



...weekly since 1976

Your guide to understanding today's economy and financial markets

November 7, 2007

[view previous issues](#)

**THREDGOLD  
ECONOMIC  
ASSOCIATES**

The TEA Company  
A Professional Speaking and  
Economic Consulting Company  
1366 S Legend Hills Drive, Suite 150  
Clearfield, Utah 84015  
801-614-0403

[www.thredgold.com](http://www.thredgold.com)

Copyright © 2007 Thredgold  
Economic Associates, LLC.

Please call 1-888-847-3346  
for reprint permission.

# Twice as Many

Written by Jeff Thredgold, CSP, President, Thredgold Economic Associates

Score two more for the beleaguered and oft-criticized American economy. Even as much of the national media bemoans U.S. housing market weakness and the economy's inevitable move toward recession, the overall economy just keeps pluggin' along.

## Solid Growth

As noted in last week's *Tea Leaf* issue, the American economy grew at a 3.9% real (after inflation) annual rate in the July-September quarter, the strongest performance in more than a year. Such growth followed a similar 3.8% real annual growth pace in 2007's second quarter and the anemic 0.6% growth pace during the first quarter.

Weakness in the nation's housing sector did obviously have a negative impact on third quarter performance, as in numerous prior quarters. However, rising U.S. exports to a strong global economy, combined with improved consumer spending and rising business investment, more than offset the housing weakness.

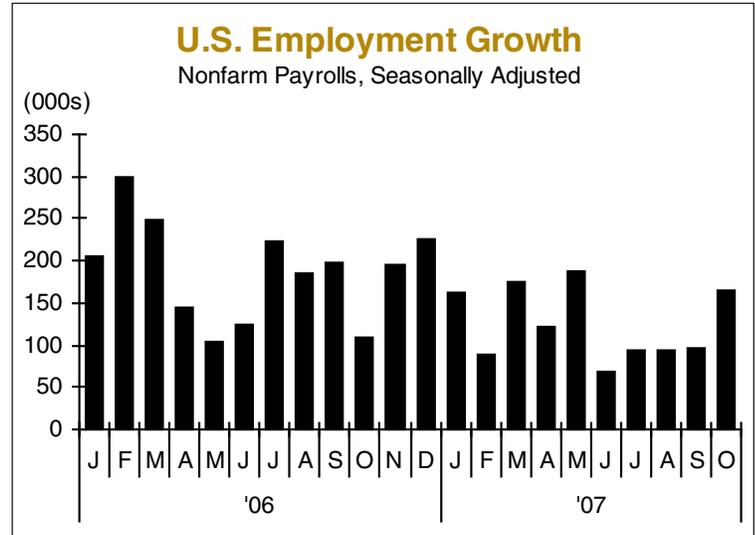
## Impressive Overall Job Gains...

The latest U.S. employment data also provided evidence of continuing growth. The U.S. Department of Labor reported a net rise of 166,000 jobs in October 2007, twice the consensus forecast, and the largest gain in five months. Previously reported employment gains for August and September were revised lower by a total of 10,000 jobs.

The U.S. unemployment rate was 4.7% in October, matching September's rate, and the highest level since July 2006. March's 4.4% jobless rate matched that of October 2006 as the lowest in more than five years.

The average hourly wage rose 0.2% (three cents) to \$17.58 hourly, a rise of 3.8% over the past 12 months. The 3.8%

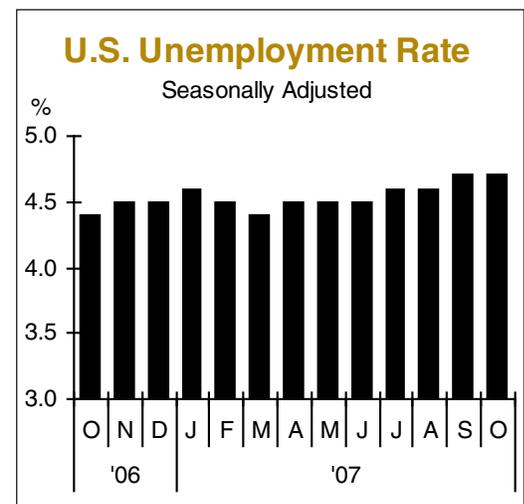
rise exceeds the 2.8% rise in the Consumer Price Index for the 12 months ending in September, providing real wage growth.



