



WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE

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The Housing Recovery Continues Slowly

New home building declined last month but longer-term trends are positive

- Housing starts decreased by 6.5 percent in May, after rising by a total of 19.4 percent between February and April.
- Starts are now 9.4 percent higher than the pace reported 12 months earlier (see chart).
- In four of the last seven months, housing starts have topped a million units, a mark not surpassed since 2008.
- Most of the growth in housing starts over the past year has been in new multi-unit construction.
- The number of permits issued for new single-unit housing rose 3.7 percent in May, suggesting that single-unit starts may pick up over the near term.
- In June, home builders were notably more optimistic about the housing outlook than they were a month earlier, according to a survey by the National Association of Home Builders and Wells Fargo.

New Privately-Owned Housing Units Started

Thousands of units, seasonally adjusted at annual rates, monthly through May 2014



Source: Census Bureau.

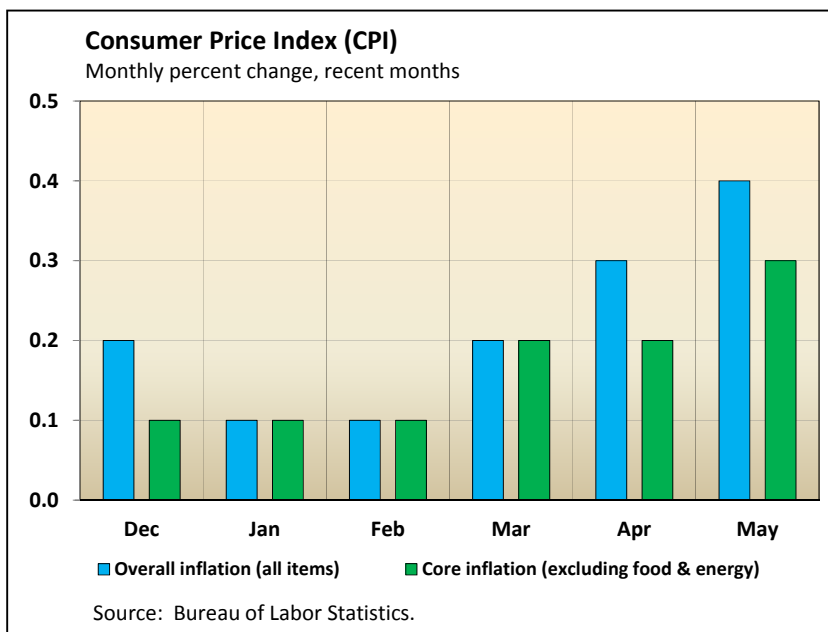
Sales of existing homes were stronger than expected in May

- Sales of existing single-family homes, townhomes, condominiums and co-ops increased by 4.9 percent last month, after increasing by 1.5 percent in April.
- Sales in May exceeded forecasters' expectations and were up for the second consecutive month following declines in the first three months of the year.
- Even with the recent gains, however, sales of existing homes remain below the levels that prevailed a year ago.

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Inflation remains below the Federal Reserve's longer-term goal

- A leading measure of inflation, the change in the consumer price index for all urban consumers (CPI), increased 0.4 percent last month (see chart).
- Core inflation (which excludes changes in the often volatile prices of food and energy) was 0.3 percent last month, up from 0.2 percent in March and April.
- CPI inflation has averaged 2.1 percent over the past 12 months, while core CPI inflation has averaged 2.0 percent.
- Average weekly earnings declined in April, after adjusting for inflation, and have changed little over the last 12 months, suggesting that labor costs are not fueling inflationary pressures.
- The Federal Reserve's preferred measure of core inflation (which typically is lower than the CPI-based measure) averaged just 1.4 percent over the 12 months through April, well below the central bank's target of 2 percent. In June, most Federal Reserve Board Members and Bank Presidents projected the basic measure of inflation will be 1.5 to 1.6 percent this year.



THE ECONOMY AT A GLANCE

Key Indicators	Months			Quarters			Years	
	May	Apr.	Mar.	2014-Q1	2013-Q4	2013-Q3	2013	2012
Real GDP growth (%)	—	—	—	-1.0	2.6	4.1	2.6	2.0
Unemployment (% of labor force)	6.3	6.3	6.7	6.7	7.0	7.3	7.0	7.8
Long-term unemployment (% of labor force)	2.2	2.2	2.4	2.4	2.6	2.7	2.6	3.1
Inflation (%)	0.4	0.3	0.2	1.9	1.1	2.2	1.2	1.9
Core inflation (% excludes food & energy)	0.3	0.2	0.2	1.6	1.6	1.8	1.7	1.9

Sources: Staff estimates based on data from the Bureau of Economic Analysis and the Bureau of Labor Statistics.

Notes: (—) Real GDP data are not released on a monthly basis. (n.a.) Data are not yet available.

Real GDP growth is the change in gross domestic product after adjusting for inflation. Long-term unemployment refers to those workers who have been unemployed for 27 weeks or longer. Inflation and core inflation refer to changes in the relevant consumer price indexes for all urban consumers. Quarterly estimates of GDP growth and inflation are reported at annual rates. Yearly estimates of GDP growth and inflation are Q4-to-Q4.

Yearly unemployment rate estimates are Q4 averages.