



WEEKLY ECONOMIC DIGEST

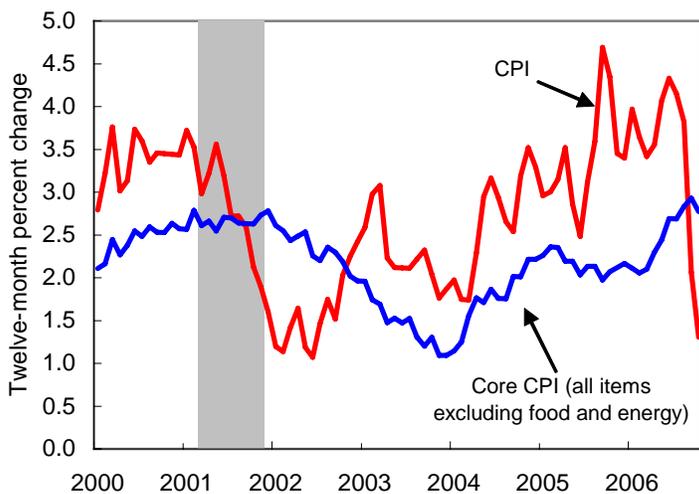


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

November 20, 2006

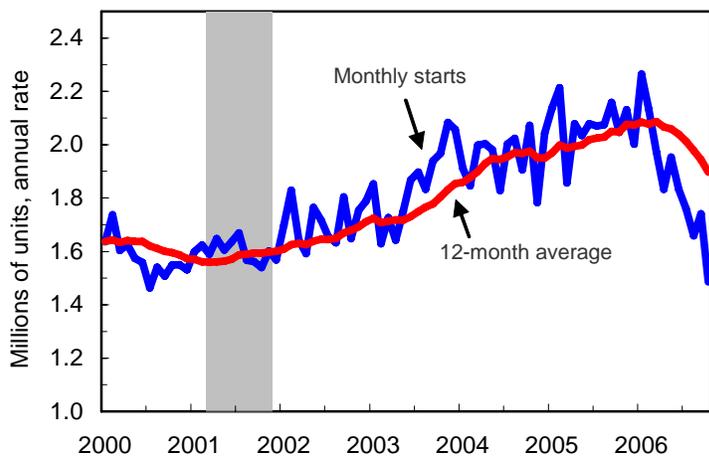
Consumer Prices Fall amid Signs of Continued Softness in the Economy

Consumer Price Indexes



Sources: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Privately Owned Housing Units Started



Source: Census Bureau, U.S. Department of Commerce and National Bureau of Economic Research.

Note: The gray areas indicate a period of recession as defined by the National Bureau of Economic Research.

- **Falling energy prices led to another decline in consumer prices in October.** The consumer price index (CPI) declined by 0.5 percent last month, matching the September drop. Energy prices fell by 7.0 percent in October, led by an 11.1 percent decline in gasoline prices. Because energy prices were unusually high after the hurricanes last fall, the 12-month change in the CPI was an unusually low 1.3 percent (see top chart). The core CPI, which excludes the volatile food and energy prices, has risen by 2.8 percent in the last 12 months. However, core inflation has been moderating recently. The core CPI rose by just 0.1 percent in October after three months of 0.2 percent increases.

- **Lower gasoline sales depressed overall retail sales.** Total sales at retail establishments and food services declined by 0.2 percent last month, after dropping 0.8 percent in September. Gasoline sales dropped a sharp 6.0 percent in October, following an even steeper 11.1 percent fall in September. Sales at motor vehicle and parts dealers rose by 0.6 percent last month. Sales excluding motor vehicles and gasoline rose by 0.3 percent and were 5.4 percent higher than they were a year earlier.

- **Industrial production rose modestly in October.** Industrial production in manufacturing, mining, and utilities rose by 0.2 percent last month, following a 0.6 percent decline in September. A 4.1 percent October rise in the output of utilities and a 0.6 percent increase in mining were partly offset by a second consecutive monthly decline of 0.2 percent in manufacturing. The 12-month change in factory output slipped to 4.1 percent.

- **New homebuilding plunged last month.** The number of new privately owned housing units started declined by 14.6 percent in October, to a 6-year low of 1.486 million units at an annual rate (see bottom chart). A pickup in home building does not appear to be imminent as the number of building permits authorized for new privately owned homes declined to 28.0 percent below last year's level.

The Economy at a Glance	Oct	Sep	Aug	Jul	2006 Qtr 3	2006 Qtr 2	2006 Qtr 1	2005 Qtr 4	2005	2004
Economic Activity										
Real GDP (% growth)*	—	—	—	—	1.6	2.6	5.6	1.8	3.2	3.9
Industrial Production (% growth)	2.4	-7.0	3.7	3.7	4.2	6.6	5.1	5.3	3.3	4.1
Capacity Utilization (level, %)	82.2	82.1	82.7	82.6	82.5	82.0	81.1	80.5	80.0	78.6
Civilian Unemployment Rate (level, %)	4.4	4.6	4.7	4.8	4.7	4.7	4.7	5.0	5.1	5.5
Housing Starts (thousands)	1486	1740	1659	1760	1720	1873	2123	2060	2073	1950
Real Disposable Personal Income (% growth)*	n.a.	10.4	2.6	2.8	3.7	1.7	4.6	5.5	1.2	3.6
Retail Sales (% growth)	-2.6	-9.1	0	17.8	3.3	3.3	13.2	2.2	7.2	6.2
Personal Saving Rate (level, %)*	n.a.	-0.2	-0.5	-0.8	-0.5	-0.6	-0.3	-0.3	-0.4	2.0
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	-5.8	-5.8	2.4	4.9	2.9	5.0	2.2	3.2	3.4	2.7
Core CPI-U Inflation (% growth)	1.2	2.4	2.4	2.4	3.0	3.5	2.4	2.4	2.2	1.8
Compensation per hour (% growth)	—	—	—	—	4.1	3.6	2.4	3.2	3.3	3.7
Output per hour (% growth)*	—	—	—	—	0	1.2	4.3	-0.1	2.3	3.0
Financial Markets										
T-bill Rate, 3-month (level, %)	4.92	4.81	4.96	4.95	4.91	4.70	4.39	3.83	3.15	1.37
T-note Rate, 10-years (level, %)	4.73	4.72	4.88	5.09	4.90	5.07	4.57	4.49	4.29	4.27
Federal Funds Rate (level, %)	5.25	5.25	5.25	5.24	5.25	4.91	4.46	3.98	3.22	1.35
Dow Jones Industrial Avg (index level)	11963	11534	11257	11033	11274	11189	10996	10616	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; 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. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next two weeks.

Upcoming Economic Releases:

- **Existing Home Sales: October 2006** [Release: Tuesday, November 28]
- **New Residential Sales: September 2006** [Release: Wednesday, November 29]
- **Gross Domestic Product and Corporate Profits: Third Quarter 2006 (Preliminary)** [Release: Wednesday, November 29]
- **Personal Income and Outlays: October 2006** [Release: Thursday, November 30]
- **Construction Spending: October 2006** [Release: Friday, December 1]
- **Productivity and Costs: Third Quarter 2006 (Revised)** [Release: Tuesday, December 5]