



WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE

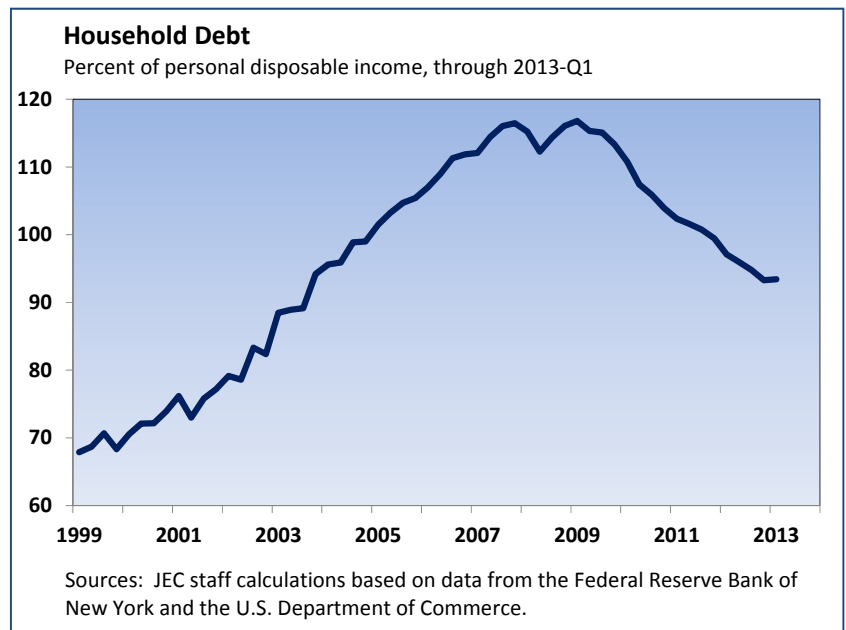
SENATOR AMY KLOBUCHAR, VICE CHAIR

May 21, 2013

Household Debt Continued to Decline in the First Quarter

Households continued to strengthen their balance sheets

- Household debt declined at a 3.8 percent annual rate in the first quarter of the year, after decreasing 1.7 percent over the course of last year, according to data released by the Federal Reserve Bank of New York.
- At \$11.2 trillion, household debt amounts to just over 93 percent of personal disposable income, well below the peak debt-to-income level reached in early 2009 but still above the levels prior to the housing boom (see chart).
- The most recent decline in household debt largely reflects declines in mortgage debt, outstanding balances on home equity lines of credit, and credit card debt.
- Delinquency rates declined for all major categories of consumer debt in the first quarter. Additionally, the rate at which current mortgage loans transitioned into delinquency declined in the first quarter, and the share of 30-60 day delinquent mortgages that became current again increased.



Industrial production declined in April

- Output at the nation's factories, utilities, and mines decreased 0.5 percent in April, according the Federal Reserve Board, following an increase of 0.3 percent in March.
- Some of the April decline in production was weather related: production at utilities decreased 3.7 percent as energy demands fell back to more typical seasonal levels last month after surging in March due to unusually cold weather in much of the nation.
- Factory output also dropped last month, decreasing 0.4 percent after declining 0.3 percent in March.
- Production in manufacturing industries has increased only slightly over the last three months, with most industries reducing production. Motor vehicle production is a notable exception, having increased 2.8 percent over that period.

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New residential building fell in April

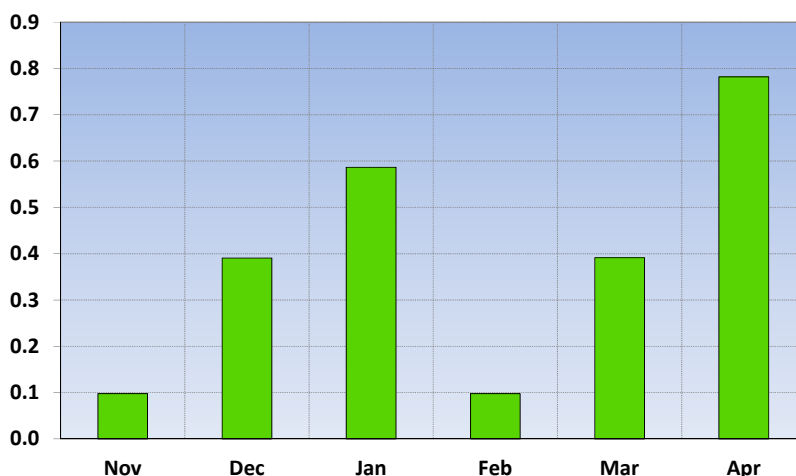
- The number of privately-owned housing units started last month fell by 168,000 (down 16.5 percent) to 853,000 units at an annual rate. The April pace as reported by the Commerce Department was below market expectations, but 13.1 percent above the level that prevailed 12 months earlier.
- The decline in April was largely a product of a sharp drop in multi-unit construction which was down 38.9 percent last month after a 25.6 percent gain in March. Single-unit housing starts also fell in April.
- Despite the dip in home building, the number of permits issued for single-unit construction, an indicator of future building, rose last month. A survey of home builders in May also indicated increased optimism.

Consumer prices declined and real labor earnings rose again in April

- The consumer price index for all urban consumers decreased 0.4 percent last month, after falling 0.2 percent in March.
- Declines in gasoline prices (down 8.1 percent in April) continue to depress overall consumer prices and enhance consumer purchasing power.
- Core inflation in the consumer price index (which excludes changes in the often volatile prices of food and energy) amounted to only 0.1 percent last month and 1.7 percent over the past 12 months.
- The decline in consumer prices last month combined with earnings growth to boost real (inflation-adjusted) average hourly earnings by 0.5 percent in April.
- Over the past 12 months, real average hourly earnings have risen by 0.8 percent (see chart).

Real Average Hourly Earnings in Private Nonfarm Business, Recent Months

Twelve-month percent change in inflation-adjusted earnings of all employees



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

THE WEEK AHEAD

DAY

SELECTED UPCOMING DATA RELEASES & EVENTS

Wednesday, May 22 Existing Home Sales (April)

JEC Hearing, "The Economic Outlook" with Federal Reserve Chairman Ben Bernanke, Dirksen Senate Office Building, Room G-50, 10:00 am

Minutes of Federal Open Market Committee meeting, April 30-May 1

Thursday, May 23 New Residential Sales (April)

FHFA House Price Index (March, First Quarter)

Friday, May 24 Advance Report on Durable Goods Manufacturers' Shipments, Inventories and Orders (April)