Economic Review and Outlook- Fourth Quarter 2009

The advanced announcement of 5.7% real GDP growth was surprisingly strong and exceeded the consensus estimate by over a full percentage point. Part of the robust growth occurred when third quarter growth was revised downward, moving about 1.5% from the third to the fourth quarter. While the second consecutive quarter of positive growth suggests that a recovery is underway, there are reasons to be cautious about the strength and duration of the rebound. Over half of the 5.7% growth was due to inventory adjustment. Tax credits for homebuyers along with fiscal stimulus provided higher growth. But, these one-time boosts are not representative of more normal robust growth from pent-up demand following a recession. Consumers continue to increase savings rates and repair personal wealth that was shattered by declining home prices and portfolio values. For example, the 5% decline in the S&P 500 since the start of the year has reduced household wealth by an estimated $500 billion.

The labor market shows signs of improvement but there is a long way to go before the economy climbs back to pre-recession levels of employment. The unemployment rate declined to 9.7% in January but it is unclear whether this is a real reduction in unemployment or a statistical artifact of revisions to employment data. The economy must grow at about 2.5% just to keep up with the growth in the labor force and rising productivity. Significant reduction in the unemployment rate will require growth in excess of what most analysts believe to be a sustainable level.

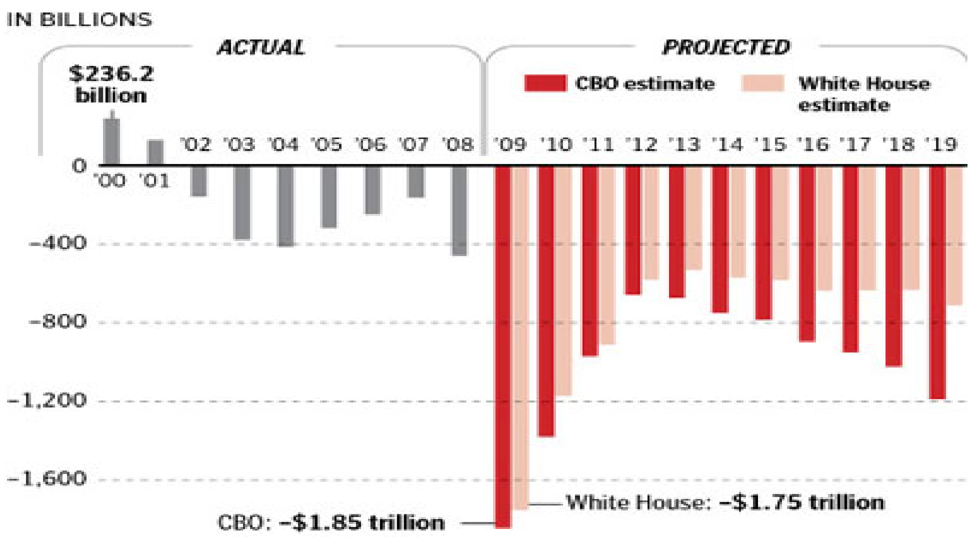
As long as inflation remains low the Fed will maintain a policy of low interest rates and high bank liquidity. While the Fed must eventually deal with the massive expansion of bank reserves, there is no near term pressure as long as the economy remains weak. The most likely scenario is for the Fed Funds target to remain unchanged until much later in 2010 or early 2011. Interest rates are likely to continue a trend of ticking up at the long term end of the yield curve as long run expectations call for higher interest rates and potential inflation from massive increases in bank liquidity.

The best case scenario is for a more typical recovery in 2011 <u>if</u> the labor market stabilizes, federal stimulus runs its course, credit flows improve, consumer confidence climbs to more normal levels, pent-up consumer demand is released, and a stronger housing market develops. This combination of events is not guaranteed and a "second" dip in growth is also possible. The bottom line is that continued and significant improvements need to be seen in the labor and housing markets before the economy can be considered out of the woods.

