their money up for longer periods of time. However, two other forms of yield curves do exist. Those are flat and inverted. A flat curve shows closeness between short and long term yields which usually represents an economic transition. The inverted yield curve is seen as a representative of economic troubles in the future. This curve is higher on the short term yields than it is on long term yields which can represent many future problems.

Recently the yield curve has been that of an inverted one which has many economist worried about the future of our economy. In the past an inverted yield curve preceded periods of recession. However, some economists are not satisfied with the certainty of this trend in relation to our economic future. As Marshall E. Blume, finance and management professor at Wharton School of Business, states "I think it sometimes portends a recession, sometimes not. This time, it probably does not; all the forecasts are quite favorable. There are not any real excesses in the economy at the current time, and you usually think of recession as a tonic to the economy, to undue excess."

Still, this inverted yield curve should not be overlooked. The Fed, which establishes these yields has created an outlook of economic uncertainty by not reducing the short term yields. It seems obvious these actions would create problems because long term investments are not encouraged and investors become paranoid to lock up money for long periods of time. These actions by the Fed are said to be an attempt to slow down spending in our economy. Will the Fed's attempt at controlling our economic future prove correct? History shows these actions will almost certainly produce a recession, so we can only hope for a changed outcome in the future.

Sources:

www.federalreserve.org, www.wharton.upenn.edu,

www.fmcenter.org

Monetary Policy

By: Christian McCormick

Monetary Policy can be defined as the interactions of the Federal Reserve System to help monitor our national economy. The Federal Reserve is our nation's central bank , and is made up of the Board of Governors and the Federal Open Market Committee (FOMC). The Federal Reserve was founded in 1913; its mission is to provide the nation with a flexible, stable and safe monetary and financial system. The goals of the Federal Reserve are outlined in the Federal Reserve Act, and include high employment, economic growth, price stability, stable interest rates, and stability in the financial and foreign exchange markets.

What impact does monetary policy have on the economy? The Federal Reserve requires its member banks hold a certain amount of reserves known as "required reserves" which are monies held at the Fed as deposits and as cash in the bank's vault. When banks do not have the required reserves specified by the Fed to meet their required reserves, they can borrow overnight loans either from the Fed or from other banks. The interest rate these banks are charged for these overnight loans is known as the federal funds rate. Through open market operations, the sale and purchase of government securities, the Fed has the ability to affect the federal funds rate and the amount of reserves a bank is required to have. The FOMC, since 1994 had included discussions about the federal funds rate target at every meeting. In keeping with its goals and objectives, the FOMC adjusts the federal funds rate to pursue these goals and objectives. Businesses and various markets closely monitor these meetings to watch for or predict any possible change in the federal funds rate. A change in the federal funds rate or even the perception of a change can affect short and long term interest rates, stock prices and foreign exchange rates.

The Federal Reserve publishes a report, known as the Beige Book, that comprises current economic conditions in each of the 12 Federal Reserve Districts. Each District conducts interviews with market experts, economists and other key business leaders along with reports from bank and branch directors. A summary report of all 12 districts is prepared by a member of the Federal Reserve Bank on a rotating basis. The 12 districts in alphabetical order are: Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, San Francisco, and St. Louis

The Beige Book report for the Third District of Philadelphia dated January 18, 2006 contains information for the fourth quarter of 2005 in such areas as manufacturing, retail, finance, services, employment, and prices and wages. Overall, Philadelphia saw a moderate expansion in economic activity in the fourth quarter. Manufacturing saw an increase in new orders with a majority of those orders going to food products, furniture and electrical equipment. Retail sales rose slightly over last year's volume, however, auto sales were down in the month of December. Employment grew steadily while employers in the region noted that salaries will rise in 2006 more than they did in 2005. Employers are hoping to retain current employees and attract new candidates for hard-to-fill occupations with these wage hikes. Overall, business experts expect economic activity to expand in 2006 with continued job growth and lower unemployment rates. For more information concerning the Federal Reserve or information on the Beige Book or Philadelphia, log onto:

www.federalreserve.gov

www.federalreserve.gov/fomc/beigebook/2006/default.htm

www.philadelphiafed.org

Oil Importers and Consumption

By: Gavin Davis

One of the main misconceptions about oil today is that most of it comes from the Middle East. This statement is not even remotely accurate. Data for the month of December 2005 shows the amount of crude oil that the United States imports is nearly 9,998,000 barrels per day. Many people think that the majority of that comes from Middle Eastern countries such as Iraq, Kuwait, and Saudi Arabia. In fact, of the top 5 suppliers of crude oil to the United States, only one is from the Middle East. The top two suppliers of crude oil to the United States are from North America. The table below shows our nation's top suppliers of crude oil. These top five exporting countries account for 74 percent of United States crude oil imports in December 2005.

