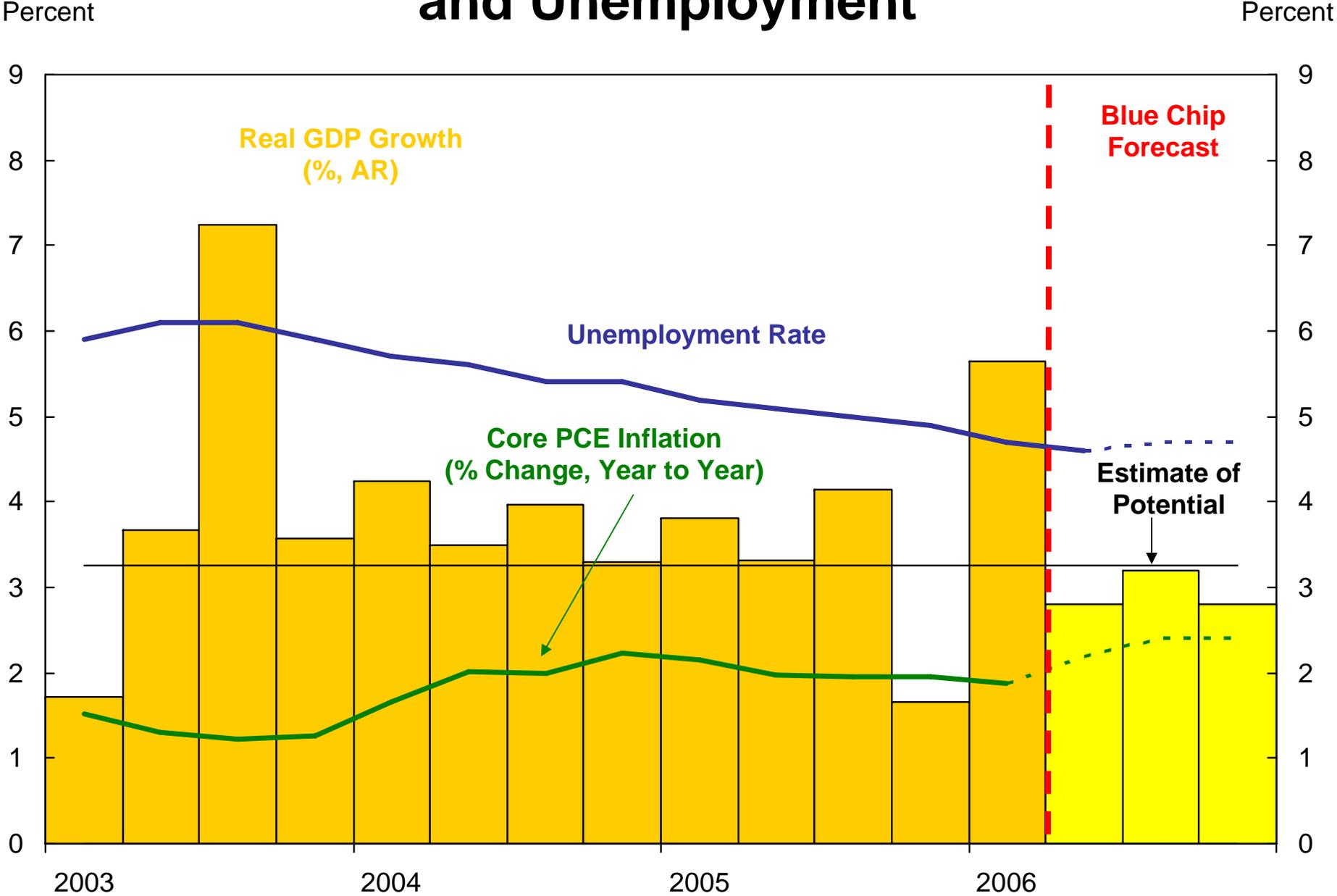


Fed Forum



Economic Update by
Dr. Joseph S. Tracy
Executive Vice President and Director of Research
Federal Reserve Bank of New York
July 13, 2006