Growth May Not Be Enough to Get out of this Hole

Going forward, federal budget deficits will continue to pile up debt. The figure below illustrates the projected government deficits for the next decade. Both the Congressional Budget Office and more optimistic Obama administration estimates paint a picture of federal deficit spending of unprecedented proportions.

Figure 1. Budget Deficits in the Past and the Future



The budget proposed by the Obama administration for fiscal 2011 (starting in October 2010) will be approximately 11% of the GDP. By comparison, the budget deficit that pushed Greece into crisis is equal to 12.7% of GDP. The administration assumes a reasonable 2.7% GDP growth in fiscal 2010, but makes the unreasonable assumption of grow from 3.2% to 4.3% for six consecutive years after that. The administration's suggests that the annual deficit will shrink to 4% of GDP by fiscal 2014. Most forecasters believe that the recovery will be much weaker than normal, as illustrated in the Table below.

Table 1: Professional Estimates for Growth and Unemployment Rates

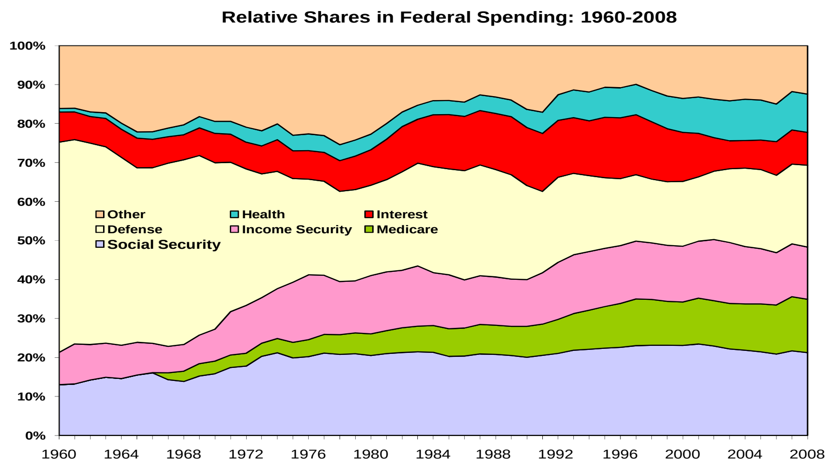
	Real GDP (%)	Unemployment Rate (%)
2010	2.4	10
2011	3.1	9.2
2012	3.3	8.3

Source: Survey of Professional Forecasters, Federal Reserve Bank of Philadelphia

As the economy moves above its current low base, growth will be more difficult to achieve. The Fed estimates a 2.5% sustainable growth rate while the Congressional Budget Office estimates a 2.3% average growth rate. By example, from 1975 to 1995 the growth trend was about 3% but most analysts believe growth will be more difficult going forward.

The growing amount of federal debt contributes to the deficit woes. The interest rate paid on debt is likely to rise as the amount of debt soars. Cutting the budget is nearly impossible and rising interest payments makes it even more difficult. About 40% or so of the federal budget is discretionary, and that 40% includes the military budget. Other components such as Social Security, Medicare, and Medicaid are entitlements. Entitlements are the fastest growing and hardest parts of the budget to cut. These relationships are illustrated in the Figure below.

Figure 2: The Federal Budget and its Components



Okun's Law– Reductions in Unemployment will be Difficult

The table below presents job market data for the last four recessions. Two facts from the table are important for framing the prospects of a recovery in 2010. First, the impact of the recession on the labor market in the most recent recession far exceeds prior recessions. Second, recovery length for each recession has been getting longer.

