



July 30, 2015

MONTHLY ECONOMIC DIGEST

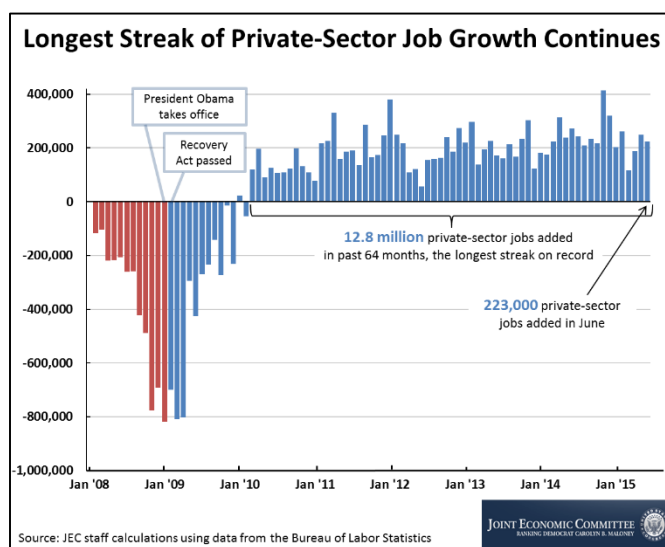
Covering data released between June 24th and July 30th

The economy remains on a positive growth trajectory. June marked the 64th consecutive month of private-sector job gains. The housing market continues to show significant year-over-year gains. And while retail sales fell slightly in June, continued gains in employment and real household income are reason to be optimistic that we will see strong consumer spending going forward. Economic growth picked up in the second quarter with the advance GDP estimate suggesting that the economy expanded at an annual rate of 2.3 percent. In the second half of the year, the economy is expected to grow at an annual rate of 3 percent.

However, some analysts warn that planned federal spending cuts due to sequestration could slow economic growth. There is also concern that growth could be hampered by fears that there could be a federal government shutdown in the fall and by potential headwinds from economic conditions overseas.

The Labor Market Continues to Strengthen

- **Jobs:** Nonfarm employers added 223,000 jobs in June, with the private sector accounting for all of those job gains. 12.8 million private-sector jobs have been added over the past 64 months.
- **Earnings:** Average hourly earnings of private nonfarm workers stayed constant in June at \$24.95 per hour, but were up by 2.0 percent over the last 12 months. Other measures of wages show more robust growth, for example, the median increase in hourly pay received by the same worker over the last 12 months was 3.2 percent (according to the Atlanta Fed's Wage Growth Tracker).
- **Unemployment:** The unemployment rate decreased to 5.3 percent last month. There are 8.3 million jobless workers seeking employment. During the recession, the unemployment rate was as high as 10.0 percent, at a time which more than 15.3 million individuals were unemployed.
- **Job Openings:** Job openings were little changed in May, after increasing by 4.4 percent in April. On average, there were 1.6 unemployed workers for every job opening in May. During the depths of the downturn there were about seven unemployed workers per job opening.
- **Separations:** Hiring and voluntary separations edged down slightly in May, but they have risen over the last 12 months. Workers having the confidence to change jobs is a sign of improving labor market conditions.



The Housing Market Continues to Show Improvement

- **Housing Starts:** The number of new single-family housing starts edged down by 0.9 percent in June, after decreasing by 6.0 percent in May. Nevertheless, single-family housing starts are still 5.9 percent above the average level in 2014. The number of new multi-family housing starts surged in June; however, they tend to be more volatile.



- **Residential Construction Permits:** The number of permits issued for new construction of single-family homes increased 1.6 percent in June. Over the past three months, residential construction permits have grown an average of 2.5 percent per month. The increase in construction permits suggests that new home building will likely increase in the coming months.
- **New Home Sales:** Sales of new single-family homes decreased 6.8 percent in June, but are up 18.1 percent over the past 12 months. Economists generally believe that rising new home sales are an indication that household consumption will likely increase in coming months.

Retail Sales Decreased Unexpectedly in June

- **Retail Sales:** Retail sales edged down 0.3 percent in June, according to the Census Bureau's advance estimate. Excluding automotive sales, which fluctuate widely, retail sales edged down by less than 0.1 percent last month. Over the past 12 months retail sales have increased 1.4 percent. Retail sales are an important component of consumer spending, which accounts for roughly two-thirds of economic activity.

International Economic Developments

- **Greece:** While the Greek debt crisis poses no significant, direct threat to the U.S. economy, its larger implications for the cohesion of the European Monetary Union remain a concern. Prospects for Greece's recovery continue to be limited by harsh cutbacks demanded by creditors in the recent bailout deal, uncertainty regarding future negotiations with creditors and an unstable political situation.
- **China:** The Shanghai Composite Index lost over 32 percent of its value in June, after having increased by over 150 percent in the preceding 12 months. The Chinese central bank cut interest rates to record lows and took other extraordinary measures in an effort to curb the selloff. China's inability to fully stabilize the market has raised concerns about the potential effects on the global economy.

Additional Reading

Ana Swanson, "The Growing Wealth Gap that Nobody is Talking About," *The Washington Post* (7/29/15)

Jeffrey Sparshott, "Rising Rents Outpace Wages in Wide Swaths of the U.S.," *The Wall Street Journal* (7/28/15)

Nick Timiraos, "Are Home Prices Again Breaking Records? Not Really," *The Wall Street Journal* (7/28/15)

Noam Scheiber, "Raising Floor for Minimum Wage Pushes Economy Into the Unknown," *The New York Times* (7/26/15)

Additional resources are available on the JEC Democrats' website (www.bit.ly/jecdems)

THE ECONOMY AT A GLANCE								
Key Indicators	Months			Quarters			Years	
	Jun	May	Apr	2015-Q2	2015-Q1	2014-Q4	2014	2013
Real GDP growth (%)	—	—	—	2.3	0.6	2.1	2.5	2.5
Unemployment (% of labor force)	5.3	5.5	5.4	5.4	5.6	5.7	5.7	7.0
Long-term unemployment (% of labor force)	1.4	1.6	1.6	1.5	1.7	1.8	1.8	2.6
Inflation (%)	0.3	0.4	0.1	3.0	-3.1	-0.9	1.2	1.2
Core inflation (% , excludes food & energy)	0.2	0.1	0.3	2.5	1.7	1.5	1.7	1.7
Real hourly wages and salaries, private industry (growth %)	—	—	—	N/A	3.5	3.4	1.4	0.8

Sources: JEC Democratic staff estimates based on data from the Bureau of Economic Analysis and the Bureau of Labor Statistics

Notes: (—) data are not released on a monthly basis; (N/A) data are not yet available; real wages are based on nominal data from the National Compensation Survey and are adjusted for inflation in personal consumption expenditures; quarterly change in real wages is measured between the final months of each quarter.