

# Committee on Ways and Means

## Economy Continues to Show Gains

*Three economic reports released Monday all point to sustained growth*

### **GOP Tax Policy Helps Drive Growth**

Real final demand in the U.S. economy surged 7.8 percent in the third quarter. Today's new economic data points to continued growth going forward. Economists estimate growth of at least four percent for the current quarter.

The recently enacted *Jobs and Growth Tax Relief Reconciliation Act* supports this growth in three ways:

- Marginal tax rate reductions lead to larger paychecks and more incentive to work and invest;
- Fifty percent bonus depreciation encourages businesses to invest in new plants and equipment; and
- Fifteen percent tax on dividends and capital gains lowered the cost of capital for businesses, leading to an increase in dividend payments for shareholders and a rising stock market.

### **Manufacturing Sector – October ISM Index: 57**

- The Institute for Supply Management (ISM) Index is an early bellwether for the manufacturing sector. A reading above 50 indicates an expansion in the manufacturing sector. The index has now been above 50 for four straight months.
- All components of the ISM Index accelerated in October except for imports and employment. Production, new orders and exports all posted strong gains.
- The ISM Employment Index was 47.7, an improvement of two points. This level is roughly consistent with an improvement in the economy-wide labor market but continued weakness in manufacturing employment. Six of the twenty industries surveyed reported employment gains.

### **Chip Industry – September Semiconductor Billing: 6.5 percent**

- Global semiconductor sales rose 6.5 percent from August to September, the seventh consecutive monthly increase.
- Total sales in September were 17.5 percent higher than a year ago.
- Increases in sales were evident in both the consumer market and corporate IT spending.

### **Construction Industry – September Construction Spending: 1.3 percent**

- One of the largest upside surprises in last week's GDP report was the continued strength in the housing sector. Monday's Construction Spending release well-exceeded expectations and points to a continued increase in construction spending. The August data was revised upward, as well.
- The entire gain was attributable to increases in private spending.
- Both residential and business (office, utility and manufacturing) construction was strong. Residential construction increased 1.4 percent since August, (11 percent in the last year) and business construction increased 2.5 percent from the previous month.