



# WEEKLY ECONOMIC DIGEST

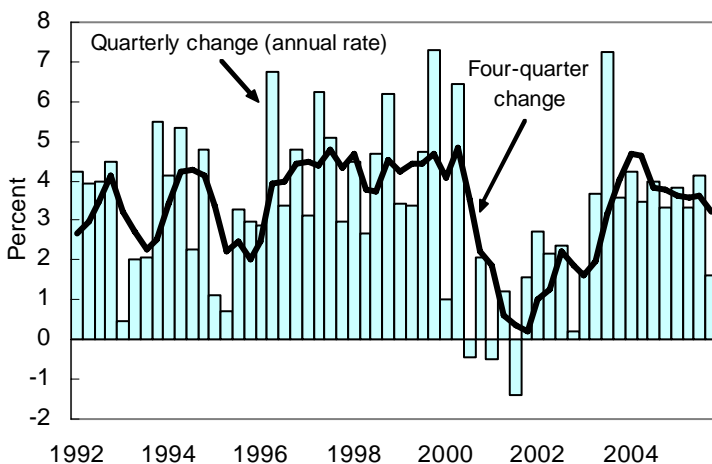


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

March 7, 2006

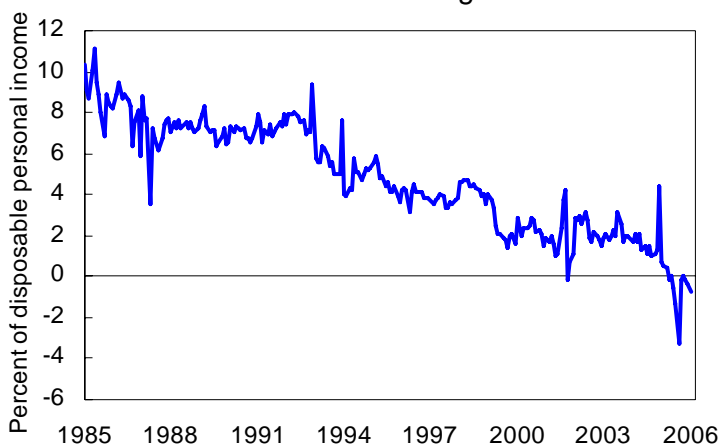
## Fourth Quarter Growth Still Disappointing in Revised Estimate

Growth of Real Gross Domestic Product



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

Personal Saving



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

- **Fourth-quarter economic growth was revised up slightly.** Real (inflation-adjusted) gross domestic product (GDP) grew at a 1.6 percent annual rate in the fourth quarter, according to revised estimates by the Department of Commerce (see top chart). Although higher than last month's initial estimate of 1.1 percent, the revised growth rate is only about half of the economy's long-term trend rate of growth. Over all of 2005, real GDP rose 3.2 percent, and forecasters see growth picking up again in the current quarter.
- **Consumption growth moderated in January.** Real personal consumption expenditures grew by a solid 0.4 percent in January. That growth was only about half of the unusually strong pace set in November and December but should nevertheless provide a base for growth in the first quarter. Because disposable personal income rose by just 0.1 percent after inflation in January, the personal saving rate slipped for the third straight month to -0.7 percent (see bottom chart).
- **Construction spending grew again in January.** Private construction spending rose for the seventh consecutive month in January, though the pace of growth slowed to 0.2 percent. Construction spending by businesses rose by 0.5 percent in the month to a level 5.6 percent higher than a year earlier. Growth of residential construction spending slowed to 0.1 percent, the slowest pace since last June. Over the 12 months ending in January, residential construction spending rose by 6.5 percent.
- **Sales of existing homes continued to slide.** Sales of existing homes declined for the fifth consecutive month in January, falling by 2.8 percent to 6.56 million units at an annual rate. That rate was 5.2 percent lower than the rate in January 2005. Despite the softening in sales, the median price of existing single-family homes was relatively high at \$210,500 in January, 13.1 percent above a year earlier.

The Economy at a Glance	Feb	Jan	Dec	Nov	2005 Qtr 4	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2005	2004
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	1.6	4.1	3.3	3.8	3.5	4.2
Industrial Production (% growth)	n.a.	-2.4	11.4	14.0	5.6	1.4	1.6	3.8	3.3	4.1
Capacity Utilization (level, %)	n.a.	80.9	81.2	80.6	80.6	79.8	79.9	79.9	80.1	78.6
Civilian Unemployment Rate (level, %)*	n.a.	4.7	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5.5
Housing Starts (thousands)	n.a.	2276	1988	2136	2058	2101	2044	2083	2072	1950
Real Disposable Personal Income (% growth)	n.a.	0.7	6.4	9.0	7.1	-2.0	0.2	-3.4	1.5	3.4
Retail Sales (% growth)	n.a.	32.0	4.6	11.2	2.0	6.9	11.2	4.8	7.5	7.3
Personal Saving Rate (level, %)	n.a.	-0.7	-0.4	-0.2	-0.2	-1.6	-0.2	0.5	-0.4	1.8
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)	n.a.	8.7	-1.2	-8.1	3.2	5.5	3.7	2.5	3.4	2.7
Core CPI-U Inflation (% growth)	n.a.	2.4	1.2	2.4	2.4	1.6	2.0	2.5	2.2	1.8
Employment Cost Index (% growth)	—	—	—	—	3.2	3.2	2.8	2.8	3.2	3.9
Output per Hour (% growth)*	—	—	—	—	-0.6	4.5	2.1	3.2	2.7	3.4
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	4.43	4.24	3.89	3.88	3.83	3.36	2.86	2.54	3.15	1.37
T-note Rate, 10-years (level, %)	4.57	4.42	4.47	4.54	4.49	4.21	4.16	4.30	4.29	4.27
Federal Funds Rate (level, %)	4.49	4.29	4.16	4.00	3.98	3.46	2.94	2.47	3.22	1.35
Dow Jones Industrial Avg (index level)	10971	10872	10828	10695	10616	10544	10382	10648	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

\* Subject to revision over the next week.

### Upcoming Economic Releases:

- **Productivity and Costs: Revised Fourth Quarter and Annual Averages for 2005** [Release: Tuesday, March 7]
- **Consumer Credit: January 2005** [Release: Tuesday, March 7]
- **U.S. International Trade in Goods and Services: January 2006** [Release: Thursday, March 9]
- **The Employment Situation: February 2006** [Release: Friday, March 10]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: February 2006** [Release: Friday, March 10]
- **Advance Monthly Sales for Retail and Food Services: February 2006** [Release: Tuesday, March 14]