



## MONTHLY ECONOMIC DIGEST

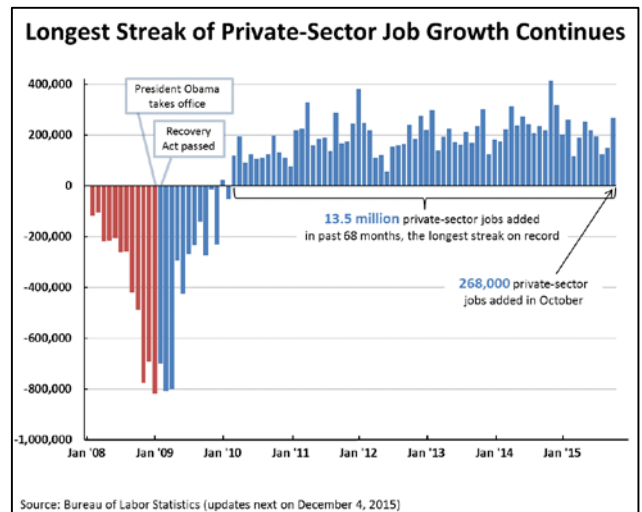
*Covering data released between October 6<sup>th</sup> and November 18<sup>th</sup>*

*The economy continues to improve. October marked the 68<sup>th</sup> consecutive month of private-sector job gains, adding 13.5 million private-sector jobs over that period and extending the longest streak on record. The unemployment rate is at its lowest level since early 2008, and the underemployment rate (U-6) declined last month to 9.8 percent, the lowest level since May 2008.*

*Economic growth continued moderately in the third quarter with the advance estimate of gross domestic product (GDP) indicating that the economy expanded at an annual rate of 1.5 percent. Many economists stress that while GDP growth has been moderate we are still seeing strength in private aggregate demand.*

### October Marked the Strongest Three Years of Private-Sector Job Creation Since 2000

- **Nonfarm employers** added 271,000 jobs in October, with the private sector accounting for most (268,000) of those job gains. **Private-sector employers** have added 13.5 million jobs over the past 68 months.
- **Average hourly earnings** of private nonfarm workers increased in October by 9 cents to \$25.20 per hour, and were up by 61 cents (2.5 percent) over the last 12 months.
- The **unemployment rate** edged down to 5.0 percent last month, half of its recession-era peak of 10.0 percent. It is now slightly below CBO's estimate of a 5.06 percent [natural rate of unemployment](#) in 2015 Q3, the rate considered by economists to be normal in an economy operating at its potential. There are 7.9 million **unemployed individuals** looking for work, slightly more than half of the number of individuals who were unemployed at the recession-era peak.
- The prospects for unemployed workers continue to improve. In September, there were only 1.4 **unemployed workers for every job opening**, while during the depths of the downturn there were about 7 unemployed workers for every job opening.



### The Housing Market Continues to Show Some Improvement

- The number of **new single-family housing starts** decreased by 2.4 percent in October, after increasing by 0.8 percent in September. Nevertheless, single-family housing starts are still 11.6 percent above the average level in 2014. Over the past three months, **residential construction permits** have grown an average of 0.7 percent per month, suggesting that new home building likely will increase, providing a further boost to the economy.
- **Sales of new single-family homes** decreased by 11.5 percent in September, but are up 2.0 percent over the past 12 months. Economists generally believe that rising new home sales are an indication that household consumption will increase in coming months.



## Retail Sales Edged Up in October

- **Retail sales**, excluding auto sales which fluctuate widely, edged up 0.2 percent in October, according to the Census Bureau's advance estimate. Over the past 12 months, this figure decreased 0.3 percent. Retail sales are an important component of consumer spending, which accounts for roughly two-thirds of economic activity.

## Gasoline Prices Declined Over the Past Four Weeks

- **Retail gasoline prices** declined by 10 cents per gallon over the last four weeks (not seasonally adjusted)—the average national price of regular gasoline is now \$2.18 per gallon. Average prices were \$2.89 per gallon a year ago and they were over \$3.94 per gallon at the recent peak in April 2014.

## International Economic Developments

- **Japan's economy contracted** in the third quarter at an annual rate of 0.8 percent, preceded by a contraction of 0.7 percent in the prior quarter, sparking fear that Japan has entered a recession. However, the Bank of Japan has no plans for further monetary easing, citing the improvement in inflation expectations and aggregate demand.
- **Growth in the Eurozone** was slower than expected in the third quarter, and will likely not be strong enough to lift CPI inflation, currently at zero percent, towards its inflation target of 2 percent. Another round of quantitative easing (QE) from the ECB (European Central Bank) is expected as soon as their December 3<sup>rd</sup> meeting. The expected divergence in monetary policy between the US Federal Reserve and the ECB—as the Fed considers raising rates while the ECB pursues accommodative policies—will likely lead to further euro depreciation relative to the U.S. dollar in the near term.

## Additional Reading

Ezra Fieser et al., “Puerto Rico is Running Out of Options,” Bloomberg Businessweek (11/12/15)

Josh Barro, “We’re Living Longer. That’s Great, Except for Social Security,” *The New York Times* (11/17/15).

Neil Irwin, “The October Job Numbers Are a Big Relief,” *The New York Times* (11/6/15)

Lawrence Summers, “Advanced Economies Are So Sick We Need...,” *The Washington Post* (11/3/15)

*Additional resources are available on the JEC Democrats' website ([www.bit.ly/jecdems](http://www.bit.ly/jecdems))*

THE ECONOMY AT A GLANCE								
Key Indicators	Months			Quarters			Years	
	Oct	Sep	Aug	2015-Q3	2015-Q2	2015-Q1	2014	2013
Real GDP growth (%)	—	—	—	1.5	3.9	0.6	2.5	2.5
Unemployment (% of labor force)	5.0	5.1	5.1	5.1	5.4	5.6	5.7	7.0
Long-term unemployment (% of labor force)	1.4	1.3	1.4	1.4	1.5	1.7	1.8	2.6
Inflation (%)	0.2	-0.2	-0.1	1.6	3.0	-3.1	1.2	1.2
Core inflation (% , excludes food & energy)	0.2	0.2	0.1	1.7	2.5	1.7	1.7	1.7
Real hourly wages and salaries, private industry (growth %)	—	—	—	2.7	-1.7	3.3	1.4	0.6

Sources: JEC Democratic calculations 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, inflation and real wages are reported at annual rates. 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. Yearly estimates of GDP growth and inflation are Q4-to-Q4. Yearly unemployment rate estimates are Q4 averages. Yearly estimates of change in real wages are measured from December to December.