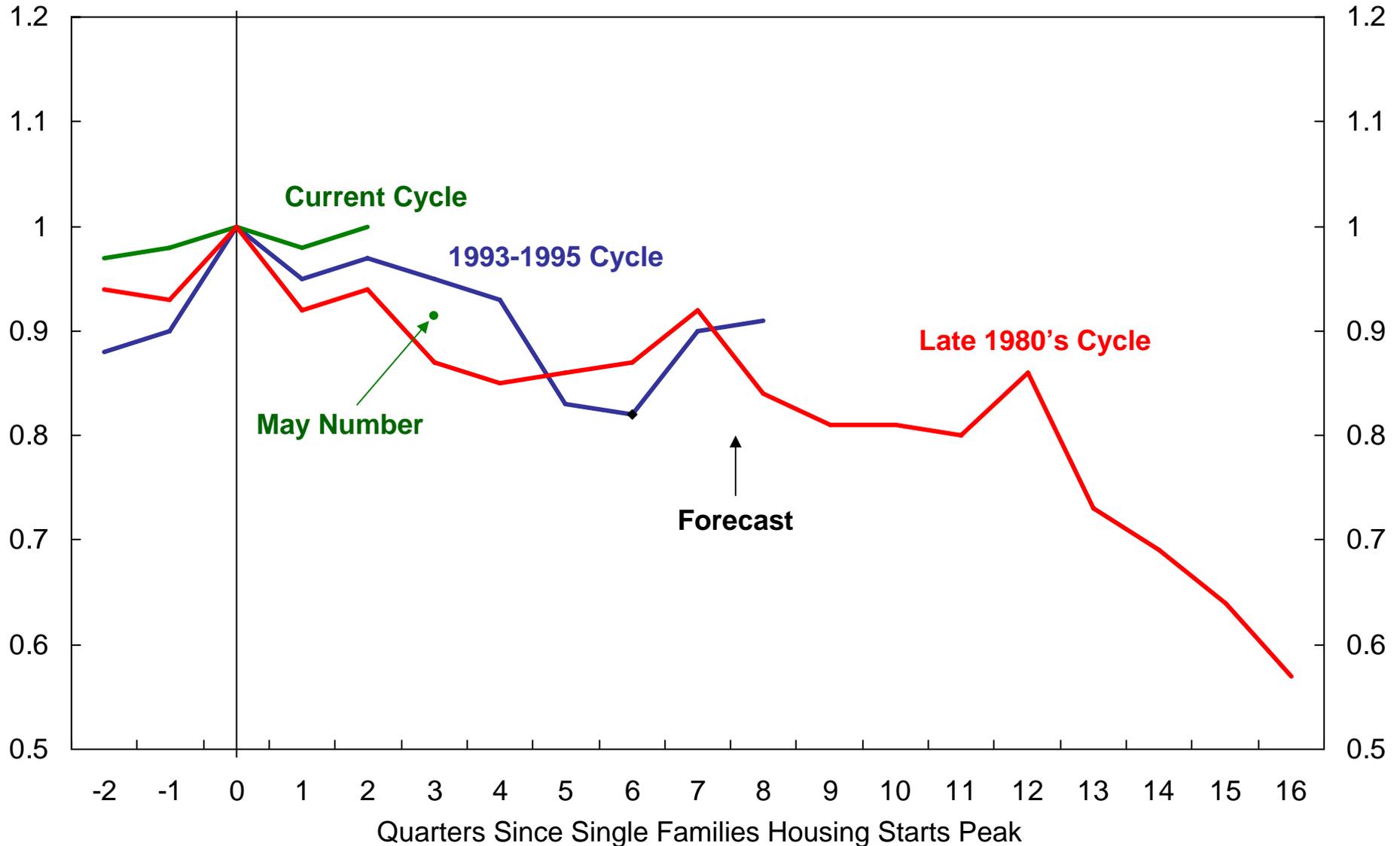
Real GDP Growth, Core Inflation, and Unemployment



