



LOW INFLATION AND SUBDUED ECONOMIC ACTIVITY FUEL ARGUMENTS FOR CONGRESSIONAL ACTION

KEY ECONOMIC STATISTICS

RETAIL SALES

\$360.2 billion ↓0.5%

June 2010

INFLATION (CPI-U)

↓0.1%

June 2010

CORE INFLATION

↑0.2%

June 2010

INDUSTRIAL PRODUCTION

↑0.1%

June 2010

CAPACITY UTILIZATION

74.1%, unchanged

June 2010

INITIAL JOBLESS CLAIMS 4-WEEK AVG

455,250 ↓11,750

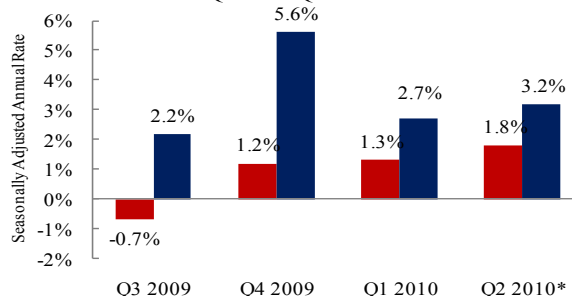
Week Ending July 10, 2010

Declining Energy Prices Keep Inflation Subdued. Falling energy prices once again drove down the Consumer Price Index for All Urban Consumers (CPI-U), according to the Bureau of Labor Statistics. The key measure of inflation fell 0.1 percent in June, led by a 2.9 percent drop in energy prices. June's decline in the overall price index followed a 0.2 percent decrease in May, and a 0.1 percent decline in April. Core CPI-U, which excludes food and energy, increased 0.2 percent over the month; the index has increased only 0.9 percent since June 2009. Projections by the Administration, the Federal Reserve, and the Congressional Budget Office all suggest that inflation will remain low through 2012. Because rising prices do not appear to be a concern for an extended period of time, it is likely that the Fed will turn its attention to its other mandate, maximizing employment.

JEC 2010 Annual Report Highlights Need for Targeted Spending.

The report shows that the economic recovery remains fragile, although the economy has strengthened with private sector payrolls expanding in each of the first six months of 2010. The report, www.jec.senate.gov, shows that targeted spending, including extending unemployment benefits, additional temporary aid to state and local governments and increased access to credit for small businesses, spurs growth and employment. These results are bolstered by the Council of Economic Advisers' (CEA) fourth quarterly report on the economic impact of the Recovery Act, which estimates that GDP as of the second quarter of 2010 was between 2.7 percent and 3.2 percent higher than it would have been without the Recovery Act. (See Chart) The CEA also estimated that roughly \$100 billion in Recovery Act funds were leveraged into \$380 billion of spending on infrastructure, investments in clean energy manufacturing and small businesses.

Impact of Stimulus on Gross Domestic Product
Estimated GDP Growth **With** and **Without** the Recovery Act,
Q3 2009 - Q2 2010



* Q2 2010 GDP growth with stimulus is based on an estimate coming from Blue Chip Consensus as of July 10, 2010.
Source: JEC Majority Staff based on data from the Council of Economic Advisers, the Bureau of Economic Analysis.

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Manufacturing Output Slows; Capacity Utilization Is Unchanged. Preliminary estimates show that industrial production rose 0.1 percent in June, after rising 1.3 percent in May. Manufacturing production slowed, falling by 0.4 percent over the month; the drop comes after three consecutive months of growth at or near 1.0 percent. Despite the slowdown, output remains 8.3 percent above its June 2009 level. Higher-than-usual temperatures across parts of the country pushed up utilities' production by 2.7 percent. Production increased in all major market groups over the year: consumer products, business equipment, construction supplies, and materials. Preliminary estimates show that capacity utilization across all industries remained at 74.1 percent in June. Capacity utilization in manufacturing fell 0.3 percentage points last month; however, it is still up 6.0 percentage points from its June 2009 trough, eliminating some of the spare capacity generated during the recession. Capacity utilization still remains 7.8 percentage points below its 1972-2009 average. While preliminary data on industrial production and capacity utilization are consistent with a continued recovery, the data suggest that the pace of economic expansion has slowed. Consistent with expectations of more subdued economic activity, the Federal Open Market Committee downwardly revised its forecast for GDP growth in 2010 to a range of 3.0 to 3.5 percent at its June meeting.

WEEK of JULY 19

Tuesday, July 20

Housing Starts

June 2010

Wednesday, July 21

JEC Report

Understanding the Economy: State by State

June 2010

Thursday, July 22

Existing Home Sales

June 2010