WEEKLY ECONOMIC DIGEST
JOINT ECONOMIC COMMITTEE
Sen. Amy Klobuchar, Vice Chair

Rep. Carolyn Maloney, Senior Democratic House Member

September 24, 2013

Delays in Raising the Debt Ceiling Threaten the Economy

Debt-ceiling brinksmanship carries significant economic risks

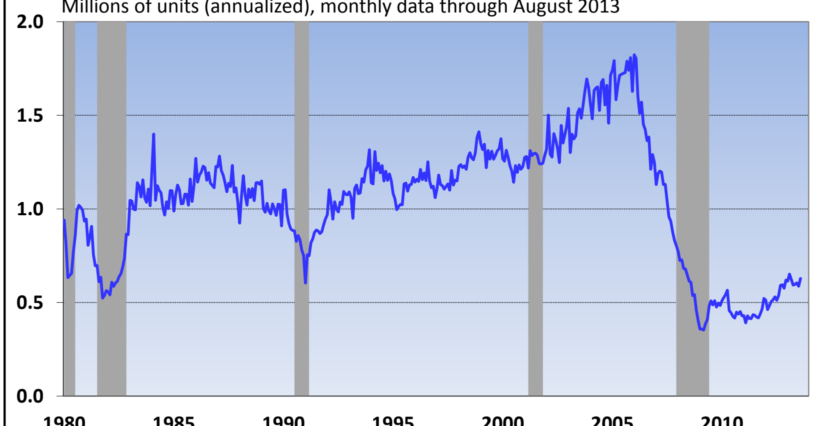
- The Treasury Department has warned that the U.S. may exceed the current debt limit by mid-October.
- In 2011, Congress waited until the last minute to increase the debt limit, with negative economic consequences, including the Dow Jones Industrial Average dropping 2,000 points, a downgrade of the U.S. credit rating by S&P, a sharp drop in consumer confidence and $1.3 billion in additional borrowing costs for fiscal year 2011 alone.
- Last Wednesday, the JEC held a hearing on the dangers of debt-limit brinksmanship, at which leading economists raised dire warnings about the economic consequences of once again waiting until the last minute to raise the debt limit.
- The JEC Democrats released a report, *The Economic Costs of Debt-Ceiling Brinksmanship*, which details how delays in raising the debt ceiling increase costs for the federal government and affect the market for U.S. debt, increasing uncertainty and costs for businesses, consumers and investors.

New home building rose in August

- Housing starts increased by 0.9 percent last month, following an increase of 5.8 percent in July.
- The August pace as reported by the Commerce Department (891,000 units at an annual rate) was 19.0 percent higher than the pace reported 12 months earlier.
- Single-family housing starts grew 7.0 percent last month, after declining 3.0 percent in July. Starts are 16.9 percent higher than a year earlier (see chart).
- Multi-family housing starts declined 11.1 percent in August following a 28.7 percent increase in July. Even with the volatility in recent months, multi-family housing starts have risen 24.1 percent over the past year.

New Home Building: Single Units Started

Millions of units (annualized), monthly data through August 2013



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

Note: Shaded areas denote periods of recession as determined by the National Bureau of Economic Research.

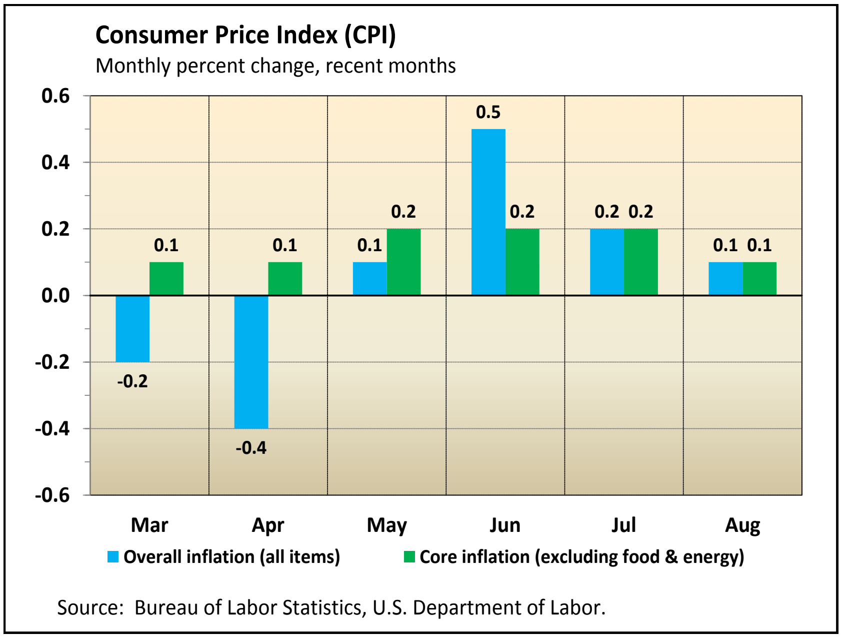
Weekly Economic Digest

Existing home sales reached 6½ year high in August

- Sales of existing single-family homes, townhomes, condominiums and co-ops increased by 1.7 percent last month and 6.5 percent in July.
- August sales were stronger than most market forecasters had expected, and home sales have risen 13.2 percent over the past 12 months.
- Existing homes are selling more rapidly than they were one year ago, and inventories of homes for sale have declined significantly.

Inflation continued to moderate and real labor earnings edged up in August

- The consumer price index (CPI) for all urban consumers increased 0.1 percent last month, after increasing 0.2 percent in July and 0.5 percent in June (see chart).
- The recent easing in inflation largely reflects some moderation in gasoline prices over the last two months.
- Core inflation (which excludes changes in the often volatile prices of food and energy) notched down to 0.1 percent last month.
- Average hourly earnings of private-sector employees edged up by 0.1 percent in August, after inflation, and by 0.7 percent over the past year.



The Week Ahead

DAY	SELECTED UPCOMING DATA RELEASES & EVENTS
Tuesday, Sep. 24	Home Price Indexes (FHFA and S&P/Case-Shiller, July)
Wednesday, Sep. 25	Advance Report on Durable Manufacturers' Shipments, Inventories and Orders (August)
	New Residential Sales (August)
	Flow of Fund Accounts (Second quarter)
Thursday, Sep. 26	Gross Domestic Product (Second quarter, third estimate)
	Corporate Profits (Second quarter, revised estimate)
Friday, Sep. 27	Personal Income and Outlays (August)