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and FRBNY

Comparing Single Family Starts During Tightening Cycles

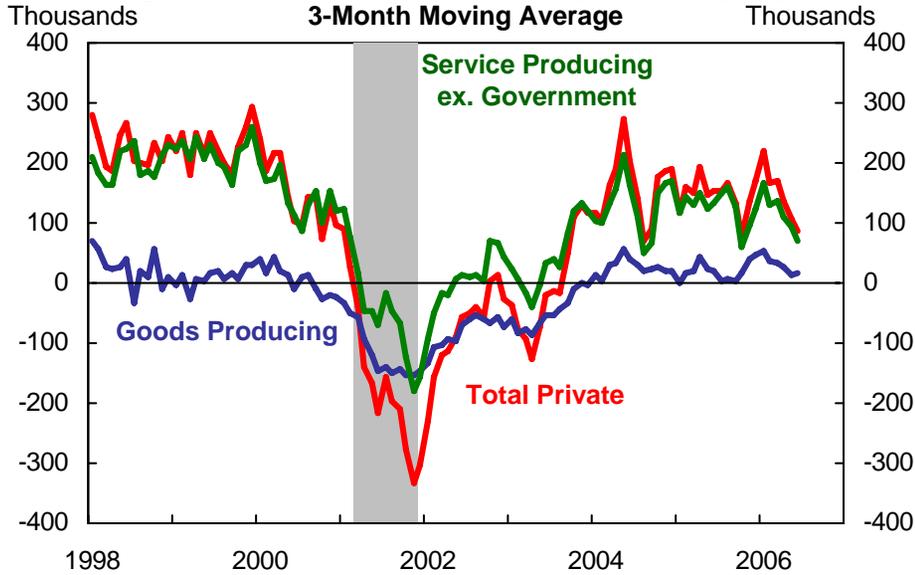
Housing Starts Relative to Peak



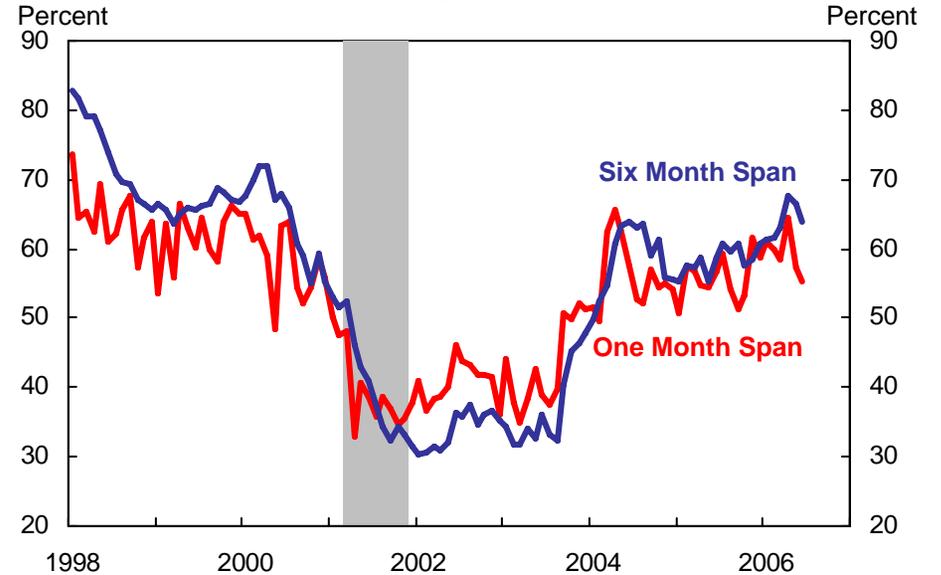
Source: Bureau of Economic Analysis

Labor Market Overview

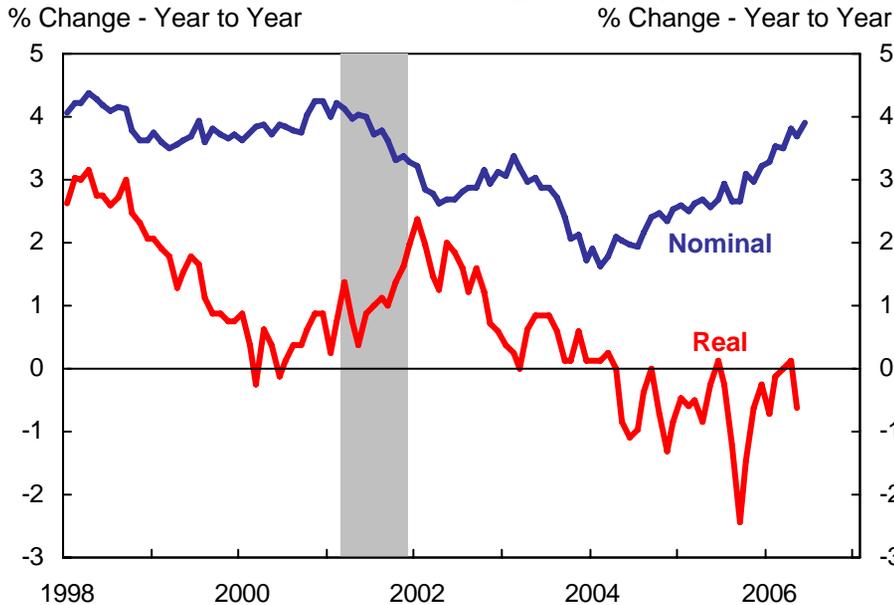
Change in Private Nonfarm Payroll Employment



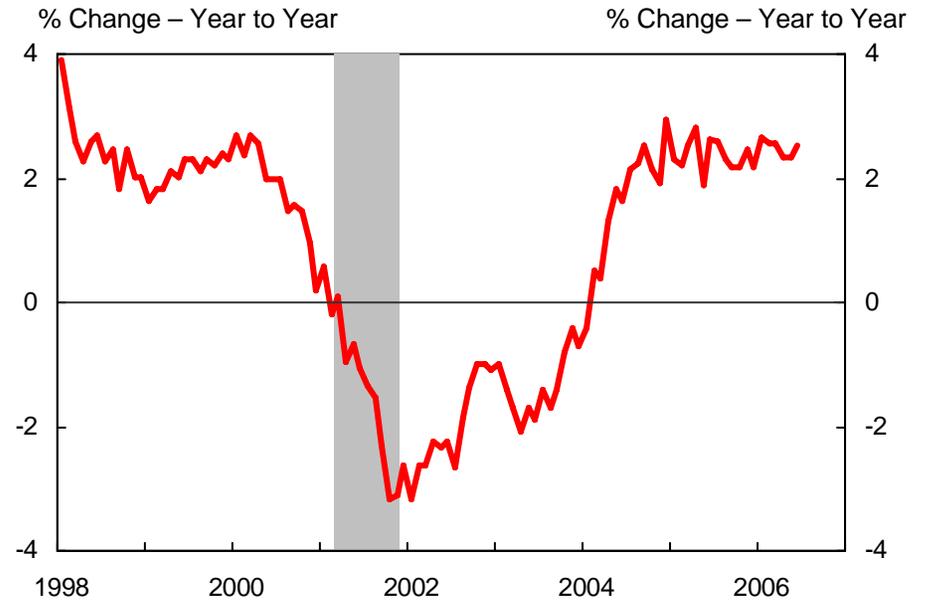
Private Nonfarm Payroll Diffusion Indices



