



# WEEKLY ECONOMIC DIGEST

## JOINT ECONOMIC COMMITTEE

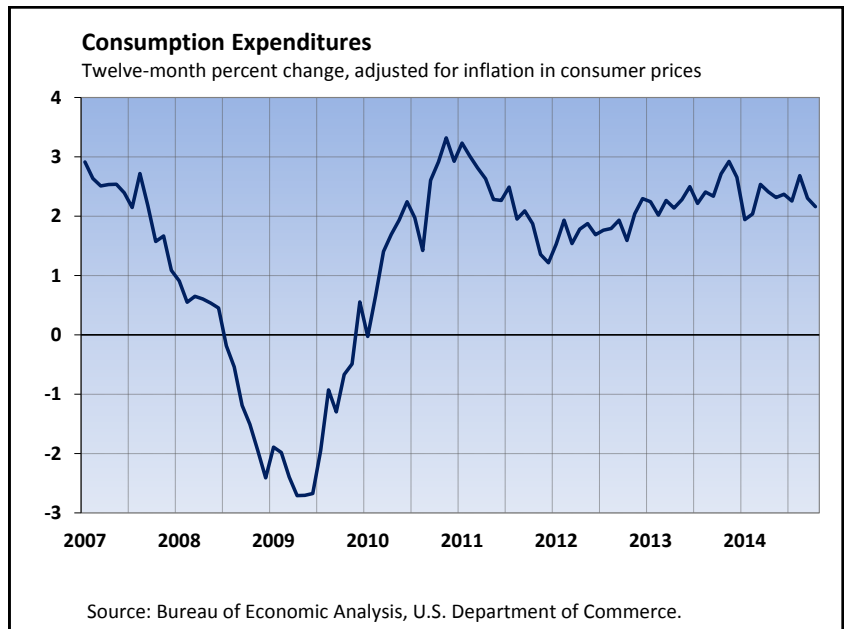
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December 2, 2014

## Household Spending Rose in October

### Consumer spending and income accelerated in October

- Consumer spending on goods and services rose by 0.2 percent in October, following no change in September.
- After-tax personal income also rose 0.2 percent in October, after growing 0.1 percent in September.
- Declining energy prices have helped boost purchasing power for consumers in recent months.
- After accounting for inflation, consumer spending remains 2.2 percent above last year's level (see chart) while after-tax income is 2.5 percent higher.
- Recent surveys of households indicate that consumers are generally more optimistic about near-term economic prospects than they were last year at this time.



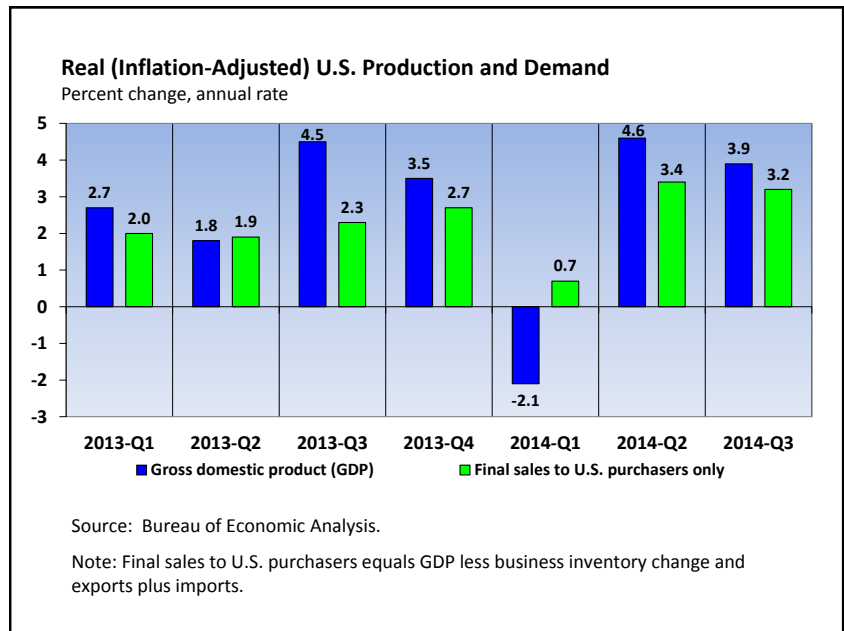
### Sales of single-family homes rose again in October

- Sales of new single-family homes increased 0.7 percent in October, the third consecutive monthly increase, and have increased at a 4.4 percent average annual rate over the first 10 months of the year.
- Sales of existing single-family homes increased 1.3 percent in October, the second consecutive monthly gain, and have risen at a 9.3 percent average annual rate so far this year.
- The pickup in sales is spurring increases in new home building: starts of single-family homes increased by 4.2 percent in October, and have increased at a 3.7 percent average annual rate since the start of the year.

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## Economic activity in the third quarter was even more robust than previously estimated

- Real (inflation-adjusted) gross domestic product (GDP) increased at a 3.9 percent annual rate in the third quarter, according to revised estimates from the Department of Commerce (see chart).
- Previously, the Department had estimated third-quarter growth at 3.5 percent.
- The revisions largely reflect newly-available monthly data indicating that spending by consumers and businesses was stronger in the third quarter than preliminary data had suggested.
- The economy has grown at an average annual rate of 4.2 percent over the past two quarters, following a contraction during the first quarter of the year.
- Domestic demand for goods and services has grown steadily at a relatively high rate over the past two quarters.
- Final sales of goods and services to U.S. purchasers (a measure of domestic demand that subtracts exports and business inventory change from GDP and adds back imports) rose at an average rate of 3.3 percent during the last two quarters, more than a percentage point above the growth in demand over all of 2013.



## THE ECONOMY AT A GLANCE

Key Indicators	Months			Quarters			Years	
	Oct	Sep	Aug	2014-Q3	2014-Q2	2014-Q1	2013	2012
Real GDP growth (%)	—	—	—	3.9	4.6	-2.1	3.1	1.6
Unemployment (% of labor force)	5.8	5.9	6.1	6.1	6.2	6.7	7.0	7.8
Long-term unemployment (% of labor force)	1.9	1.9	1.9	1.9	2.1	2.4	2.6	3.1
Inflation (%)	0.0	0.1	-0.2	1.1	3.0	1.9	1.2	1.9
Core inflation (% excludes food & energy)	0.2	0.1	0.0	1.3	2.5	1.6	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.