The nation’s economic recovery began in December 2001, but the labor market has taken much longer to recover. Since September 2003, nonfarm private employment has grown continuously, reflecting overall improvement in the labor market. Manufacturing employment suffered the most severe impact of the recession, with year-over-year growth reaching a 20-year low of –8.9% in February 2002. Since then, manufacturing employment’s rate of decline has been decreasing; the sector’s employment even began to grow in September 2004.

The recent improvement in manufacturing can be observed in the Diffusion Index of Employment, which measures the share of industries in which employment is rising at any point in time. For manufacturing employment, this index rose from an exceptionally low 3.6% in June 2002 to 54.2% in September 2004.

The disaggregation of manufacturing employment according to the North American Industry Classification System (NAICS) confirms that the number of industries with a positive employment growth rate has increased in 2004. From 2001 to 2003, employment in durable goods industries contracted sharply because of financial difficulties and weak demand. In 2004, employment has grown in durable goods industries (mineral and metal products, machinery, electronic products) because of strong demand from the housing market and other manufacturing industries. In contrast, employment in non-durable goods industries declined.