Real and Nominal Average Hourly Earnings



Index of Hours Worked

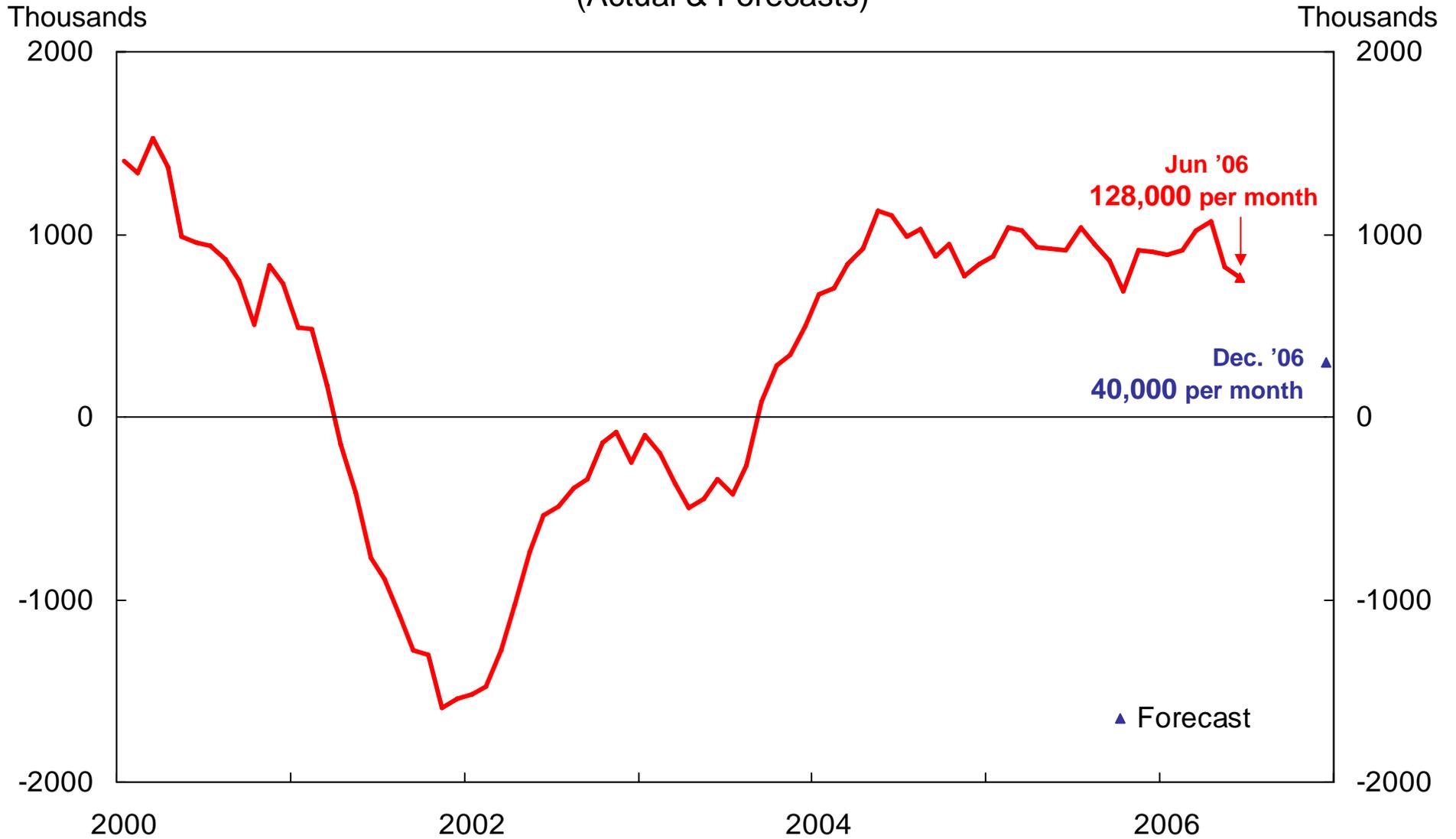


Source: Bureau of Labor Statistics

Note: Shading represents NBER recessions.

6-Month Change in Private Payrolls

(Actual & Forecasts)



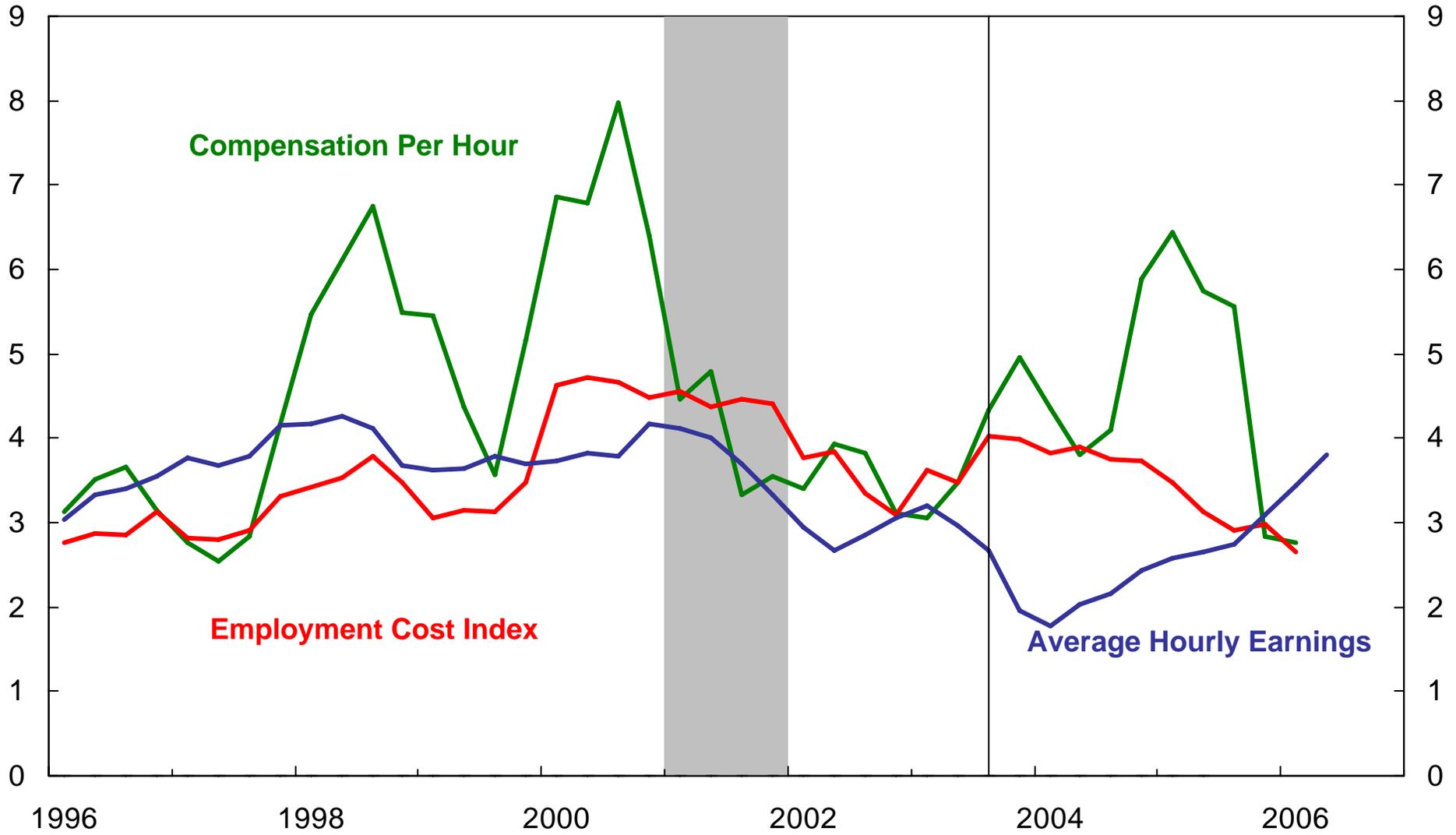
Source: Bureau of Labor Statistics and FRBNY

