



WEEKLY ECONOMIC DIGEST

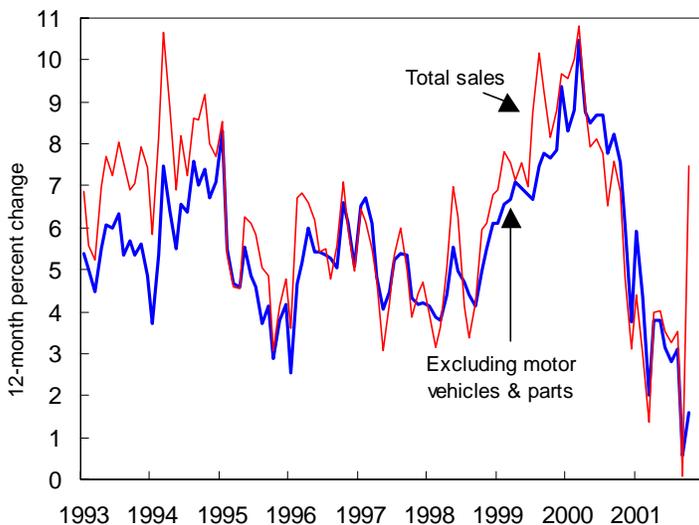


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November 20, 2001

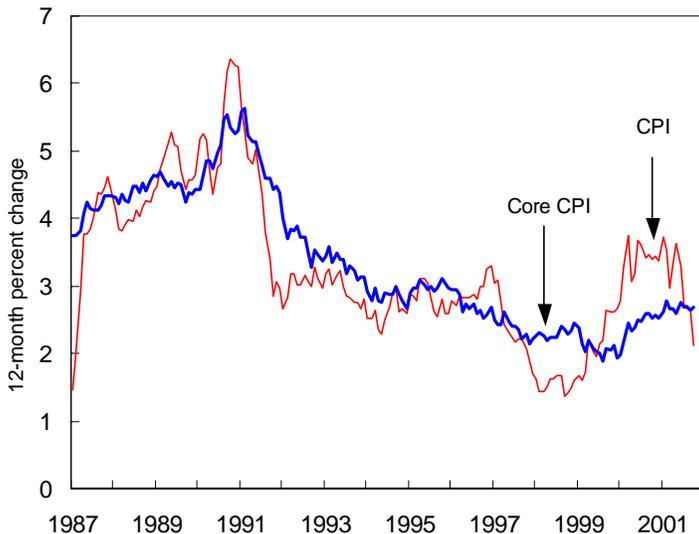
Auto Promotions Boost Sales but Factory Output Falls Again

Retail Sales & Food Services



Source: Bureau of the Census, U.S. Department of Commerce.

Consumer Price Index



Source: Bureau of Labor Statistics, U.S. Department of Commerce.

- **Retail sales surged in October.** Preliminary estimates indicate that retail establishment and food service sales rose 7.1 percent last month, the largest monthly increase on record. An unprecedented surge in motor vehicle sales (26 percent) fueled most of that jump, as consumers responded with surprising enthusiasm to financing incentives offered by automakers. Excluding sales of motor vehicles and parts, retail sales in October were only 1.6 percent above their levels a year earlier. Although gasoline stations sold more gallons of gasoline than a month earlier, an 11 percent decline in retail gasoline prices kept sales at gas stations 6.4 percent below September's levels. Retail sales excluding both motor vehicles and gasoline rose in October, though they remained below their August levels.
- **Factory production fell again in October.** Manufacturing output fell 1.2 percent last month, the 13th consecutive monthly decline in factory production and the single largest monthly decline since 1990. Even, as motor vehicle sales skyrocketed, motor vehicle production fell by 4.2 percent, indicating that the increased sales were largely made out of existing inventories. Excluding motor vehicles and parts, manufacturing production fell 0.9 percent. Factory operating rates fell to 73.1 percent, their lowest levels since 1983.
- **Consumer price inflation remained moderate.** The Consumer Price Index (CPI) declined 0.3 percent in October as energy prices fell 6.3 percent, their largest monthly decline since 1986. Excluding the effects of volatile food and energy prices, the core CPI rose 0.2 percent for the month, up 2.6 percent from its level a year earlier. Core inflation has remained steady at that level for four consecutive months.

Economy At A Glance	Oct	Sep	Aug	Jul	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000	1999
Economic Activity										
Real GDP (% growth)					-0.4	0.3	1.3	1.9	4.1	4.1
Industrial Production (% growth)	-12.4	-11.4	4.7	-1.2	-5.4	-4.4	-6.8	-0.9	5.6	4.2
Capacity Utilization (Level, %)	74.8	75.7	76.6	77.0	76.4	77.8	79.2	81.3	82.1	81.2
Civilian Unemployment Rate (Level, %)	5.4	4.9	4.9	4.5	4.8	4.5	4.2	4.0	4.0	4.2
Housing Starts (Thousands)	1552	1572	1559	1660	1594	1623	1627	1539	1575	1647
Real Disposable Personal Income (% growth)		-7.0	25.3	23.9	12.8	2.4	2.7	4.2	3.5	2.5
Retail Sales (% growth)	128.5	-23.5	2.7	2.4	-1.3	5.2	5.0	0.3	7.6	8.2
Personal Saving Rate (Level, %)		4.7	4.1	2.5	3.8	1.1	1.1	1.0	1.0	2.4
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	-3.5	4.9	1.2	-3.5	0.7	3.1	4.2	2.9	3.4	2.2
Core CPI-U Inflation (% growth)	2.4	2.4	2.4	2.4	2.5	2.6	3.2	2.4	2.4	2.1
Compensation per Hour (% growth)					3.6	4.1	4.5	3.6	4.4	3.5
Output per Hour (% growth)					2.7	2.2	0.1	2.3	3.0	2.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	2.2	2.6	3.4	3.5	3.2	3.7	4.8	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	4.6	4.7	5.0	5.2	5.0	5.3	5.1	5.6	6.0	5.7
Federal Funds Rate (Level, %)	2.5	3.1	3.7	3.8	3.6	4.3	5.6	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	9221	9043	10315	10445	9934	10669	10513	10586	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.

Major Economic News Due This Week:

- **International Trade Balance, September** [Release: Tuesday, November 20, 2001]
- **University of Michigan Index of Consumer Sentiment, November** [Release: Wednesday, November 21, 2001]