Major Suppliers of Crude Oil to the U.S. (In Thousands) per Day December, 2005

Canada	1,899
Mexico	1,707
Saudi Arabia	1,438
Venezuela	1,183
Nigeria	1,174

Our nation imports nearly 10 million barrels per day, but it consumes over 20,000,000 barrels per day (more than 25% of the world's total.) We are the leading nation in crude oil consumption. The next closest nation, China, consumes 6,391,000 barrels per day — not even 1/3 of what United States consumes. Since the U.S. imports about 10 million barrels per day, but only produces about 6.4 million barrels per day, we are left relying on reserves for about 3.4 million barrels daily. At that rate the 21 billion barrels of U.S. oil in reserve could be exhausted in three to four years.

Sources: http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/company_level_imports/current/import.html

http://maps.unomaha.edu/Peterson/funda/Sidebar/OilConsumption.html

http://www.nationmaster.com/graph-T/ene_oil_con

Paying Your Credit Cards

By: Henry Breckenridge

Different kinds of payment cards are used every day by consumers. A payment card is that little plastic card in one's wallet or purse that people either love or hate to use. Consumers use a number of different types, including, credit, charge, debt and prepaid cards.

Credit cards are used to borrow money or buy goods and services on credit. When a consumer uses their card, they are usually charged a fee with interest added on to the bill. To pay the balance off, there is usually a minimum monthly payment that the issuer has set for the consumer. The consumer should make sure to pay the fee on time avoid developing bad credit. One can obtain credit cards from banks and retail stores.

Charge cards are kissing cousins to credit cards. The only difference is that the consumer has to pay the total balance each month.

A debit card deducts money from a consumer's checking or savings account. Debit cards are used like an ATM card—consumers can purchase goods and services and withdraw money from the ATM or, when making a purchase, the consumer is usually asked if they would like to have cash taken out of the consumer's account like an ATM. Transactions are usually finalized by the consumer's signature or personal identification number (PIN#). One should make sure not to over-draw the account, as some banks will charge you an over withdrawal fee, similar to writing a bad check.

Prepaid cards, also known as gift or phone cards, contain a certain amount of money specified by the purchaser.

A balance transfer fee is a special fee charged to transfer balances from one credit card to another. One should be sure to read through the credit card offer carefully or more than once to see if there is a transfer fee when transferring a balance.

The Annual Percentage Rate of interest is the cost of borrowing usually charged on the unpaid balance. Credit card companies have different rules about APR's. Most of the time, they make their decisions on the consumer's credit or the credit card company already has a set of rules in place governing their rates. APR's sometimes changes, but the Credit Card Company must notify the card holder with a "change of terms notice" as part of the cardholder agreement.

A secured credit card requires a cash deposit as security for the account. The deposit normally earns interest. This card is frequently given to consumers with bad credit or consumers with no credit history. The deposit is returned after the consumer's credit has been reputable with the card issuer.

If a payment card is lost or stolen, the cardholder should contact the issuer and report it as lost or stolen as soon as possible. The card issuer will deactivate the card so no more transactions can be made. One should check their statement every month to make sure no one is using the card besides themselves. Someone else can use the card even if they do not have it in their possession if the thief has the card number and expiration date.

Hopefully this article has answered some your questions about payment cards. For more information about payment cards, visit www.philadelphiafed.org/pcc/.

Identity Theft Do's And Don'ts

By: Shawn Van O'Linda and Colin Delaney

Identity Theft is defined as impersonating another by the use of their identity, usually to get access to their finances or frame them for a crime. It is less commonly used for illegal immigration, terrorism, espionage, or changing identity permanently. Identity theft is a high risk, punishable crime. It can be a means of blackmail, especially if medical or political privacy has been breached, or if revealing the activities undertaken by the thief under the name of the victim would have serious consequences. Techniques for obtaining identity information range from stealing mail, rummaging through garbage, stealing personal information in computer databases, to infiltration of organizations that store personal information.

There are many things you can do to protect yourself from identity theft, many of which seem like common sense. Signing your credit and debit cards upon arrival is an easy way to keep thieves out of your business. Also, keeping accurate records of account numbers and information will make it easier to prevent theft and recognize it as soon as it happens. Many people carry excess cards in their wallets. Only carrying the cards you need will make ID theft less likely. Be sure to watch your cards at all times during transactions and do not leave them in machines. When a card expires, cut it up, being sure to cut through the account number. Voiding all bad receipts, keeping a record on file of valid receipts and checking your statements to make sure they match is essential to spotting identity theft early. Be sure to notify card companies in advance of a change of address, because if your statements continue to arrive at your old address, identity theft is likely to occur. Be very cautious when making ATM and debit transactions. Make sure no one is looking at your PIN when you enter it, be sure you sign your receipt, and make certain you did not leave anything behind. Checking your deposit account activity regularly is an easy way to see if someone else has been tampering with your account. If you make credit card payments online, always make sure you are doing so from a secure website. The site should notify you that it is a secure site when you are using it.

There are also a few things you should not do when using a credit card. Never, under any circumstance, leave your card unattended. This includes leaving it at work, in your vehicle, or even laying around in your home. Leaving a card unattended may lead to problems such as purchases made on your account you are unaware of, and possible identity theft. You should never lend your credit card to anyone. Even though they may be a friend or neighbor, they may be trying to steal your identity. Never sign a blank receipt. All empty spaces must be filled in. If they are not, the cashier/teller could fill in false information. An account number or a pin number is just as good as a card. You should never write this information down, reveal it to anyone or carry it with you. Finally, always keep an eye out for high-tech e-mail scams asking for this information. This is known as "phishing". Credit card fraud is a major federal crime. It is punishable with up to 10 years imprisonment and/or a $10,000 fine.