Compensation Measurement Comparisons

Private Nonfarm Workers

% Change - Year to Year

% Change - Year to Year



Source: Bureau of Labor Statistics

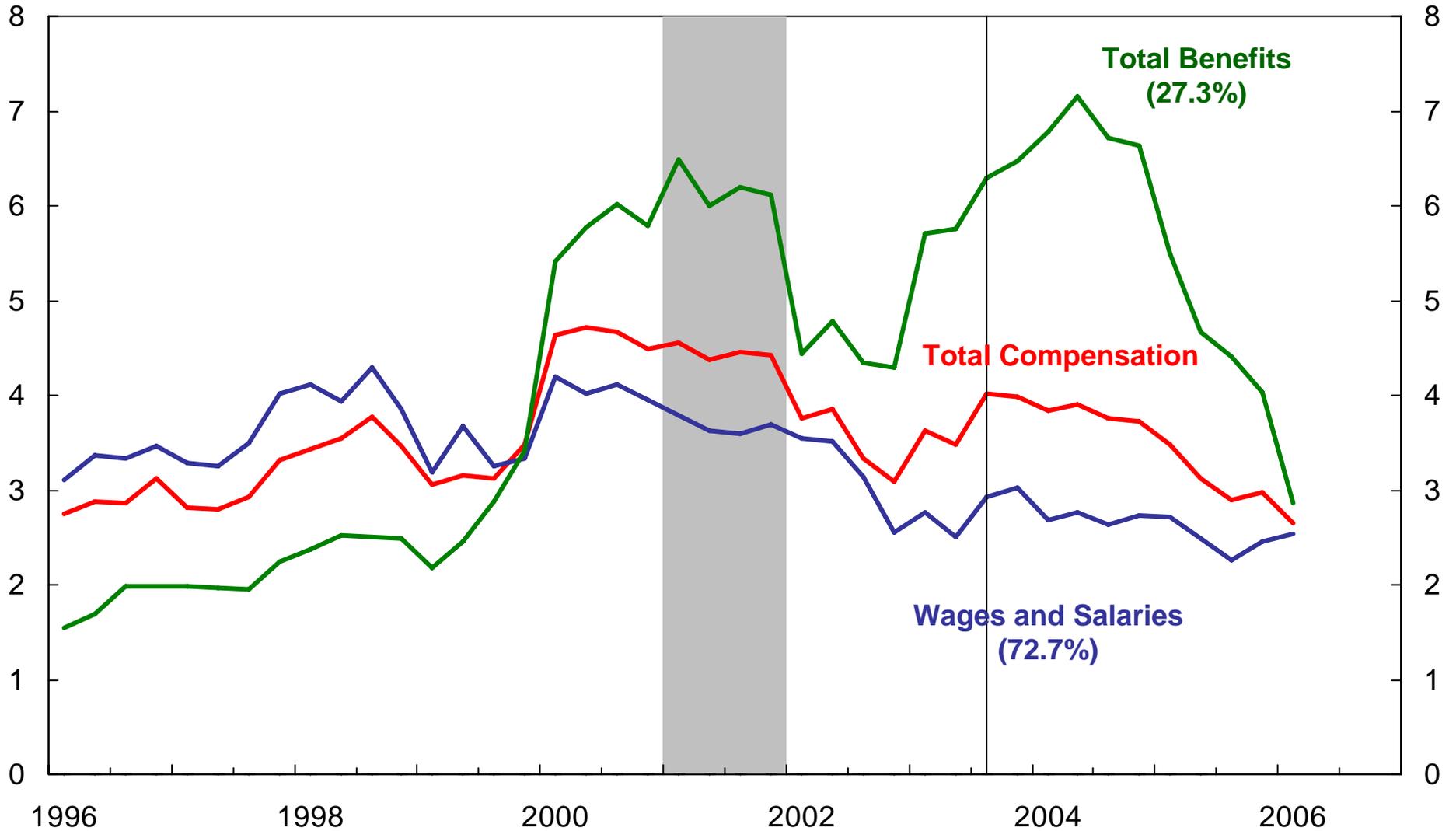
Note: Shading represents NBER recessions. Vertical line displays employment trough.

Employment Cost Index Private Industry Workers

(2002 Employment Shares)

