



WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE

UNITED STATES CONGRESS

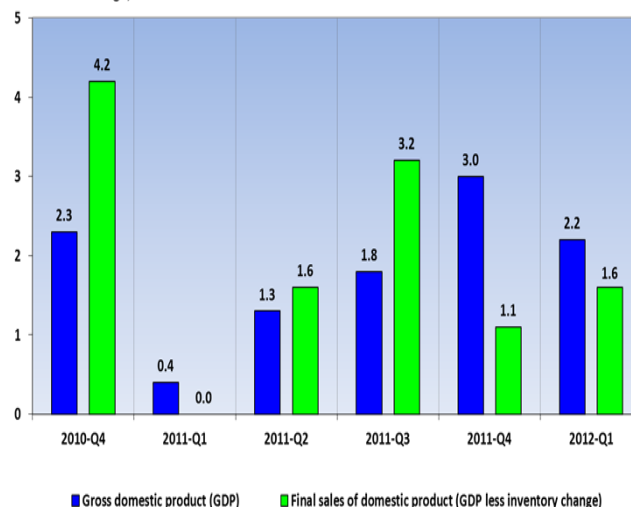
SENATOR ROBERT P. CASEY, JR., CHAIRMAN

May 1, 2012

U.S. Economic Growth Was Below Expectations in the First Quarter

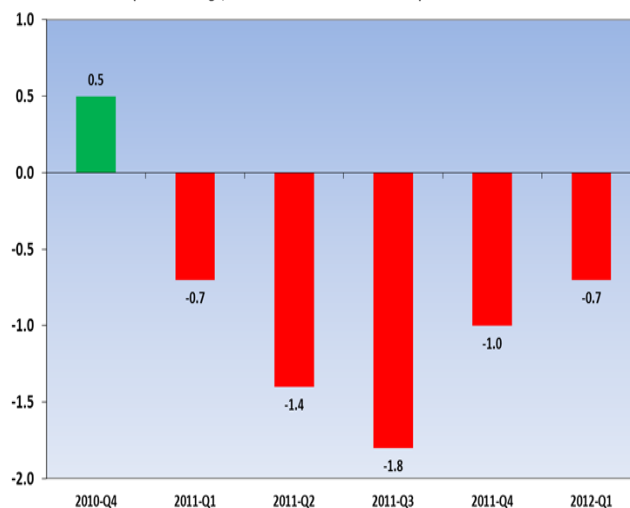
- The U.S. economy decelerated in the first quarter. Real (inflation-adjusted) gross domestic product (GDP) grew at a 2.2 percent annual rate in the first quarter after growing 3.0 percent in the fourth quarter, according to the Commerce Department's advance estimates (see top chart). First-quarter growth turned out to be a bit weaker than the 2½ percent pace that most forecasters had expected. Inventory accumulation continued to contribute to GDP growth in the first quarter but to a lesser degree than was the case in the fourth quarter. Final sales of domestic product (i.e., GDP less inventory change) grew by 1.6 percent in the first quarter, up from 1.1 percent in the fourth quarter but only a modest gain.
- Inflation rose in the first quarter. A pickup in energy prices boosted first-quarter inflation, with the price index for personal consumption expenditures rising at a 2.4 percent annual rate. The core consumer price index (which excludes food and energy prices) rose at a 2.1 percent rate in the first quarter following a 1.3 percent increase in the fourth quarter; over the last four quarters, core consumer prices have increased by 1.9 percent.
- An index of labor compensation increased modestly over the first quarter, but still lags inflation. The employment cost index for all civilian workers—a measure of changes in compensation (i.e., wages, salaries and nonwage benefits)—rose by 0.4 percent over the three months ending in March. However, after adjustment for inflation, the compensation of civilian workers declined by 0.7 percent over the 12 months ending in March (see bottom chart).

Growth of Alternative Measures of Real Aggregate Demand
Percent change, annual rate



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

Real (Inflation-Adjusted) Compensation of Civilian Workers
Twelve-month percent change, available for last month of each quarter



SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

WEEKLY ECONOMIC DIGEST

THE WEEK AHEAD

DAY	SELECTED UPCOMING DATA RELEASES
Tuesday, May 1	Construction Spending (March)
Wednesday, May 2	Full Report on Durable Goods Manufacturers' Shipments, Inventories and Orders (March)
Thursday, May 3	Productivity and Costs (First quarter, preliminary)
Friday, May 4	The Employment Situation (April)

THE ECONOMY AT A GLANCE

KEY INDICATORS	MONTH			QUARTER			YEAR	
	Mar	Feb	Jan	2012Q1	2011Q4	2011Q3	2011	2010
<u>Economic Activity</u>								
Real gross domestic product	—	—	—	2.2	3.0	1.8	1.7	3.0
Manufacturing production	-0.2	0.8	1.1	10.4	5.6	5.1	4.3	5.7
Factory utilization rate (percent of capacity)	77.8	78.0	77.5	77.8	76.1	75.2	75.0	71.2
Civilian unemployment rate (percent of labor force)	8.2	8.3	8.3	8.2	8.7	9.1	8.9	9.6
Housing starts (thousands of units, annual rates)	654	694	714	687	670	615	610	585
Light vehicle sales, domestic (millions of units, annual rates)	11.087	11.615	10.967	11.223	10.433	9.719	9.824	8.808
Retail & food service sales	0.8	1.0	0.7	8.0	7.8	4.7	7.7	6.4
Real disposable personal income	0.2	-0.1	-0.1	0.4	1.7	0.7	1.3	1.8
Personal saving rate (percent of disposable income)	3.8	3.7	4.3	3.9	4.5	4.6	4.7	5.3
<u>Inflation & Productivity</u>								
CPI-U inflation	0.3	0.4	0.2	2.5	1.3	3.1	3.1	1.6
Core CPI-U inflation	0.2	0.1	0.2	2.1	1.9	2.5	1.7	1.0
Output per hour, nonfarm bus.	—	—	—	n.a.	0.9	1.8	0.4	4.0
Unit labor costs, nonfarm bus.	—	—	—	n.a.	2.8	3.9	2.0	-2.0
Employment Cost Index	—	—	—	1.7	2.1	1.4	2.0	1.9

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; and Bureau of Labor Statistics, U.S. Department of Labor.

Notes: Except where otherwise noted, values in the table represent simple percent changes for monthly data and percent changes at annual rates for quarterly data. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy prices as reported by the Bureau of Labor Statistics. The Employment Cost Index covers all civilian workers and the quarterly change is measured from the last month of the previous quarter to the last month of the indicated quarter. 'n.a.' denotes that data are not yet available. '—' denotes that data are not available monthly.