Table 2. Labor Markets in Recessions

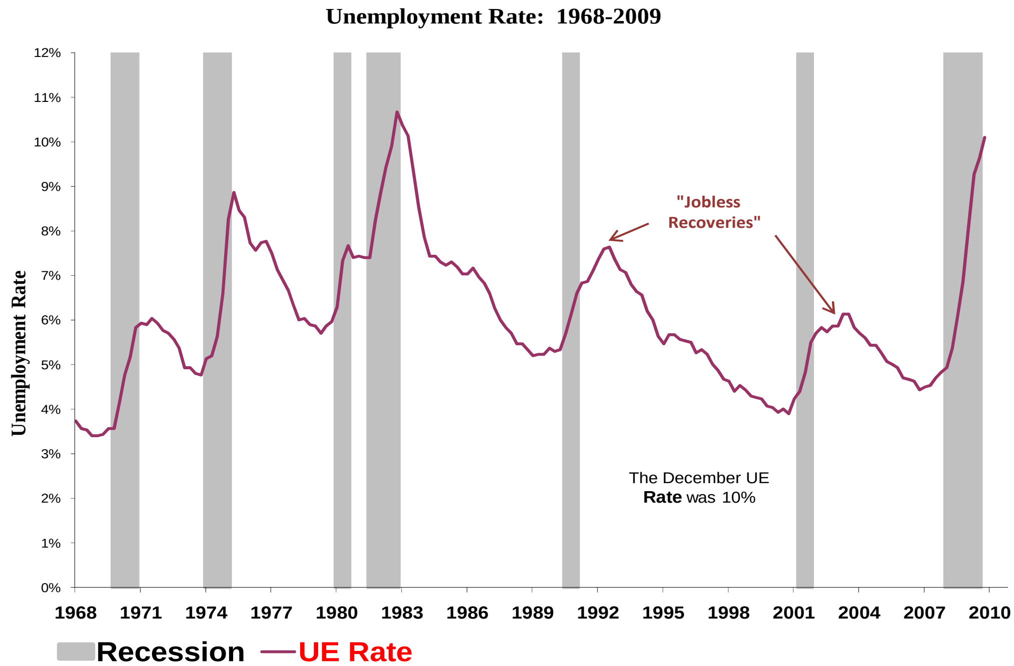
Recession	1980-1981	1990-1991	2001	2007-2009
Job Peak - Date (# of Jobs)	Jul-81 (91,594,000)	Jun-90 (109,817,000)	Feb-01 (132,530,000)	Dec-07 (138,151,000)
Job Trough – Date (# of Jobs)	Dec-82 (88,756,000)	Jan-92 (108,312,000)	Jun-03 (128,839,000)	?? (139,024,000*)
Total Jobs Lost	2,838,000	1,505,000	2,691,000	8,424,000*
% Decline	3.1%	1.4%	2.0%	6.5%
Peak Recovered	Nov-83	Feb-93	Dec-05	??
Recovery Length	11 months	13 months	18 months	??

*As of January, 2010

'Source: Bureau of Labor Statistics

Jobless recoveries followed the past two recessions. As illustrated in Figure 3, the unemployment rate peaked well after the turnaround in GDP growth. Okun's Law provides an explanation for long lags in the improvement of the unemployment rate following a recession.

Figure 3. Unemployment Rates and Recoveries



Okun's law is an empirical finding based on observed movements in the unemployment rate and GDP growth. Recent estimation of the relationship yields the following model:

% Change in Unemployment Rate = 1.2 - .5 (% Change in GDP)

The regression that generated this finding has a reasonable, but not perfect fit to the historic data (R-square = .502). A simple interpretation for the model follows the logic that the economy must growth enough to surpass growth in the population (about 1.2%) plus growth in productivity (about 1.5%) in order to reduce the unemployment rate. In other words, the economy must grow in excess of 2.4% before there is a reduction in the unemployment rate. When the growth rate is slow after a recession and when the unemployment rate is high, it takes more time to bring the unemployment rate back to pre-recession levels.

Productivity in the United States has fluctuated widely in recent decades. From 1979 to 1990, U.S. productivity grew by a slow 1.4% annually. From 2000 to 2008, productivity grew at a

2.5% annual rate. The population of the U.S. is aging, making population growth slower. Given these changes in the economy it is difficult to know how the parameters of Okun's Law will change going forward. Nevertheless, it is useful to consider what kind of growth will be needed to bring unemployment back to pre-recession levels. Table 3 provides estimates of how long it will take to reduce the current 9.7% unemployment rate back to a pre-recession rate of 4.7%. While the estimates are not exact, the numbers help illustrate the challenge of returning to full employment when growth is likely to be below 4%.

