



June 24, 2015

MONTHLY ECONOMIC DIGEST

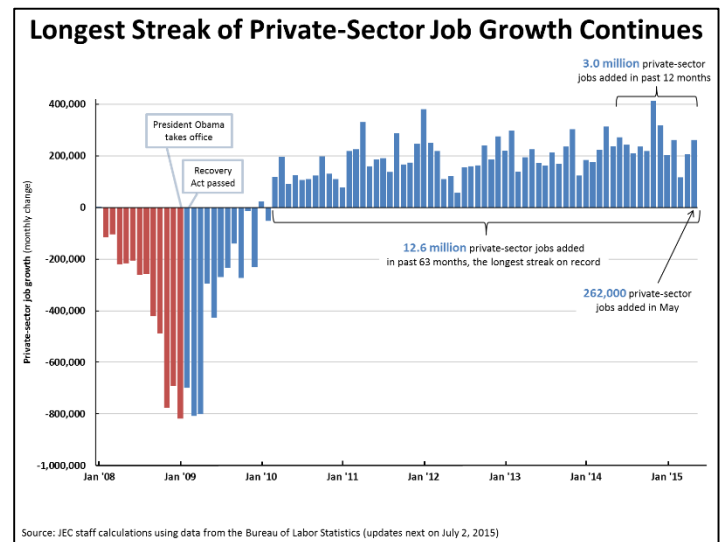
Covering data released between May 23rd and June 24th

The underlying strength of the economy is becoming more evident as the most recent indicators suggest that the pause in growth during Q1 was an outlier. May marked the 63rd consecutive month of private-sector job growth, extending the longest streak on record. Wage growth increased slightly in May, and it has increased by 2.3 percent over the last 12 months. Retail sales increased in May, signaling that consumers are feeling more confident after seeing their incomes edge up over the last quarter.

Analysts suggest that Q2 growth will rebound from low Q1 results that were likely due to unusually high levels of snowfall and other temporary factors. Forecasts for Q2 annual growth range from 1.9 to 2.6 percent. In the second half of the year, the economy is expected to grow at an annual rate of 3 percent.

The Labor Market Continues to Strengthen

- **Jobs:** Nonfarm employers added 280,000 jobs in May. Private-sector employment, which has led the recovery, increased by 262,000 jobs.
- **Earnings:** Average hourly earnings of private nonfarm workers increased 0.3 percent in May to \$24.96 per hour. Over the past year, private-sector workers have seen their earnings grow by 2.3 percent, slightly above the current rate of inflation.
- **Unemployment:** The unemployment rate was essentially unchanged at 5.5 percent last month with 8.6 million jobless workers seeking employment. During the recession, the unemployment rate was as high as 10.0 percent, and more than 15.3 million individuals were unemployed.
- **Job Openings:** Job openings rose 5.2 percent in April, after edging down by 0.7 percent in March. On average, there were 1.6 unemployed workers for every job opening in April. This is a substantial improvement since the depths of the downturn when there were about seven unemployed workers per job opening.
- **Separations:** Hiring and voluntary separations edged down slightly in April, but rose significantly over the course of 2014. More workers having the confidence to change jobs is a sign that the labor market is improving.





The Housing Market Continues to Show Improvement

- **Housing Starts:** The number of new single-family housing starts declined by 5.4 percent in May, after surging by 15.4 percent in April. The average over the past three months is 4.3 percent per month. Despite the monthly decline in May, single-family housing starts are still 5.1 percent above the average level in 2014.
- **Residential Construction Permits:** The number of permits issued for new construction of single-family homes rose 2.3 percent in May, after increasing 3.7 percent in April. The increase in construction permits suggests that new home building will likely increase in the coming months. Over the past three months residential construction permits have grown an average of 2.8 percent per month.
- **New Home Sales:** Sales of new single-family homes increased 2.2 percent in May, and are up 19.5 percent over the 12 months since last May. Economists consider new home sales an indicator for likely increased household consumption.

Retail Sales Increased in May

- **Retail Sales:** Retail sales increased 1.2 percent in May, according to the Census Bureau's preliminary estimate. Excluding automotive and gasoline sales which fluctuate widely, retail sales rose by 0.7 percent in May. Sales data are a component of consumer spending, which accounts for roughly 2/3 of economic activity.

The Federal Reserve Keeps Key Interest Rate Unchanged

- The Federal Reserve's Open Market Committee decided to not raise the federal funds rate at this time. However, the expectation remains that the Fed will raise the federal funds rate sometime this year.

Additional Reading

Jeffrey Sparshott, "[Inflation Ate the Average Worker's Raise in May](#)," *The Wall Street Journal*

The Editorial Board, "[Obstacles to Economic Growth](#)," *The New York Times*

Ylan Q. Mui, "[Why Janet Yellen Sounds More Like a Hawk](#)," *The Washington Post's Wonkblog*

Additional resources are available on the JEC Democrats' website (www.bit.ly/jecdems)

THE ECONOMY AT A GLANCE								
Key Indicators	Months			Quarters			Years	
	May	Apr	Mar	2015-Q1	2014-Q4	2014-Q3	2014	2013
Real GDP growth (%)	—	—	—	-0.2	2.2	5.0	2.4	3.1
Unemployment (% of labor force)	5.5	5.4	5.5	5.6	5.7	6.1	5.7	7.0
Long-term unemployment (% of labor force)	1.6	1.6	1.6	1.7	1.8	1.9	1.8	2.6
Inflation (%)	0.4	0.1	0.2	-3.1	-0.9	1.2	1.2	1.2
Core inflation (% , excludes food & energy)	0.1	0.3	0.2	1.7	1.5	1.4	1.7	1.7
Real hourly wages and salaries, private industry	—	—	—	3.6	3.4	2.3	1.4	0.8

Sources: JEC Democratic staff estimates based on data from the Bureau of Economic Analysis and the Bureau of Labor Statistics.

Notes: (—) Data are not released on a monthly basis. (n.a.) Data are not yet available; Real wages are based on nominal data from the National Compensation Survey and are adjusted for inflation in personal consumption expenditures; Quarterly change in real wages is expressed as an annual rate.