% Change - Year to Year

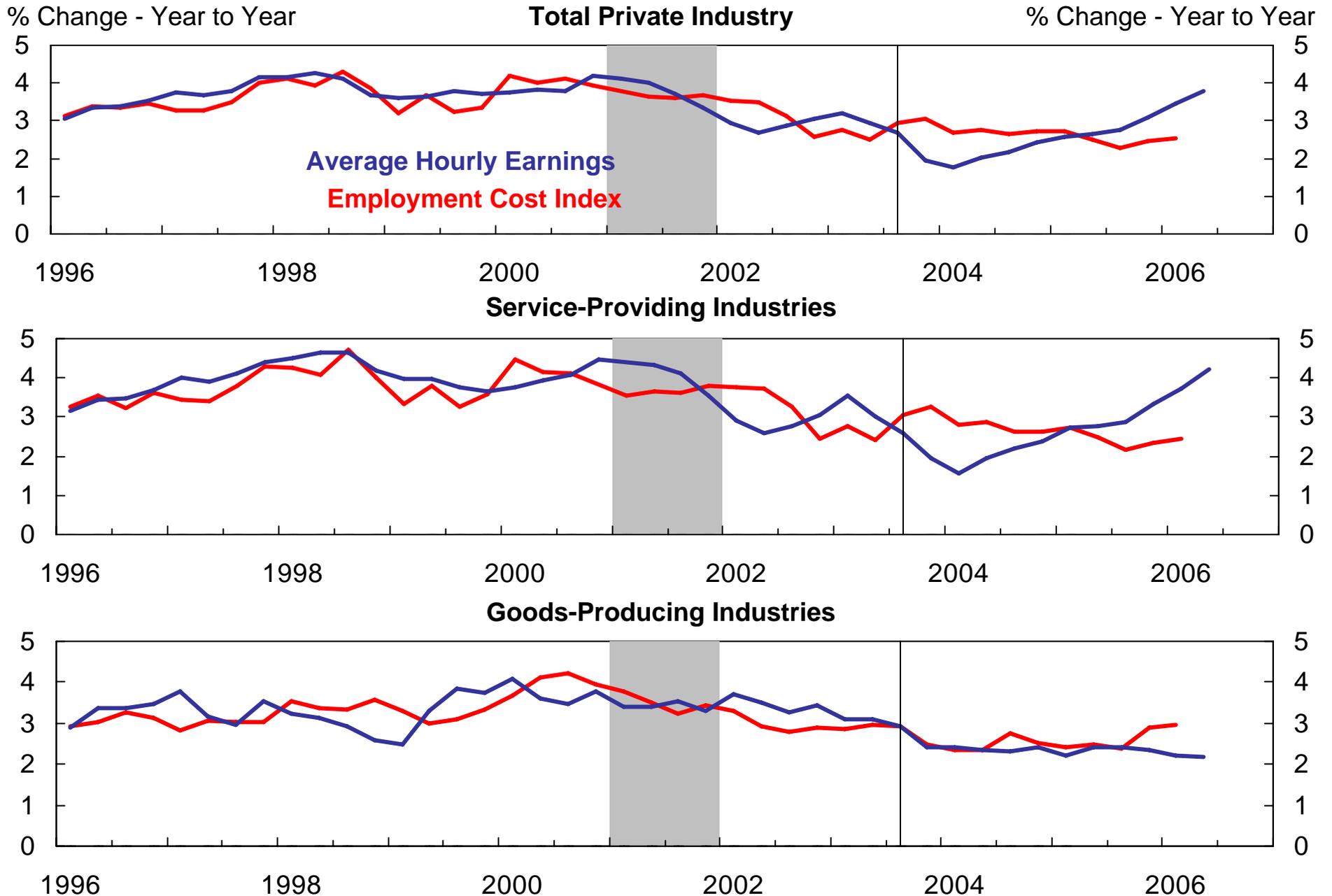
% Change - Year to Year



Source: Bureau of Labor Statistics

Note: Shading represents NBER recessions. Vertical line displays employment trough.

Average Hourly Earnings vs Employment Cost Index Wages and Salaries



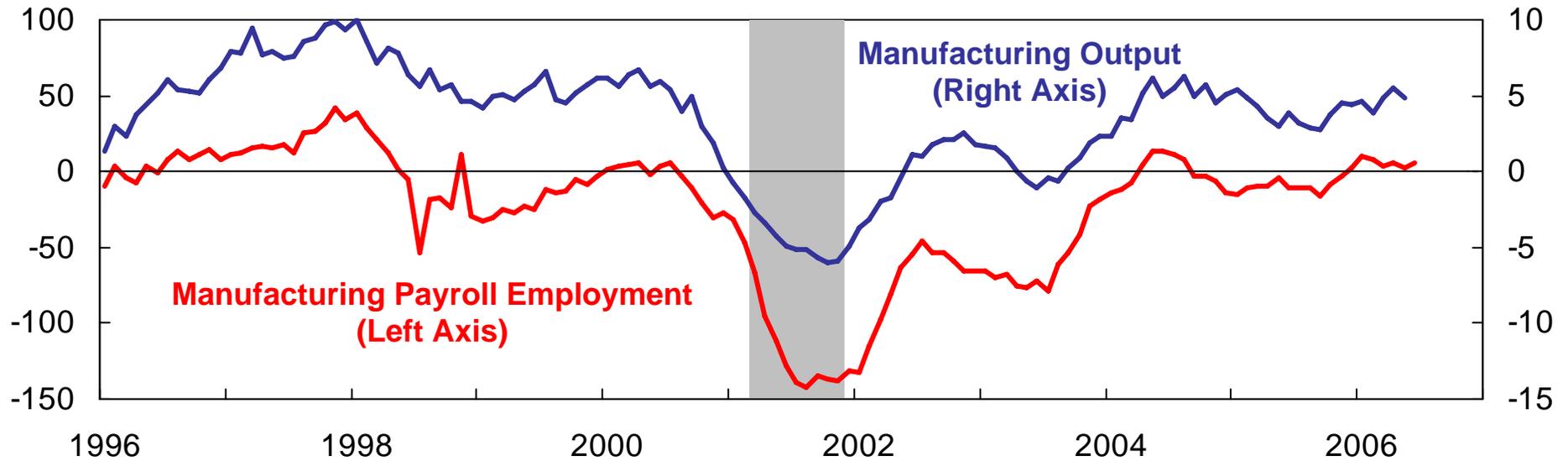
Source: Bureau of Labor Statistics

Note: Shading represents NBER recessions. Vertical line displays employment trough.