Table 3. Estimated Years to Achieve Pre-recession Unemployment Rates

GDP Growth	**3%**	**4%**	**5%**
Unemployment Reduction Per Year	0.3% per Year	.8% per Year	1.3% per Year
Years to Reduce Unemployment by 5% to 4.7%	16.7 years	6.25 years	3.85 years

Okun Law: Δ Unemployment = 1.2 - .5 (GDP Growth Rate)

Lags in employment are also consistent with the severe nature of the recession. Capacity utilization was 72% in December, well below pre-recession levels of about 80%. The average workweek is near an all-time low and firms will first increase hours for their existing workers before hiring. As demand for products improves, firms will work their existing workforces harder, resulting in steady productivity gains. Firms are not likely to increase hiring significantly until they find it more difficult to get production gains from current workers and are convinced that an expansion is under way.

.

Summary of Recent Economic Data

<u>GDP and Production</u> - *Real GDP growth was surprisingly strong in the fourth quarter, but a close analysis suggests that over half of the 5.7% growth was due to inventory adjustment. Such one-time boosts from inventory are not representative of robust growth from pent-up demand following a recession. Growth going forward is likely to be much lower*

Gross Domestic Product.

	IV Q 2009	III Q 2009	II Q 2009	I Q 2009	IV Q 2008	IIIQ 2008	IIQ 2008
Consumption	1.4	2.0	-0.6	0.4	-2.2	-2.5	0.1
Fixed investment	0.4	-0.2	-1.7	-6.6	-3.3	-1.3	-0.4
Fixed residential investment	0.1	0.4	-0.7	-1.3	-0.8	-0.6	-0.6
Fixed nonresidential investment	0.3	-0.6	-1.0	-5.3	-2.5	-0.7	0.2
Inventories	**3.4**	**0.7**	**-1.4**	**-2.4**	**-0.6**	**0.3**	**-1.3**
Net exports	0.5	-0.8	1.7	2.6	0.5	-0.1	2.4
Government	0.0	0.6	1.3	-0.5	0.2	1.0	0.7
Real GDP % Annual Rate	**5.7**	**2.2**	**-0.7**	**-6.4**	**-5.4**	**-2.7**	**1.5**

Source: Bureau of Economic Analysis

- Real GDP rose 5.7% in the fourth quarter at an annualized rate, according to the advance estimate from the Bureau of Economic Analysis. This was the largest gain since a 6.7% increase in the third quarter of 2003, and was much stronger than the consensus forecast for a 4.5% increase. Real GDP grew 2.2% in the third quarter, a significant downward revision from the preliminary announcement.

- On a year-ago basis, real GDP rose 0.1% in the fourth quarter. This is the first year-over-year gain since the third quarter of 2008. For all of 2009, real GDP fell 2.4%. This was the largest one-year contraction in the economy since 1938.

- Real GDP minus the change in inventories (Real Final Sales of Domestic Product) grew 2.9% in the fourth quarter, compared with a 2.0% increase in the third quarter. Real Final Sales of Domestic Product is a measure of demand for U.S. goods and services without inventory contributions. Private inventories added 3.4 percentage points to growth in the quarter.

- Compared with the third quarter, the acceleration in growth came from a smaller rate of decline in inventories, slower growth in imports (falling imports add to GDP), and stronger growth in business investment. Somewhat offsetting this was slower growth in federal government and consumer spending.

- Inventories added 3.4 percentage points to growth in the fourth quarter. This was the biggest contribution to growth from inventories in 25 years.

