



# WEEKLY ECONOMIC DIGEST

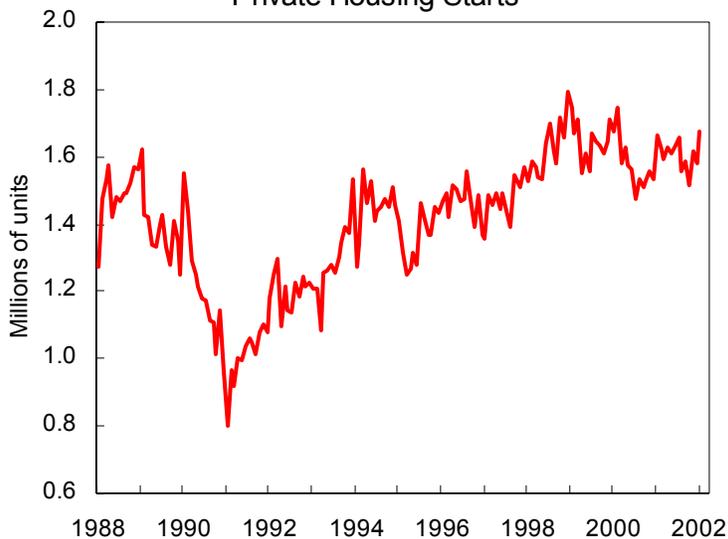


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February 26, 2002

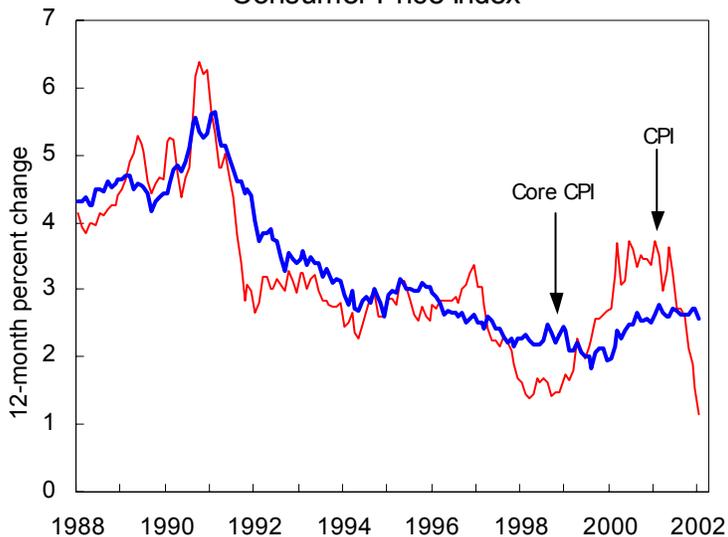
## Housing, Trade, and Inflation Data Provide Positive Signs

Private Housing Starts



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

Consumer Price Index



Source: Bureau of Labor Statistics.

- **Housing activity continued to expand in January.** Housing starts increased by 6.3 percent above upwardly revised December levels. Moreover, building permits for private housing rose for the third month in a row, suggesting that starts may continue to be strong in February as well. Two of the factors that have contributed to the unusually robust housing activity in recent months are relatively low mortgage interest rates and an especially mild winter. Even after accounting for those factors, however, the optimism among homebuilders revealed by the numbers of starts in January surprised most analysts.
- **The trade deficit shrank in December.** U.S. exports of goods and services were virtually unchanged in December but imports fell. As a result, the trade deficit on goods and services shrank to \$25.3 billion. That deficit was smaller than what the Commerce Department had assumed in its preliminary estimate of gross domestic product for the final quarter of last year. Including the smaller than expected trade deficit should work to increase the estimate of real growth for 2001:IV that the Commerce Department will publish this week.
- **Inflation in consumer prices remained steady.** After declining since September, the Consumer Price Index (CPI) rose 0.2 percent in January, to a level only 1.1 percent above its level a year earlier. Energy prices rose 0.9 percent last month, ending a three-month string of substantial declines. The core CPI (which excludes food and energy prices) also rose 0.2 percent to a level that was 2.6 percent above the level that prevailed a year earlier. Although medical care prices posted their largest increase in a year, a third consecutive month of declines in apparel prices kept core inflation close to its average over the past two years.

<b>Economy At A Glance</b>	Jan	Dec	Nov	Oct	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2001	2000
<b>Economic Activity</b>										
Real GDP (% growth)*					0.2	-1.3	0.3	1.3	1.1	4.1
Industrial Production (% growth)	-1.2	-3.5	-4.7	-7.0	-6.9	-4.7	-5.9	-6.1	-3.7	4.5
Capacity Utilization (Level, %)	74.2	74.4	74.7	75.0	74.7	76.2	77.4	78.9	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.6	5.8	5.6	5.4	5.6	4.8	4.5	4.2	4.8	4.0
Housing Starts (Thousands)	1678	1579	1616	1518	1571	1601	1623	1627	1606	1575
Real Disposable Personal Income* (% growth)		5.6	1.4	-25.3	-7.8	12.3	2.4	2.7	3.6	3.5
Retail Sales (% growth)	-2.8	2.3	-29.7	109.8	12.2	-1.3	5.5	4.8	3.5	7.6
Personal Saving Rate (Level, %)*		1.0	0.5	0.2	0.6	3.8	1.1	1.1	1.6	1.0
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)	2.4	-1.2	-1.2	-3.5	-0.3	0.7	3.1	3.9	2.8	3.4
Core CPI-U Inflation (% growth)	2.4	1.2	4.9	2.4	2.7	2.7	2.4	3.0	2.7	2.4
Compensation per Hour (% growth)					4.1	3.6	4.1	4.5	4.1	4.4
Output per Hour (% growth)					3.5	1.1	2.1	-0.1	1.8	3.3
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.9	2.2	1.9	3.2	3.7	4.8	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.0	5.1	4.7	4.6	4.8	5.0	5.3	5.1	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.8	2.1	2.5	2.1	3.6	4.3	5.6	3.9	6.2
Dow Jones Industrial Avg (Index Level)	9924	9980	9722	9221	9641	9934	10669	10513	10189	10735

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.

\* Subject to revision this week.

### Major Economic News Due This Week:

- **Manufacturers' Shipments, Orders and Inventories, January (Preliminary)** [Release: February 27]
- **GDP, Preliminary Estimate, Q4** [Release: February 28]
- **Construction Spending, January** [Release: March 1]
- **Personal Income, January** [Release: March 1]