Manufacturing Sector

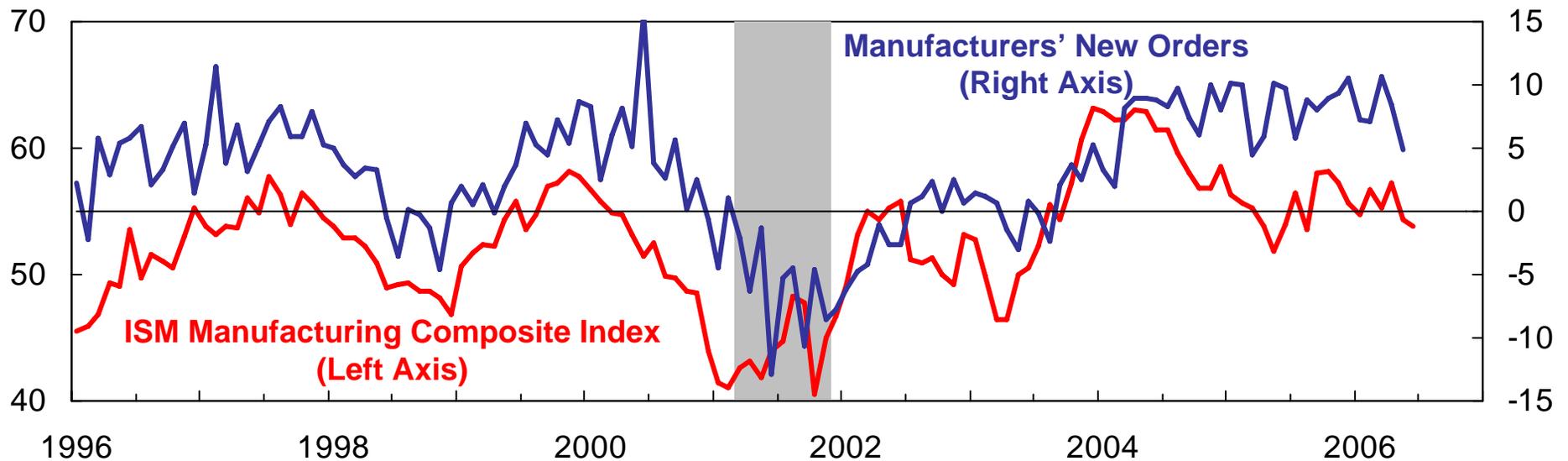
4-Month Average Change

% Change - Year to Year



Diffusion Index

% Change - Year to Year



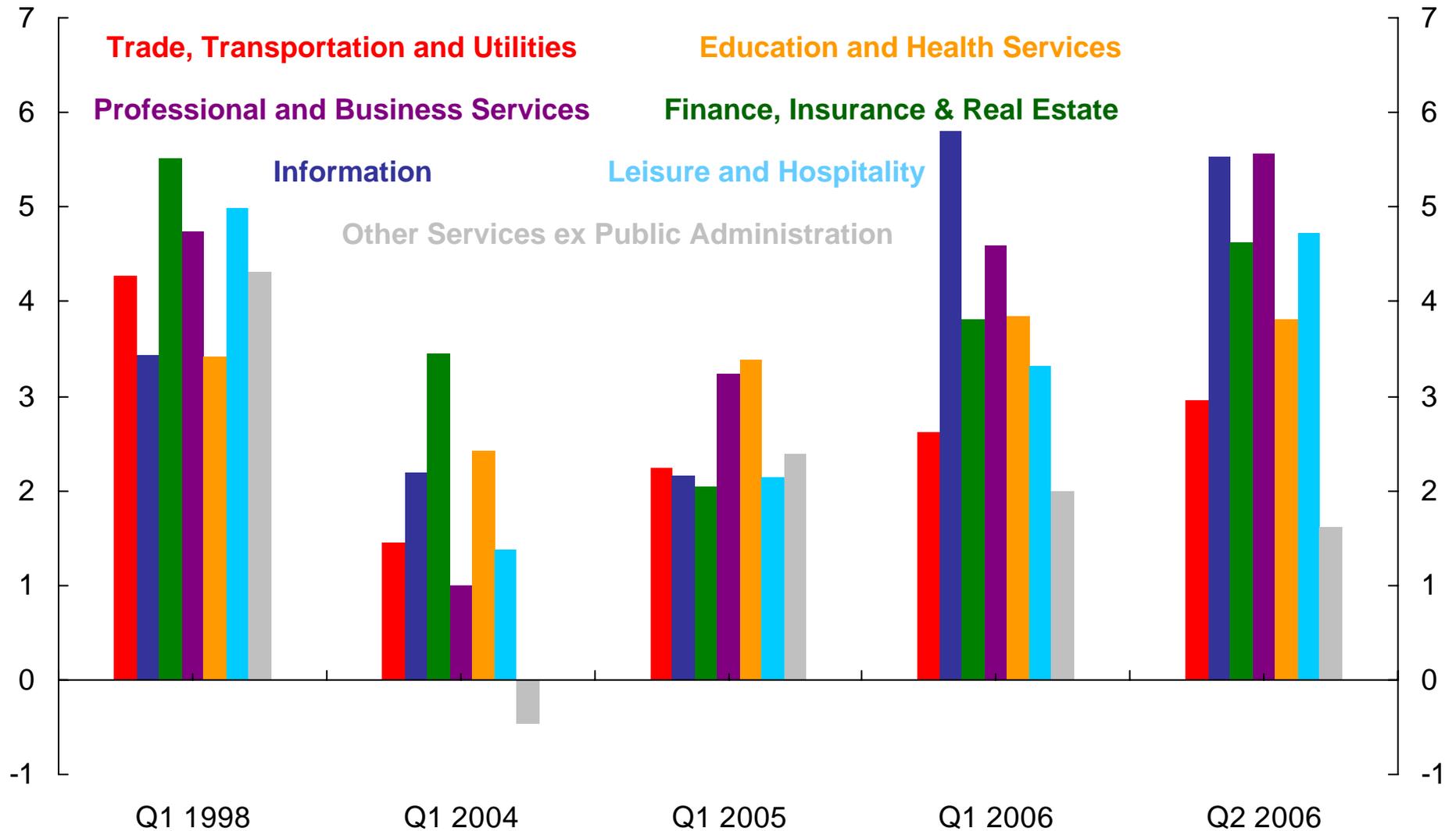
Source: Bureau of Labor Statistics, Federal Reserve Board, Institute for Supply Management, and Census Bureau

Note: Shading represents NBER recessions.