- Consumer demand is slowly improving Personal consumption expenditures rose 2% at an annualized rate, after increasing 2.8% in the third quarter. Sales of durable goods fell 0.9% annualized, because of the decline in auto sales following the end of the cash for clunkers incentive program. Motor vehicles and parts subtracted 0.6 percentage point from fourth quarter growth, while consumer spending overall added 1.4 points.

- Fixed investment added 0.4 of a percentage point to growth in the fourth quarter. Residential investment increased for the second straight quarter, adding slightly to growth. Business investment was a positive for growth for the first time in more than one year, growing 2.9% at an annualized pace and adding 0.3 of a percentage point to growth. Spending on nonresidential structures has fallen for six straight quarters, but business spending on equipment and software rose for the second consecutive quarter.

- Net exports added 0.5 of a percentage point to growth in the quarter; stronger exports added 1.9 percentage points, while stronger imports subtracted 1.4 percentage points.

- Government was neutral for growth in the fourth quarter, with a very small decline from state and local government offsetting a very small gain from the federal government.

Industrial Production – P*roduction improved over the second half of 2009 and is now only 2% below the level of production one year ago. Capacity utilization improved to 71.5% but remains well below pre-recession utilization. Excess capacity and weak demand will keep a lid on inflationary pressures.*

- Industrial production increased by 0.6% for the second consecutive month in December. Industrial production has risen for six consecutive months and is down only 2% on a year-ago basis, a significant improvement from the double-digit declines seen in the first half of 2009.

- Durable goods output increased 0.1% between November and December. Meanwhile, nondurable goods output fell 0.1%.

- Weather played a factor as a colder than normal December led to a sharp 5.9% rise in utilities production. Natural gas output rose 12.2%, which more than offsets November's -11.3%.

- Excluding utilities, factory output lost some momentum in December. This is consistent with our forecast for a downshift in production over the next few months.

- Capacity utilization rose from 71.5% to 72% in December, which is the highest rate since December 2008. The pre-recession level of capacity utilization was almost 79%. Manufacturing capacity utilization was unchanged at 68.8%.

	Dec. 2009	Nov. 2009	Oct. 2009	Sept. 2009	Aug. 2009	July 2009
Capacity Utilization (%)	72	71.5	71	70.8	70.2	69.2

Source: Federal Reserve

- December marks the second consecutive 1% rise in new orders, which grew 2.7% in both the third and fourth quarters. Orders were down 17% from 2008, making 2009 the worst year on record. The turnaround in the factory sector is being led by renewed strength in business investment spending and a recovering U.S. export market.

- Productivity saw another large increase in the fourth quarter. Output rose, as aggregate demand is picking up with the end to the recession. Hours rose for the first time in nine quarters, but at a much slower pace, leading to the increase in productivity. The small increase in hours relative to the large gain in output is another sign that firms are realigning their workforces with underlying demand. This better balance between labor and output is contributing to higher profitability.

<u>Confidence and Sentiment</u> - *Improvement in consumer confidence has been modest since coming off recession lows. Sentiment is most likely to improve slowly since businesses will be slow to rehire and consumers will remain focused on balance sheet repair.*

Conference Board Consumer Confidence

- The Conference Board index of consumer confidence increased modestly in November but remained very low, showing that consumers remain deeply depressed. The index rose to 49.5 from an upwardly revised 48.7 (previously 47.7). The expectations component led the gain, rising to 68.5 from 67 (previously 65.7). The present situation component dipped to 21 from 21.1 (previously 20.7).

- Consumer confidence inched up in November, according to the Conference Board, but remains mired at a very low level, suggesting consumers are not convinced the recession is over. Of most concern was that the continued deterioration in assessments of current labor market conditions fell to new cyclical lows.

University of Michigan Consumer Confidence -

- Consumer confidence rose modestly in January, according to final data from the University of Michigan. The index was up 1.9 points from December.

- Expectations for inflation moved higher. Expectations of inflation increased to 2.8%, from 2.5% in December. The five-year inflation outlook increased to 2.9%, from 2.7% in December.

