



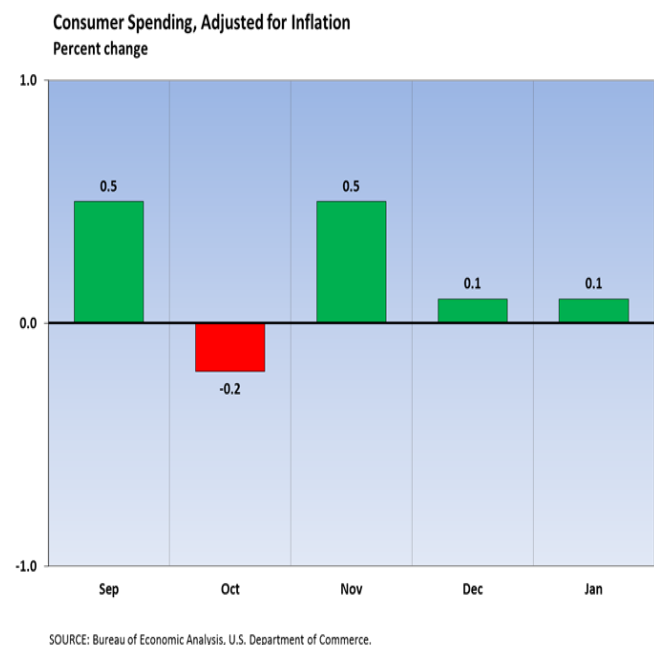
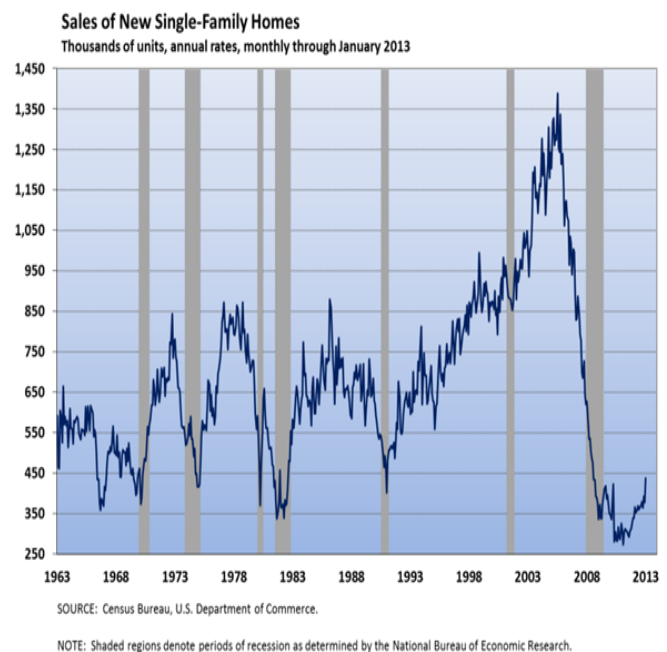
WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE
SENATOR AMY KLOBUCHAR, VICE CHAIR

March 5, 2013

New Data Suggest the Economy is Growing at a Moderate Pace *New home sales and consumer spending up*

- New home sales surged in January. Sales of new single-family homes increased 15.6 percent in January, more than recovering from a 3.8 percent decline in December (see top chart). Inventories of unsold new homes dropped to the lowest level in nearly eight years. With inventories low, new home construction could soon accelerate.
- Consumer spending edged up in January even as income fell. Consumer spending rose 0.1 percent in January (see bottom chart). That increase came despite a 4.0 percent drop in after-tax income, due, in part, to some businesses having moved up payments of dividends and bonuses to late last year in order to avoid higher tax rates that had been anticipated for 2013. The expiration of the payroll tax cut at the start of this year also reduced after-tax income in January. Surveys show that consumer confidence strengthened in February.
- Construction spending fell in January. Construction spending fell 2.1 percent in January, driven by declines in both private nonresidential construction (down 5.1 percent) and government construction (down 1.0 percent). However, private home construction, which was flat in January, is up 22.0 percent from a year ago.
- The sequester will weaken the economy. The CBO estimates that the spending cuts will shave 0.6 percentage point off of U.S. growth this year and will cost the economy about 750,000 jobs. Economic growth is likely to be hit the hardest in the second and third quarters of this year.



WEEKLY ECONOMIC DIGEST

THE WEEK AHEAD

DAY	SELECTED UPCOMING DATA RELEASES & EVENTS
Tuesday, Mar. 5	Institute for Supply Management Report on Non-Manufacturing Business (February)
Wednesday, Mar. 6	Full Report on Manufacturers' Shipments, Inventories and Orders (January)
Thursday, Mar. 7	U.S. International Trade in Goods and Services (January) Consumer Credit (January) Productivity and Costs (Q4, revised)
Friday, Mar. 8	The Employment Situation (February) Monthly Wholesale Trade: Sales and Inventories (January)

THE ECONOMY AT A GLANCE

KEY INDICATORS	MONTH			QUARTER			YEAR	
	Jan.	Dec.	Nov.	2012Q4	2012Q3	2012Q2	2012	2011
<u>Economic Activity</u>								
Real gross domestic product	—	—	—	0.1	3.1	1.3	2.2	1.8
Manufacturing production	-0.4	1.1	1.7	2.0	-0.7	0.7	4.2	4.3
Factory utilization rate (percent of capacity)	77.6	78.0	77.3	77.1	77.0	77.5	77.3	75.0
Civilian unemployment rate (percent of labor force)	7.9	7.8	7.8	7.8	8.0	8.2	8.1	8.9
Housing starts (thousands of units, annual rates)	890	973	841	901	774	736	781	612
Light vehicle sales, domestic (millions of units, annual rates)	12,077	12,012	12,047	11,724	11,346	10,995	11.242	9.805
Retail & food service sales	0.1	0.5	0.5	6.1	5.3	-0.6	5.0	8.0
Real disposable personal income	-4.0	2.7	1.2	6.2	0.7	2.2	1.5	1.3
Personal saving rate (percent of disposable income)	2.4	6.4	4.0	4.6	3.6	3.8	3.9	4.2
<u>Inflation & Productivity</u>								
CPI-U inflation	0	0	-0.2	2.2	2.1	1.0	2.1	3.1
Core CPI-U inflation	0.3	0.1	0.1	1.7	1.6	2.4	2.1	1.7
Output per hour, nonfarm bus.	—	—	—	-2.0	3.2	1.9	1.0	0.7
Unit labor costs, nonfarm bus.	—	—	—	4.5	-2.3	-0.5	0.7	2.0
Employment Cost Index	—	—	—	2.1	1.7	2.1	1.9	2.0

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.