

# Economic Update

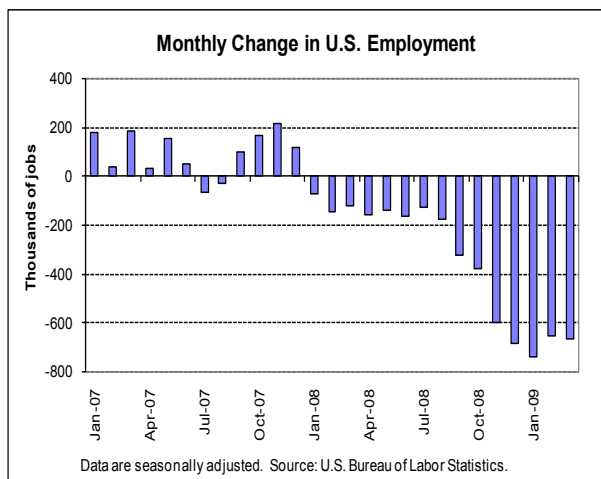
Update on economic issues affecting Seattle's tax revenue performance

The newsletter of the City of Seattle's Economics Team/April 2009

## March U.S. Employment Report

U.S. employment fell sharply in March, with 663,000 jobs lost during the month. We have now had five successive months with employment declines of 597,000 or more. Total job losses for the recession have risen to 5.1 million, or 3.7%. The unemployment rate increased by 0.4% in March to 8.5%, its highest level since 1983. The only news that might be considered good is that job losses in March were marginally lower than December and January losses.

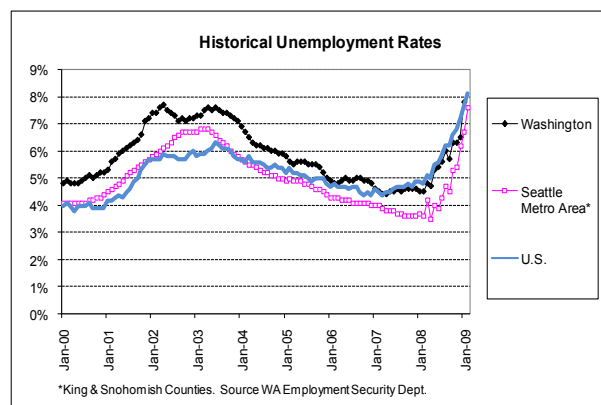
The only major industry that did not see a decline in employment was health care. Construction and manufacturing accounted for 44% of the jobs that disappeared in the first quarter of 2009, although they account for only 14% of total employment. Most workers in these industries are men, which helps explain why the unemployment rate for men (8.8%) is significantly higher than the rate for women (7.0%). Likewise, the unemployment rate is much higher for persons with low educational attainment than it is for more highly educated persons.



## March Washington State Employment Report

Puget Sound region employment continued its decline in March, with 7,000 jobs lost during the month. Since August the region (King and Snohomish Counties) has lost 59,500 jobs, a 4.0% decline. This is greater than the nation's 3.7% decline, and it has taken place over just 7 months compared to 15 months for the U.S.

The region's unemployment rate increased to 8.1% in March, but it is still lower than both the national (8.5%) and state (9.2%) rates. The unemployment rate for the state outside of King and Snohomish Counties is over 10%.

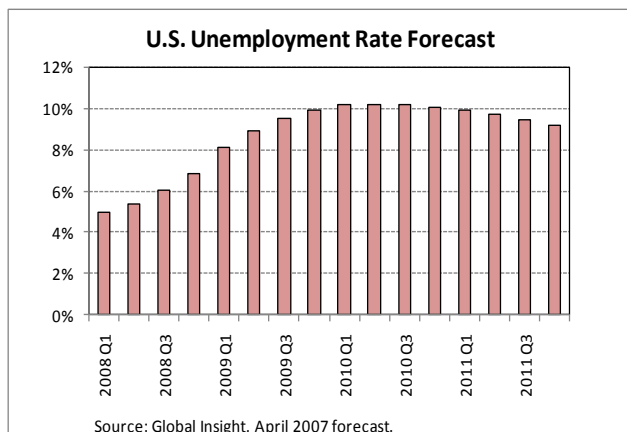


## April U.S. Economic Forecast

April U.S. economic forecasts were relatively unchanged from March, but their tone was more upbeat thanks to some signs that the worst of the recession may be behind us. Global Insight titled its forecast "Signs of Hope," while Moody's Economy.com's outlook was entitled "First Shoots of Spring." Both forecasting firms believe that the recent period of steep decline is ending, and that the economy will decline at a slower pace in the coming months before hitting bottom sometime in the second half of the year. Employment, which is ex-

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pected to lag the rest of the economy, will hit bottom in early 2010 when the unemployment rate is forecast to peak at 10.2%.



The “signs of hope” that have emerged in recent weeks include falling mortgage rates, an upturn in the stock market, a small increase in the sales of both new and existing homes in February, and an improvement in retail sales since the Christmas shopping season. Although retail sales are declining when measured on a year-over-year basis, seasonally adjusted sales increased from December to January and were flat in February (although they declined again in March). Another positive sign is the stabilization of shipping volumes following a period of steep decline.

These signs of improvement suggest that the federal government’s efforts to stabilize the economy have begun to have an impact. Consumption has been supported by increases in unemployment insurance and food stamps, reductions in tax withholding, and a 5.8% social security cost-of-living increase in January. Looking forward, lower mortgage rates and the administration’s program to modify at-risk mortgages should provide additional support during the remainder of the year.

Major risks still remain for the economy, particularly in finance and banking, where government efforts to date have had mixed success. Also, unless the rate of job loss is slowed, these first tentative signs of stabilization may prove fleeting.