- The University of Michigan index moved to its highest level in two years and is almost 20 points above the low set last November. The weakness of the index is disappointing for the early stage of a recovery.

- Confidence is expected to follow a modest and inconsistent upward trend.

Leading Indicators

- The Conference Board's leading and coincident indicators suggest that a recovery is taking place. The December leading indicators suggest continued growth early in 2010. Coincident indicators affirm the economic improvement in the last half of 2009. Nevertheless, some slowing in growth is likely later in 2010 as support from the fiscal stimulus fades, the boost from the inventory cycle ends, tight credit, and damage to both consumer wealth and balance sheets persists.

Percent Change in Leading, Coincident, and Lagging Economic Indicator Indexes

	Dec. 2009	**Nov. 2009**	**Oct. 2009**	**Sep. 2009**	**Aug. 2009**	**Jul. 2009**	**Jun. 2009**
Leading	1.1	1.0	0.3	1.2	0.6	1.0	0.9
Coincident	0.1	0.1	0.1	0.0	0.1	0.1	-0.4
Lagging	-0.2	-0.5	-0.2	-0.6	-0.4	-0.5	-0.7

Source: The Conference Board

- The Conference Board index of leading indicators rose for a ninth consecutive month, increasing 1.1% in December. November's increase was revised 0.1 of a percentage point higher to 1%. The leading index was 7.5% higher on a year-ago basis. This is the fastest year-ago growth rate seen since 2004. The largest positive contributors to the leading index were initial claims, the interest rate spread, and the building permits components.

- Chronic problems in the labor market and in housing, along with a slow recovery in consumer confidence, will hold down gains in the leading index over the coming months.

- The coincident indicator—comprised of nonfarm payrolls, industrial production, personal income less transfer payments, and manufacturing and trade sales—rose 0.1% in December, the fifth increase in the past six months.

Inflation - *For the moment, the economy remains too week for the inflation pressure that aggressive credit expansion and low interest rate policies of the Fed normally create. Despite the firming of prices for many intermediate and crude suppliers, weak demand will dominate overall inflation trends for at least a few quarters to come. The largest of all business costs, labor compensation, remains firmly in check. With output and employment growth expected to be modest for the remainder of the year, producer price inflation will likely be modest as well. Deflationary conditions are most likely to continue.*

- The overall GDP price index increased 0.6% annualized in the fourth quarter, after a 0.4% increase in the third quarter. Inflation, measured using the personal consumption expenditure price index, rose at a 2.7% annualized in the fourth quarter following a 2.6% increase in the third.

- The Federal Reserve's preferred inflation measure, the core PCE deflator, which excludes food and energy prices, was up 1.4% in the fourth quarter following a 1.2% increase in the previous quarter.

- Year-over-year inflation measures that include energy prices are now being seriously distorted by low oil and gasoline prices in December 2008. The top-line CPI-U was 217.5 in December, an increase of 0.1% from November and 2.8% from December 2008. The core CPI-U was 220.8 in December, an increase of 0.1% from November and 1.8% from December 2008. The top-line CPI for urban wage earners and clerical workers (CPI-W) increased 0.2% from November and 3.5% from December 2008. The core CPI-W increased 0.1% and is up 2.2% from December 2008.

- Headline producer prices rose 0.2% in December, due largely to inflation among food products. Over the year as a whole, producer prices for finished goods have risen 4.4%. Excluding food and energy products, core prices for finished goods were unchanged in December and are up 0.9% on the year.

- Prices for finished energy products fell 0.4% during December, led by falling gasoline prices. Over the past year, however, energy prices remain up sharply across all stages of production.

- Prices for food products rose sharply across all levels of processing in December for the second month in a row. Among food products, increases in vegetable, pork, poultry, cheese and milk prices were particularly pronounced.

- While core prices for finished goods have only risen modestly over the past year, at earlier stages of processing, core prices have turned the corner. Notably, core prices for intermediate goods have been rising quickly since the summer months and are now down only 0.1% on the year. Core prices for crude products have been trending upward since the spring and are now 28.4% higher than they were one year ago.