Breakdown of Service Sector Wage Growth

% Change - Year to Year

% Change - Year to Year



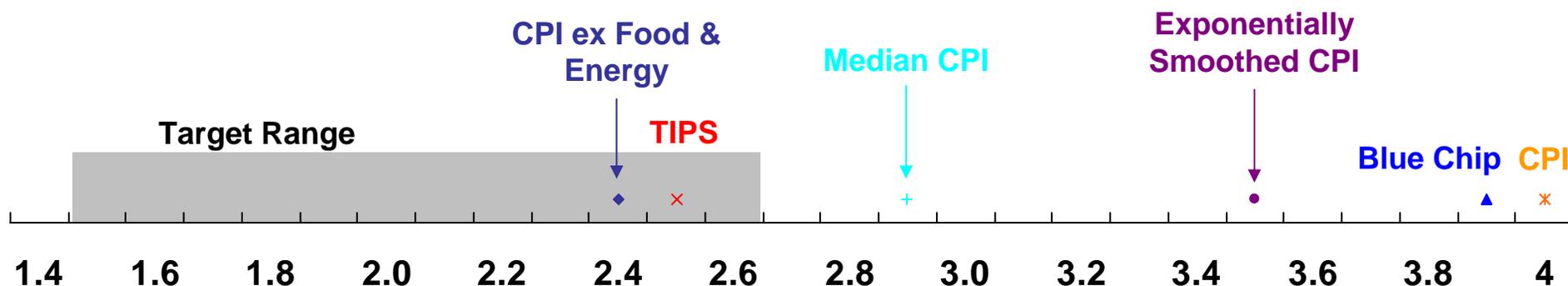
Source: Bureau of Labor Statistics

Note: Shading represents NBER recessions.

Comparison of ECI and AHE

	2005-Q4	2006-Q1
AHE	3.10	3.46
-- Gap	0.64	0.81
ECI W+S	2.46	2.65
ECEC W+S	2.88	3.29
-- Composition	0.42	0.64
(% of gap)	66%	79%
ECI Production	2.56	2.34
-- Universe	0.10	-0.31
(% of gap)	16%	n/a

Distribution of CPI Inflation Forecasts, June 2006



Core CPI

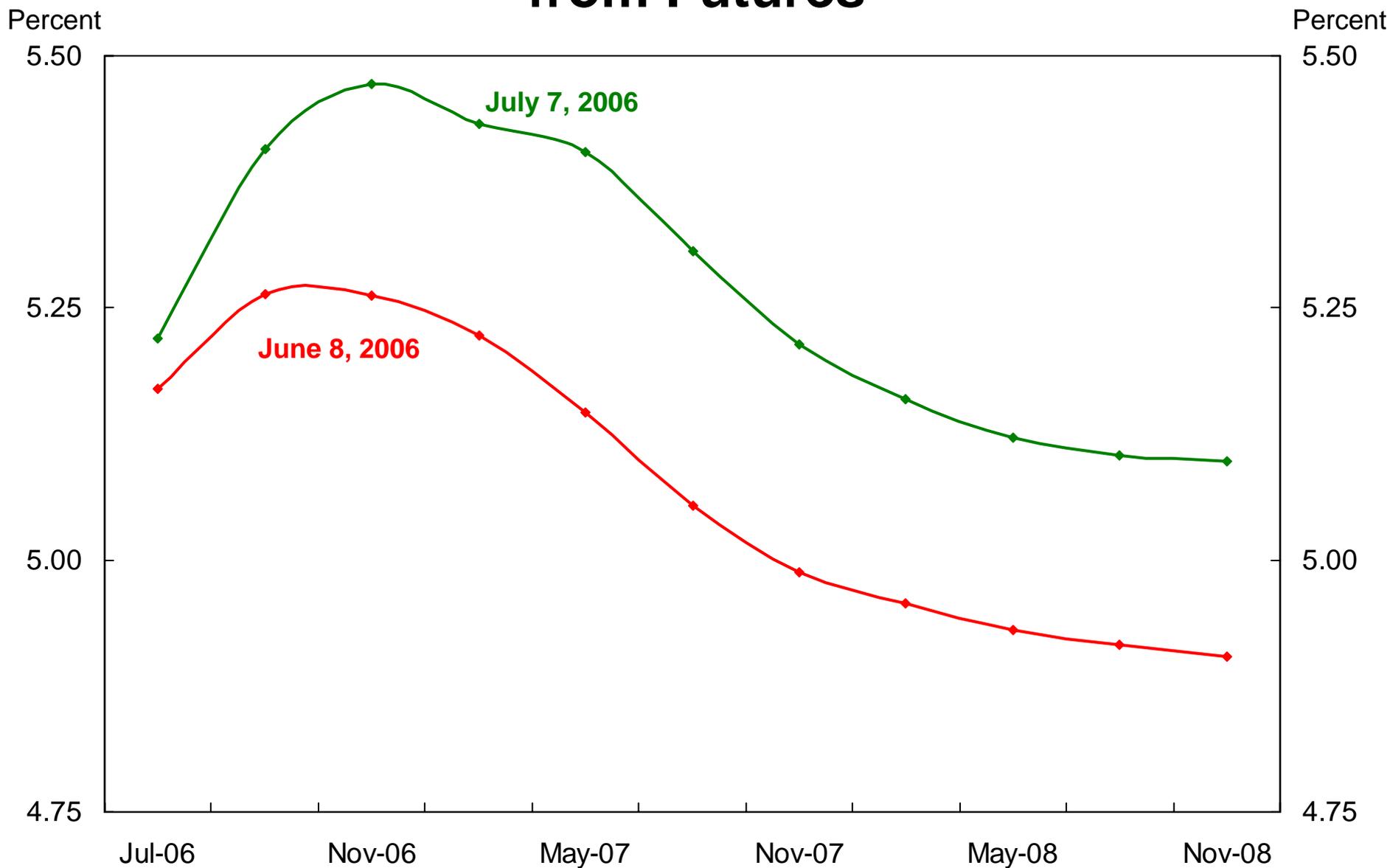
(percent change at an annual rate)

	24 Month	12 Month	6 Month	3 Month	1 Month
All Items Ex. Food and Energy	2.3	2.4	2.9	3.8	3.6

Source: Bureau of Labor Statistics

Note: Data through May 2006.

Expected Path of Fed Funds Target Rate Derived from Futures



Source: Federal Reserve Board