



JOINT ECONOMIC COMMITTEE
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For Immediate Release
July 31, 2007

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SCHUMER: MIXED BAG OF ECONOMIC NEWS PROVES WE MUST ACT TO STEM THE TIDE OF SUBPRIME MORTGAGE MELTDOWN

Favorable Consumer Confidence and Inflation Measures Tempered by More Bad News for Housing and Home Construction

Today, the U.S. Department of Commerce announced a barrage of economic statistics. Headlining the economic news, the price index for personal consumption expenditures (PCE), excluding the highly volatile food and energy, rose 0.1% in June, matching its rise in the previous three months and placing inflation in the Federal Reserve's preferred range. Separately, the Conference Board announced the Consumer Confidence Index hit 112.6 in July, its highest level since August 2001.

However, other numbers released by the Commerce Department today showed a weakening in consumption in June, especially in housing-related categories, a slight deceleration in the wage component of the Employment Cost Index, and continued weakness in residential housing. In response to today's mixed bag of numbers, **U.S. Senator Charles E. Schumer (D-NY), the chairman of the Joint Economic Committee (JEC)**, reiterated his support to help existing homeowners with enhanced resources to stem the tide of avoidable subprime foreclosures which would help bolster the housing market.

"The good economic news on the inflation and consumer confidence front is tempered once again by weak housing and construction data and a slowdown in consumer spending," Schumer said. **"The bottom line is that the administration needs to take a much more proactive role to avert widespread economic troubles stemming from the serious subprime mortgage fallout."**

Consumer Confidence at Six Year High

According to the Conference Board, a private research group, consumer confidence rose to 112.6 in July and its highest level since August of 2001, when it reached 114.0. The preliminary report

is based on a monthly survey of 5,000 U.S. households. However, the collection cut off for preliminary reports was July 24th, prior to last week's tumble in the stock market.

Personal Consumption Expenditures Flat in June, Exposed Weakness in Housing, Auto Markets

After adjusting for inflation, personal consumption spending was flat in June, with a 1.6 percent drop in spending on durable goods. Much of that drop stemmed from a decline in consumer spending on motor vehicles and parts (-2.2 percent).

A number of housing-related categories of consumption also showed weakness in June, indicating the ripple effect of the fallout in the housing market as a whole. For example, consumer spending on furniture was down 0.7 percent, and spending on housing services decelerated to a 0.1 percent gain.

Wages Up, But Growth in Wages Down

Compensation costs (wages plus salaries) for civilian workers rose by 0.9% from March to June, following a 0.8 percent gain over the previous 3 months. However, wage and salary growth decelerated to 0.8% from 1.1% in the previous quarter.

Residential Construction Spending Down Signaling that Housing Weakness Continues

Total construction spending decreased 0.3 percent to \$1.175 trillion in June. That is 2.4% lower than a year ago. Private residential construction spending decreased 0.7 percent to \$544 billion in June, and is 16.4 percent lower than a year ago.

One of the few points of strength, non-residential and public construction remains strong. Growth of private nonresidential construction spending slowed to 0.3 percent in June, but is 17.4 percent higher than a year ago. Public construction spending remained at \$284 billion in June, and is 10.4 percent above year-ago levels.

Home Prices Decline Again

Home prices continue to fall, marking the 18th consecutive decline in the growth rate of housing prices, according to the monthly S&P/Case-Shiller's Home Prices Indices, which tracks housing prices in metropolitan areas and is considered a leading measure of U.S. single-family home prices. The 10-City Composite index showed an annual decline of 3.4% (its biggest since 1991) and the 20-City Composite reported an annual decline of 2.8%.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

www.jec.senate.gov

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