## ...with Weakness in Goods Production

Goods-producing employment continued to decline in September, with a net loss of 24,000 jobs. Construction employment fell overall by 5,000 positions, with continuing losses in residential construction largely offset by strength in commercial real estate and public works spending. Even so, the overall construction sector has lost a painful 124,000 jobs over the past year.

Manufacturing employment continued to be weak with the loss of another 21,000 jobs, even as U.S. exports of manufactured



goods to a strong global economy continue to set new records.

### ...and Strength in Services

Service-providing employment led the way in September with a rise of 190,000 net new jobs. The professional & business services sector added 65,000 net new jobs during October, while the leisure & hospitality sector added 56,000 jobs.

The education & health services sector added 43,000 net new positions, while the government sector added 36,000 jobs. Health care employers have added 400,000 net new jobs in 2007 alone.

This latest data now suggests that the U.S. economy added an average of 112,000 net new jobs monthly during the past four months, down 16% from the 134,000 average monthly gain in 2007's first half, and down 41% from the 189,000 average monthly gain in 2006.

### Slower Growth

Most forecasts for U.S. GDP growth in the current quarter are near a 1.5%-2.2% real annual rate. The consensus view has the economy also avoiding recession in 2008, with modest growth near a 2.0% real annual rate during the first quarter approaching a 2.8%-3.0% real growth pace by the end of 2008.

We continue to suggest only a 25% chance of a U.S. recession during the next 12 months, with housing's nationwide turnaround still perhaps a year away. And as a constant, much of the national media will continue to badmouth the economy at every opportunity...

...stay tuned



### “TEA”ser

My question...

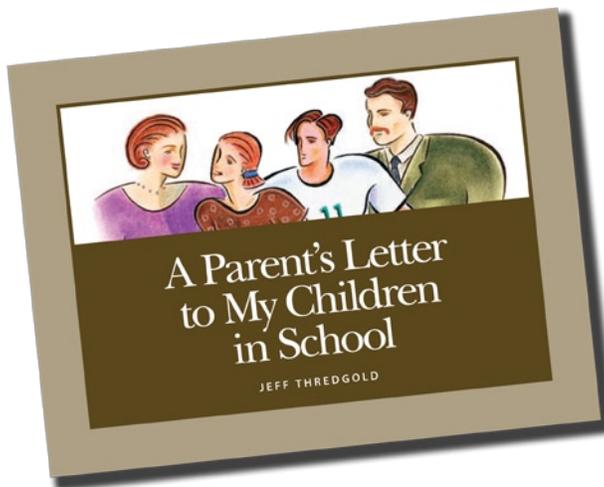
If your only source of economic information was *The New York Times*, would you even bother to get out of bed in the morning?

## A Thanksgiving Special

As you gather with your family this Thanksgiving season, consider giving a copy of Jeff Thredgold's ***A Parent's Letter to My Children in School*** to each of your children or grandchildren.

Thirteen years ago, this letter of advice to students was published in Jeff's weekly newsletter as "A Father's Letter to My Children in School" and the response was amazing. We had dozens of requests for permission to reprint more than 150,000 copies.

Due to the strong demand for this piece, we published it as a soft-cover book, then added illustrations in this latest edition. ***A Parent's Letter to My Children in School*** is especially tailored for students from junior high through college, with practical and timely advice about school, learning, and life. But its simple wisdom spans the generations and would benefit all children (and children at heart)—from 8 to 88! Visit [www.parentsletter.com](http://www.parentsletter.com) to take a look inside.



### Only \$5.95

Now through Thanksgiving, ***A Parent's Letter to My Children in School*** is available for the reduced price of only \$5.95 (regularly \$8.95). Attractive quantity discounts are available, and we currently offer free shipping on all orders over \$30. Visit [www.parentsletter.com](http://www.parentsletter.com) or call us at 1-888-THREDGOLD (847-3346).

THREDGOLD  
**ECONOMIC**  
ASSOCIATES

The *Tea Leaf* is delivered weekly as a link to a PDF file.

To receive the *Tea Leaf* free via email, email your name, email address and "subscribe Tea Leaf" to [subscriptions@thredgold.com](mailto:subscriptions@thredgold.com)

or fill out the form at [www.thredgold.com](http://www.thredgold.com)

Thredgold Economic Associates  
1366 S Legend Hills Drive, Suite 150  
Clearfield, Utah 84015  
[www.thredgold.com](http://www.thredgold.com)

Graphics and layout by Kendall Oliphant  
Research assistance from Shawn Thredgold