



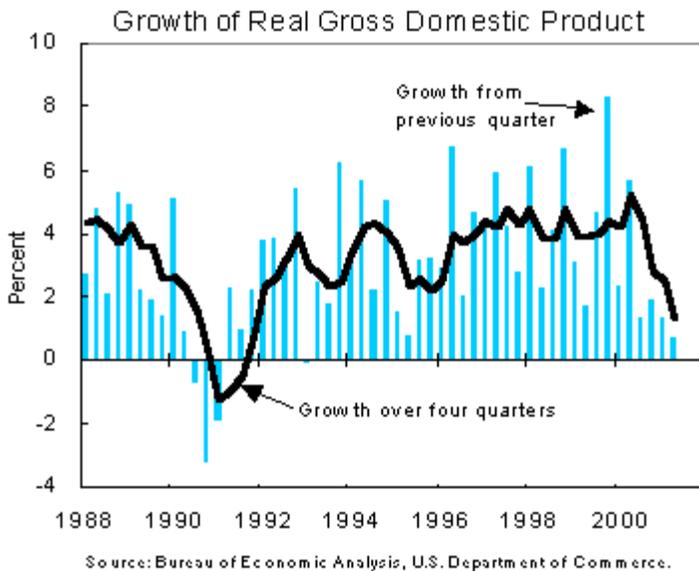
# WEEKLY ECONOMIC DIGEST



JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF  
SENATOR JACK REED (RI), VICE CHAIRMAN

July 31, 2001

## Economy Slowed Further in Second Quarter



- **The economy slowed sharply.** Real gross domestic product (GDP) grew at an annual rate of 0.7 percent in the second quarter, the smallest quarterly increase since the first quarter of 1993. Real GDP was only 1.3 percent above the level reached in the second quarter of last year. Those new data incorporate revisions to historical values of the national income and product accounts beginning in 1998.

- **Business investment plummeted.** Real capital spending by businesses on plant and equipment collapsed in the second quarter, falling at an annual rate of 13.6 percent. That drop subtracted 1.9 percentage points off the annual rate of real GDP growth for the quarter. Business purchases of information processing equipment and software declined the most, tumbling at an annual rate of 19 percent.



- **Household consumption slowed significantly.** Real personal consumption expenditures grew at an annual rate of 2.1 percent in the second quarter as compared with 3.0 percent during the first three months of the year. That slower growth, however, was sufficient to keep overall economic activity growing.

- **The personal saving rate was revised upward.** New estimates indicate that the personal saving rate is no longer negative. Nevertheless, even though the personal saving rate is now estimated to be higher than previously thought, it remains extremely low from a historical perspective. Indeed, the saving rate was 1.2 percent in the second quarter.

<b>ECONOMY AT A GLANCE</b>	Jun	May	Apr	Mar	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000	1999
<b>Economic Activity</b>										
Real GDP (% growth)					.7	1.3	1.9	1.3	4.1	4.1
Industrial Production (% growth)	-8.1	-5.8	-5.8	-3.5	-5.6	-6.8	-0.9	3.5	5.6	4.2
Capacity Utilization(Level, %)	77.0	77.6	78.1	78.7	77.6	79.2	81.3	82.4	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.5	4.4	4.5	4.3	4.5	4.2	4.0	4.0	4.0	4.2
Housing Starts (Thousands)	1658	1610	1626	1592	1631	1627	1539	1505	1575	1647
Real Disposable Personal Income (% growth)*					2.5	2.7	4.2	2.7	3.5	2.5
Retail Sales (% growth)	2.8	4.6	18.1	-4.7	6.1	5.2	0.5	4.6	7.6	8.2
Personal Saving Rate (Level, %)*					1.2	1.1	1.0	.8	1.0	2.4
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)	2.4	4.9	3.7	1.2	3.1	4.2	2.9	3.5	3.4	2.2
Core CPI-U Inflation (% growth)	3.7	1.2	2.4	2.4	2.6	3.2	2.4	2.5	2.4	2.1
Compensation per Hour (% growth)					4.1	4.5	3.6	3.6	4.4	3.5
Output per Hour (% growth)						-1.2	2.0	3.0	4.3	2.6
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	3.5	3.6	3.9	4.4	3.7	4.8	6.0	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.3	5.4	5.1	4.9	5.3	5.1	5.6	5.9	6.0	5.7
Federal Funds Rate (Level, %)	4.0	4.2	4.8	5.3	4.3	5.6	6.5	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	10767	11105	10235	10081	10669	10513	10586	10882	10735	10465

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted annual rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Monthly data are subject to revision this week.

### Major Economic News Due This Week:

- Personal Income, June [Release: Tuesday, July 31, 2001]
- Factory Shipments, Orders, and Inventories, June [Release: Thursday, August 2, 2001]
- Employment, July [Release: Friday, August 3, 2001]

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**SENATOR JACK REED (RI), VICE CHAIRMAN**

**804 HART SENATE OFFICE BUILDING**  
**PHONE: (202) 224-0372/FAX: (202) 224-5568**  
**INTERNET: [WWW.SENATE.GOV/~JEC/](http://WWW.SENATE.GOV/~JEC/)**