



WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE

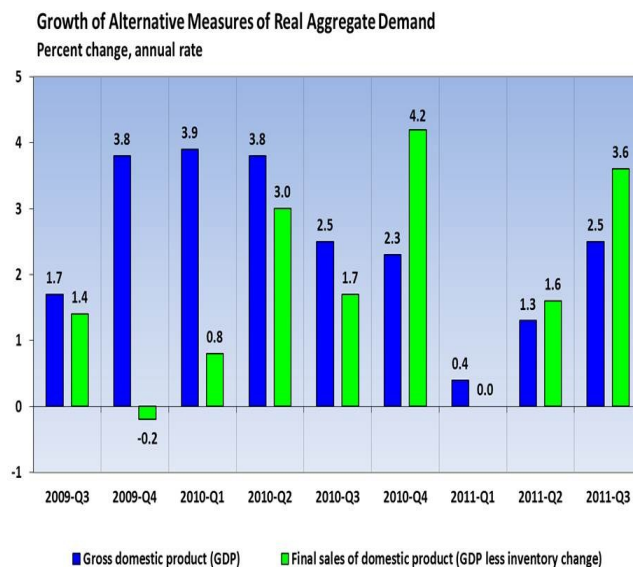
UNITED STATES CONGRESS

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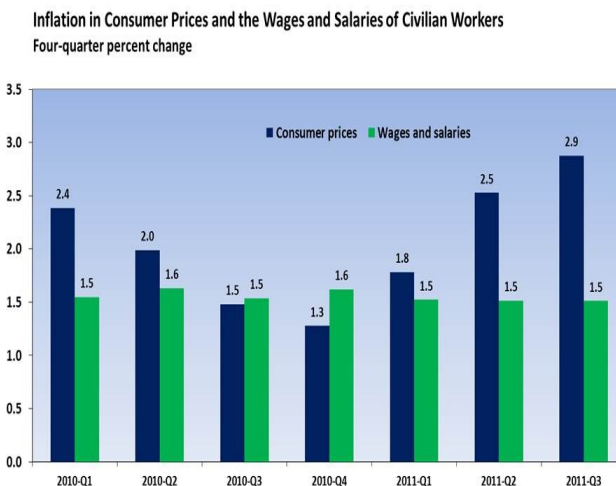
November 1, 2011

Production and Sales Accelerated But Income Fell in Third Quarter

- Overall production and sales accelerated in the third quarter. Real (inflation-adjusted) GDP grew at a 2.5 percent annual rate in the third quarter, following a 1.3 percent gain in the second quarter and a 0.4 percent increase in the first quarter (see chart). Final sales of domestic product (which removes the effects of inventory change from GDP) grew at an annual rate of 3.6 percent in the third quarter, a pickup from the second quarter's 1.6 percent gain.
- Consumption and business investment led third-quarter acceleration. Personal consumption expenditures (the largest component of GDP) grew at a 2.4 percent annual rate in the third quarter, well ahead of a 0.7 percent gain in the second quarter. Business spending on equipment and software accelerated to a pace of 17.4 percent, reflecting strength in U.S.-produced industrial and other non-high-tech equipment. On balance, inventories were drawn down at an accelerated pace in the third quarter, exerting some countervailing drag on GDP growth
- Household income growth lagged behind inflation in the third quarter. Real disposable personal income declined by 1.7 percent at an annual rate in the third quarter, following a gain of only 0.6 percent in the second quarter. The recent decline in income primarily reflects weakness in wage and salary disbursements and government transfers to households. With consumption accelerating as income declined, the personal saving rate declined a full percentage point to 4.1 percent. Over the last four quarters, consumer prices have increased 2.9 percent, nearly twice as large an increase as the 1.5 percent gain in the wages and salaries of all civilian workers (see chart).



SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce.



SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor.

NOTE: Consumer price inflation is measured as the four-quarter percent change in the chain-weighted price index for personal consumption expenditures. Wage inflation is measured as the four-quarter percent change in the wage component of the employment cost index for all civilian workers.

WEEKLY ECONOMIC DIGEST

THE WEEK AHEAD

DAY	SELECTED UPCOMING DATA RELEASES AND EVENTS
Tuesday, Nov 1	Construction Spending (September)
Wednesday, Nov 2	Federal Open Market Committee monetary policy announcement
Thursday, Nov 3	Productivity and Costs (Third quarter, preliminary) Full Report on Manufacturers' Shipments, Inventories and Orders (September)
Friday, Nov 4	The Employment Situation (October) JEC Hearing: "The Employment Situation: October 2011," Bureau of Labor Statistics, Commissioner Keith Hall, 9:30am, 210 Cannon House Office Building

THE ECONOMY AT A GLANCE

KEY INDICATORS	MONTH			QUARTER			YEAR	
	Sep	Aug	Jul	2011 Q3	2011 Q2	2011 Q1	2010	2009
Economic Activity								
Real gross domestic product	—	—	—	2.5	1.3	0.4	3.0	-3.5
Manufacturing production	0.4	0.3	0.7	4.3	-0.1	7.2	5.4	-13.5
Factory utilization rate (percent of capacity)	75.1	74.9	74.7	74.9	74.3	74.5	71.7	66.2
Civilian unemployment rate (percent of labor force)	9.1	9.1	9.1	9.1	9.1	8.9	9.6	9.3
Housing starts (thousands of units, annual rates)	658	572	615	615	572	582	585	554
Light vehicle sales, domestic (millions of units, annual rates)	10.181	9.522	9.629	9.777	9.406	9.907	8.812	7.680
Retail & food service sales	1.1	0.3	0.4	4.5	4.7	10.5	6.4	-7.0
Real disposable personal income	-0.1	-0.4	-0.3	-1.7	0.6	1.2	1.8	-2.3
Personal saving rate (percent of disposable income)	3.6	4.1	4.5	4.1	5.1	5.0	5.3	5.1
Inflation & Productivity								
CPI-U inflation	0.3	0.4	0.5	3.1	4.1	5.2	1.6	-0.3
Core CPI-U inflation	0.1	0.2	0.2	2.7	2.5	1.7	1.0	1.7
Output per hour, nonfarm bus.	—	—	—	n.a.	-0.7	-0.6	4.1	2.3
Unit labor costs, nonfarm bus.	—	—	—	n.a.	3.3	6.2	-2.0	-0.7
Employment Cost Index	—	—	—	1.2	2.8	2.4	1.9	1.7

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; and Bureau of Labor Statistics, U.S. Department of Labor.

Notes: Except where otherwise noted, values in the table represent simple percent changes for monthly data and percent changes at annual rates for quarterly data. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy prices as reported by the Bureau of Labor Statistics. The Employment Cost Index covers all civilian workers and the quarterly change is measured from the last month of the previous quarter to the last month of the indicated quarter. 'n.a.' denotes that data are not yet available. '—' denotes that data are not available monthly.