



# WEEKLY ECONOMIC DIGEST

## JOINT ECONOMIC COMMITTEE

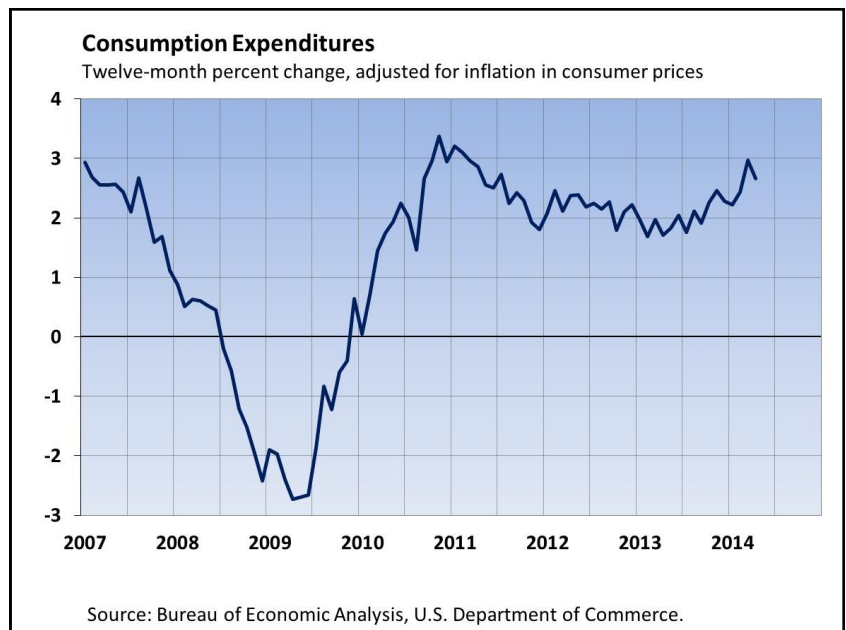
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June 3, 2014

## Household Income Outpaced Spending in April

### Consumer spending decreased slightly in April while income continued to grow

- Real (inflation-adjusted) consumer spending declined by 0.3 percent in April, while real after-tax income grew by 0.2 percent.
- Consumers used significantly less energy in their homes last month than they did in March, an important factor contributing to the overall drop in spending during April.
- Spending had increased 1.3 percent over the previous two months, more than twice the rate at which after-tax income had increased.
- Even with the April decline, consumer spending remains a solid 2.7 percent above last year's level, after accounting for inflation (see chart).



### Housing market continued to improve in April

- The number of privately-owned housing units started in April rose by 13.2 percent, largely reflecting a sharp rebound in new construction of structures with 5 or more units.
- Starts of single-family homes increased by 0.8 percent in April (after rising sharply over the previous two months) and are up by 9.8 percent over the 12 months through April.
- Sales of new single-family homes increased 6.4 percent in April, nearly reversing a March decline. Inventories of completed but unsold new homes are relatively low, which suggests that continued growth in sales will lead quickly to increased construction.
- Sales of existing single-family homes increased 0.5 percent in April, following a 6.0 percent decline over the first three months of the year.

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## First-quarter contraction is likely to be temporary

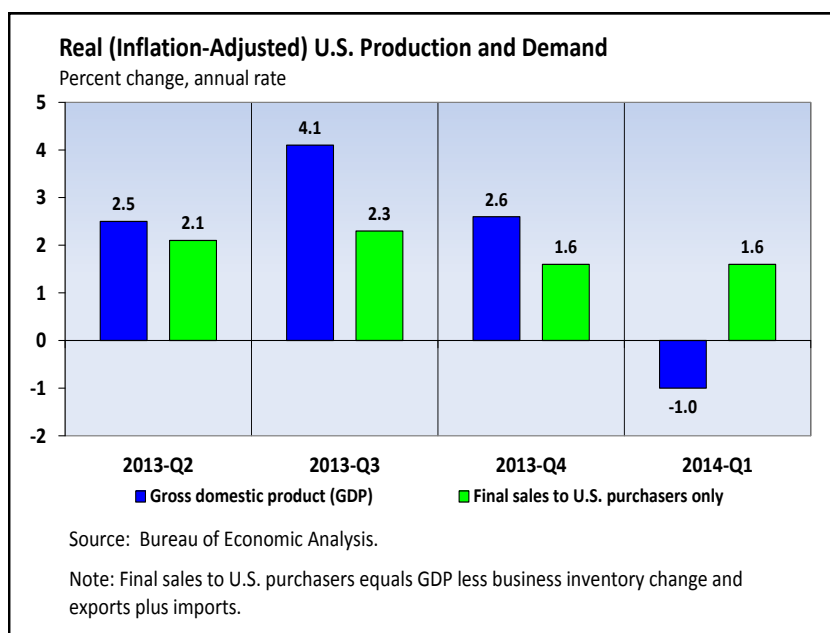
- Real (inflation-adjusted) gross domestic product (GDP) declined at a 1.0 percent annual rate in the first quarter, according to revised estimates from the Department of Commerce (see chart).

- A substantial slowing in inventory accumulation by businesses cut 1.6 percentage points off GDP growth in the quarter.

- While the inventory trimming reduced growth, lower inventories bode well for the economy's near-term prospects: increases in sales are now more likely to stimulate production.

- Other temporary factors contributing to the economic weakness in the first quarter were unusually severe winter weather (which inhibited construction and transportation-sensitive activities) and the expiration of investment incentives at the end of last year (including bonus depreciation), which led businesses to make some capital purchases in the fourth quarter rather than the first.

- While production has fluctuated in recent quarters, domestic sales have been relatively stable: real final sales to U.S. purchasers grew at a 1.6 percent annual rate in each of the last two quarters.



## THE ECONOMY AT A GLANCE

Key Indicators	Months			Quarters			Years	
	Apr.	Mar.	Feb.	2014-Q1	2013-Q4	2013-Q3	2013	2012
Real GDP growth (%)	—	—	—	-1.0	2.6	4.1	2.6	2.0
Unemployment (% of labor force)	6.3	6.7	6.7	6.7	7.0	7.3	7.0	7.8
Long-term unemployment (% of labor force)	2.2	2.4	2.5	2.4	2.6	2.7	2.6	3.1
Inflation (%)	0.3	0.2	0.1	1.9	1.1	2.2	1.2	1.9
Core inflation (% excludes food & energy)	0.2	0.2	0.1	1.6	1.6	1.8	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.