



WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE

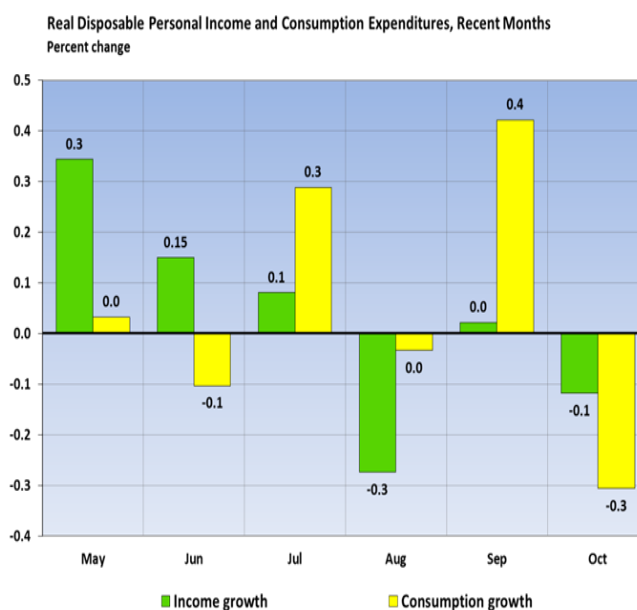
UNITED STATES CONGRESS

SENATOR ROBERT P. CASEY, JR., CHAIRMAN

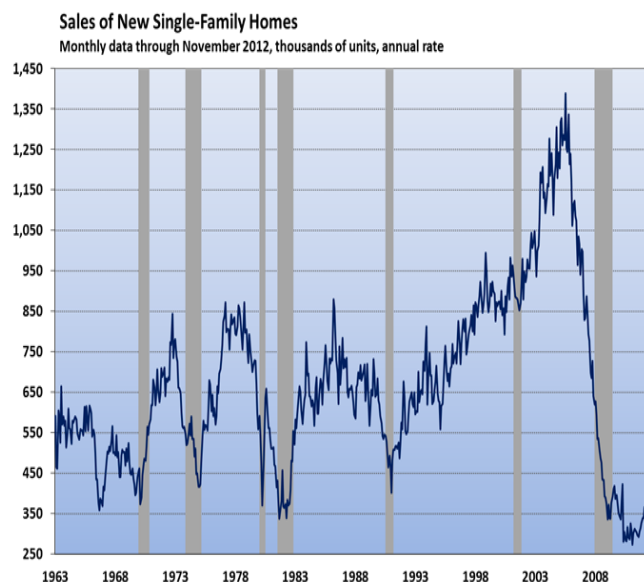
December 4, 2012

Household Spending Declined in October

- Consumer outlays declined as income flattened in October. In dollar terms, personal income was unchanged in October and disposable personal income (which subtracts personal tax payments from personal income) was also flat last month. Personal consumption expenditures declined 0.2 percent, following a 0.8 percent increase in September. Hurricane Sandy was a factor in depressing income and outlays in October. After adjusting for the effects of inflation, disposable personal income edged down 0.1 percent in October following no change in September (see top chart). In real terms, personal consumption expenditures decreased by 0.3 percent in October following a gain of 0.4 percent in September. Personal saving edged up to 3.4 percent of disposable personal income in October.
- New home sales edged down in October. Sales of new single-family homes decreased 0.3 percent last month to a seasonally adjusted annual rate of 368,000 units (see bottom chart). Last month's decrease followed a (revised) increase of 0.8 percent in September. Sales declined in the South (down 11.6 percent) and the Northeast (down 32.3 percent, likely storm related) but sales rose in the West (up 8.8 percent) and the Midwest (up 62.2 percent following a 32.7 percent plunge in September). The stock of unsold new homes increased to 4.8 months of current sales in October.
- But consumer confidence rose again in November. The Conference Board's index of consumer confidence increased 0.8 percent this month following increases of 6.9 percent in October and 11.6 percent in September (see chart). The latest gain in confidence primarily reflects more optimism among consumers regarding the outlook.



SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce.



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

NOTE: Shaded regions denote periods of recession as determined by the National Bureau of Economic Research.

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THE WEEK AHEAD

DAY	SELECTED UPCOMING DATA RELEASES & EVENTS
Wednesday, Dec. 5	Full Report on Manufacturers' Shipments, Inventories and Orders (October) Productivity and Costs (Q3, second estimate) Institute for Supply Management Report on Business—Non-Manufacturing (November)
Thursday, Dec. 6	Joint Economic Committee Hearing: "Fiscal Cliff: How to Protect the Middle Class, Sustain Long-Term Economic Growth, and Reduce the Federal Deficit," Hart Senate Office Building, Room 216, 9:30 a.m.
Friday, Dec. 7	The Employment Situation (November) Consumer Credit (October)

THE ECONOMY AT A GLANCE

KEY INDICATORS	MONTH			QUARTER			YEAR	
	Oct.	Sep.	Aug.	2012Q3	2012Q2	2012Q1	2011	2010
<u>Economic Activity</u>								
Real gross domestic product	—	—	—	2.7	1.3	2.0	1.8	2.4
Manufacturing production	-0.9	0.1	-0.9	-1.1	0.7	9.8	4.3	5.7
Factory utilization rate (percent of capacity)	75.9	76.7	76.7	77.0	77.5	77.6	75.0	71.2
Civilian unemployment rate (percent of labor force)	7.9	7.8	8.1	8.1	8.2	8.2	8.9	9.6
Housing starts (thousands of units, annual rates)	894	863	750	780	736	715	612	586
Light vehicle sales, domestic (millions of units, annual rates)	11.116	11.495	11.544	11.336	10.999	10.906	9.805	8.812
Retail & food service sales	-0.3	1.3	1.0	5.3	-1.0	6.6	8.0	5.5
Real disposable personal income	-0.1	0	-0.3	0.8	3.1	3.7	1.3	1.8
Personal saving rate (percent of disposable income)	3.4	3.3	3.7	3.6	3.8	3.6	4.2	5.1
<u>Inflation & Productivity</u>								
CPI-U inflation	0.1	0.6	0.6	2.3	0.8	2.5	3.1	1.6
Core CPI-U inflation	0.2	0.1	0.1	1.5	2.6	2.1	1.7	1.0
Output per hour, nonfarm bus.	—	—	—	1.9	1.9	-0.5	0.7	3.1
Unit labor costs, nonfarm bus.	—	—	—	-0.1	1.7	6.4	2.0	-1.0
Employment Cost Index	—	—	—	1.7	2.1	1.7	2.0	1.9

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.