Construction Spending - *Construction spending in December came in on the downside of expectations, falling 1.2% from revised November totals and down 9.9% from December 2008. A key reason for the decline in construction spending was the sizable decline of 2.8% for the month in private residential construction, which more than offset a slight increase in private nonresidential construction. Public construction also fell 1.2% from November to December. The December numbers do not look good for homebuilder confidence or for prospects of a quick recovery in housing or commercial real estate markets.*

- Construction spending for December came in at $902.5 billion, a 1.2% fall from the revised November total of $913.2 billion and a 9.9% decline from its level in December 2008.

- Total private construction spending for December was $593 billion, a 1.2% decrease from the revised November level of $599.9 billion and a 14.9% decrease from its level in December 2008. It should be noted, though, that the November level of private spending was revised upward, which accentuates the level of decline in December.

- Private residential construction spending for December was $260.4 billion, a 2.8% decrease from the revised November level of $268.1 billion and a 10.9% decrease from its level in December 2008.

- Private nonresidential construction spending for December was $332.5 billion, up 0.2% from the revised November total of $331.8 billion but down 17.7% from its level in December 2008.

Housing-*recovery is slow at best. Prices are stabilizing but sales are slow. Unemployment must improve and equity values must move higher to fuel a real housing recovery.*

- The S&P/Case-Shiller house price report for November contained positive news, showing that existing-house prices rose for a sixth month, although the rate of increase has slowed considerably since the summer. During the three months ending in November, the 20-city composite rose 0.2%, continuing the slowdown in house price appreciation that began late in the summer. The 20-city index climbed by more than 1% on a month-ago basis during August, but it has since decelerated in line with weaker home sales.

- On a year-ago basis, the 20-city composite fell 5.3% during the three months ending in October. Meanwhile, the 10-city index fell 4.5%, as house prices in San Francisco and San Diego rose over the year.

- The seasonally adjusted 20-city composite index has increased by a cumulative 3.4% since its low point during May, unchanged from the increase recorded last month. The seasonally adjusted 10-city composite has experienced a slightly greater uptick, gaining 3.8%.

Existing Home Sales

- The December pending home sales report suggests that existing-home turnover is leveling out following the sharp drop in November linked to the anticipated ending of the first-time homebuyer tax credit. Pending home sales experienced a modest 1% gain between November and December, although revisions to previous estimates made the drop in November contract signings appear larger.

- Despite the recent volatility in pending sales, the national index remains about 20% above its cycle low recorded last January, suggesting that home sales remain on an upward trajectory.

- The extended and expanded homebuyer tax credit, enacted by Congress in November, may begin to lift existing-home sales during the first half of 2010. To qualify for the tax benefit, a buyer must sign a sale contract before May 2010.

New Home Sales

- Sales of 342,000 new single-family homes occurred in December. The December number is 7.6% below the revised November level of 370,000 home sales and 8.6% below the December 2008 level of 374,000. The supply of homes increased slightly from 7.9 to 8.1 months of sales.

- The seasonally adjusted median sales price increased by 6.4% from the revised November median price.

- New-home sales for the U.S. in December came in at 342,000, down by 7.6 from the previous month and by 8.6% from December 2008. The good news is that November sales were revised upward from 355,000 to 370,000. With the end of year declines in new home sales, new home sales are back to the cyclical bottom achieved at midyear.

- Inventory of new homes for sale increased from 7.6 months worth of sales in November to 8.1 months in December, an increase of 6.6%. Nevertheless, inventories are down by 27.7% from December 2008, mostly a result of the low level of residential construction.

- The median price of new homes increased from $212,000 to $225,700 in December after seasonal adjustment, an increase of 6.4%. The median price is still down by 3.5% compared with December 2008.