Sources: http://www.dmv.ca.gov
http://www.philadelphiafed.org
http://en.wikipedia.org

The Job Market Outlook for Recent College Graduates

By: Justin Clinton-Reilly

For many college students, graduation is just around the corner and the job search is in full swing. While a lucky few have probably already received employment offers, the vast majority are still preparing resumes and tracking down leads. They are probably asking themselves, "What are my chances of getting the job I want?" This article will briefly describe the current occupational outlook, its determinants, and areas of growth as well as decline.

First, what factors contribute to the overall occupational outlook? Obviously there are many, but a few key elements stand out. The population of the United States is projected to increase by 23.9 million people from 2004-2014, a rate actually slightly slower than during the preceding 20 year period. An increasing population causes an increase in the labor force. As a result, the U.S. labor force is expected to grow by 14.7 million over the same ten year period, a figure congruent with the average labor force participation rate of around 62%. The composition of the labor force is also projected to change somewhat, with the percentages of women and of most minorities expected to increase. A final factor of the labor force, and perhaps most important, is the impending retirement of the "Baby Boom" generation. As a result of this large generation of people all retiring within the same 10 or 15 year span, two things will happen: Many new job openings will sprout up, as massive retirements will leave vacancies in these positions, and the demand for "retiree" services, such as estate planning and all facets of health care, will increase dramatically.

America's economy is continually shifting towards one of a service-based nature, as opposed to manufacturing-based or agricultural-based, as was more the case in the past. Not surprisingly, jobs in the service sector of the economy are projected to grow most rapidly. These include, for example, educational services, health care and social assistance services, and professional and business services, all of which are forecasting substantial increases. Other industries are expected to decline over the next 8 years or so, including manufacturing, agriculture, forestry, utilities, and mining. Many of these declines are the result of increases in technology and/or the availability of less expensive labor in other nations of the world.

Both the U.S. Department of Labor and the Bureau of Labor Statistics list specific job categories and titles that are expected to have the most growth in coming years. These include: 1. Health care and social assistance, specifically *home health aides, registered nurses, physician's assistants, and physical therapist's assistants*, 2. Professional and business services, specifically *network systems and data communications analysts, computer software engineers, and retirement/financial planners*, and 3. Educational services, including *postsecondary teachers and elementary educators*.

At this point you might be asking yourself, "What does this mean for me, the soon-to-be college graduate?" Well, no matter what your area or level of study, don't fret, because the bottom line is excellent. In January 2006, the U.S. unemployment rate fell to 4.7%, its lowest mark since July 2001. With a number like that, one would be hard pressed NOT to be able to find a job, or at least get your foot in the door. Another interesting fact is that 6 of the top 10 lowest unemployment areas in the country are currently in nice climates—Florida and Hawaii. A secure job and warm weather—sounds pretty nice to me right now, how about you?

Sources:

www.bls.gov/emp>2004-14 Employment Projections

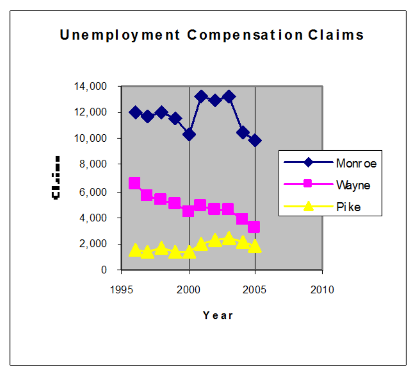
www.bls.gov>Publications>Occupational Outlook Handbook

www.careerjournal.com/services

The Regional Economy

By: Steve Kolcun

Monroe County Building Permits: Building permit data from Monroe County shows the growth the county experienced in 2005. A total of 1,512 permits were granted through the 20 townships of Monroe. Total value of construction was over $300 million. Coolbaugh Township (302 permits) and Middle Smithfield Township (256 permits) have the highest number of building starts and the boroughs of Stroudsburg (1 permit) and Delaware Water Gap (2 permits) have the lowest. The highest number of permits are in areas where more land is available to be developed (rural): whereas, most town land contains existing structures. Monroe County is one of the fastest growing counties in the State of Pennsylvania.



*Unemployment Compensation Claims: T*he number of people applying for unemployment compensation from 1996 to 2005 is depicted in the graph. Monroe County shows a positive relationship between the performance of the national economy and the performance of the local economy. The years 2000 to 2001 on the graph show how the results of the dot.com industry slumping and the downturn of the national economy affected the local job market, creating a 25% increase in unemployment claims in Monroe County. Pike County claims nearly doubled, while Wayne county remained relatively constant. Construction is a large industry in both Monroe and Pike Counties, and when people earn less money the opportunities to purchase a new home or expand a business become more difficult.

Sources: www.pa.gov

E-News

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