Personal Income – *Improvements in income are not due to sustainable sources. Savings rates continue to improve as consumers remain cautious. A larger boost in income and spending is required to fuel a strong recovery.*

Percent Changes from One Year Ago

	Dec. 2009	Nov. 2009	Oct. 2009	Sept. 2009	Aug. 2009	July 2009	June 2009	May 2009
Personal Income	0.5	-0.2	- 1.0	- 1.5	- 1.7	- 1.7	- 2.6	- 1.7
Consumption	4.0	2.5	0.8	- 0.6	- 0.3	- 1.6	- 1.9	- 2.0
Saving Rate	4.8	4.5	4.6	4.8	3.9	4.8	4.9	6.4
PCE Deflator	2.1	1.5	0.1	- 0.6	- 0.6	- 0.9	- 0.4	- 0.3
Core PCE Deflator	1.5	1.4	1.4	1.2	1.3	1.3	1.5	1.6

Source: Bureau of Economic Analysis

- Personal income growth accelerated in December, increasing .5% from one year ago. Income growth was led by dividend, proprietors' and rental income rather than wages.

- Wage and salary income growth slumped back to 0.1% in December. Tax payments fell for the third time in the last four months, supporting disposable income growth.

- The saving rate rose to 4.8%, continuing a series of higher savings rates. Consumers continue to spend conservatively. Consumption spending improved in the fourth quarter of 2009 but not as much as might be expected in the first stage of a recovery.

Consumer Credit - *Consumer credit balances held up better than expected in December. Total credit declined by just $1.7 billion to a total of $2.457 trillion. Revolving credit balances are still falling rapidly, but nonrevolving credit increased. Meanwhile, November's surprising sharp decline was revised even lower, to a total decline of $21.8 billion.*

- After a sharp drop in November, consumer credit balances were far steadier in December. Total credit balances declined at an annualized rate of just 0.8%, which was the best result since January 2009.

- Revolving credit balances are still falling sharply, dropping by $8.5 billion to a total of $866 billion. The -11.1% annualized change was better than the previous month, but it was still far below the average for the year.

- Nonrevolving credit balances increased by $6.8 billion to $1.591 trillion.

- New-vehicle sales increased slightly in December aided by favorable terms on auto loans. The interest rate on loans from auto finance companies fell to an eight month low of 3.26%.

Unemployment- *Recent improvement is unlikely to be linked to a stronger labor market.*

- The unemployment rate declined from 10% to 9.7% in January, even as the labor force increased modestly. A strong 42,000 increase in retail payroll is undoubtedly related to seasonal factors following weak hiring around the holidays. As a result, fewer than normal people were laid off in January. As such, it is not a signal of stronger consumer conditions.

- The labor force participation rate improved to 64.7%, from 64.6%, and the employment-to-population ratio increased to 58.4%, from 58.2%, both of which remain quite low.

Unemployment Rates and Labor Participation Rates

	Jan. 2010	Dec. 2009	Nov. 2009	Oct. 2009	Sept. 2009	Aug. 2009	July 2009	June 2009
Unemployment Rate (%)	9.7	10.0	10.0	10.1	9.8	9.7	9.4	9.5
Labor Force Participation Rate (%)	64.7	64.6	64.9	65.0	65.1	65.4	65.4	65.7

Source: Bureau of Labor Statistics

- New benchmark revisions of employment used a base of March 2009. With these revisions, December losses increased to 150,000 on net, but November gains were revised up to 64,000. With the benchmark revision, payroll employment declined by 4.78 million in 2009, up from 4.16 million. Every month received a downward revision, with the exception of November.

- The median duration of unemployment declined to 19.9 weeks, from 20.5 weeks, but the average duration increased to 30.2 from 29.1. The data suggest that fewer people are entering the pool of unemployment, but few long-term unemployed are leaving it. The broader U-6 measure of unemployment dropped to 16.5%, from 17.3%.

- Average hourly earnings increased 0.3% in January to $18.89, representing a 2.5% gain over the year. The average workweek edged higher, to 33.3, from 33.2 in December.