

Economic Update, January 19, 2018
Submitted by Michael Mount

Summary: Initial claims for unemployment insurance this week were the lowest since 1973. Optimism indicators continue to report record or near record highs for 2017. At the end of this update I included a map from the [FRED Blog](#) showing estimates of economic growth through the third quarter of 2017 for 68 of the nation's most populous metropolitan statistical areas (MSAs). Average growth across these MSAs was 2.7 percent; the Nashville MSA showed 4.25 percent growth and the Memphis MSA reported 2.30 percent.

Census Bureau

Last Wednesday, [Wholesale Trade](#): Sales were up 1.5 percent from October to November 2017, to \$492.4 billion, and were up 9.8 percent from November 2016. Inventories increased by 0.8 percent last month to \$611.0 billion, and were up 4.0 percent from a year ago. The inventory to sales ratio was 1.24, down from 1.31 in November 2016.

Last Friday, [Sales for Retail and Food Services](#): Sales were up 0.4 percent to \$495.4 billion from November to December 2017 and up 5.4 percent from December 2016.

Last Friday, [Manufacturing and Trade](#): Manufacturers' sales and shipments were up 1.2 percent from October to November 2017, to \$1.4 trillion, which is up 7.9 percent from November 2016. Business inventories were \$1.9 trillion, up 0.4 percent from October to November 2017 and up 3.2 percent from a year ago. The November 2017 total business inventories to sales ratio of 1.33 was down from 1.40 in November 2016.

Thursday, [New Residential Construction](#): The annual number of building permits was 1,302,000 for December 2017, 0.1 below November's rate but 2.8 percent above December 2016. Housing starts were 1,192,000, 8.2 percent below November and 6.0 percent below December 2016. Housing completions were 1,177,000, 2.2 percent above November and 7.4 percent above December 2016.

Department of Labor

Thursday, [Initial Claims](#): "In the week ending January 13, the advance figure for seasonally adjusted initial claims was 220,000, a decrease of 41,000 from the previous week's unrevised level of 261,000. This is the lowest level for initial claims since February 24, 1973 when it was 218,000. The 4-week moving average was 244,500, a decrease of 6,250 from the previous week's unrevised average of 250,750."

Bureau of Labor Statistics

Last Tuesday, [Job Openings and Labor Turnover](#): "The number of job openings was little changed at 5.9 million on the last business day of November. Over the month, hires and separations were little changed at 5.5 million and 5.2 million, respectively. Within separations, the quits rate was unchanged at 2.2 percent and the layoffs and discharges rate was little changed 1.1 percent."

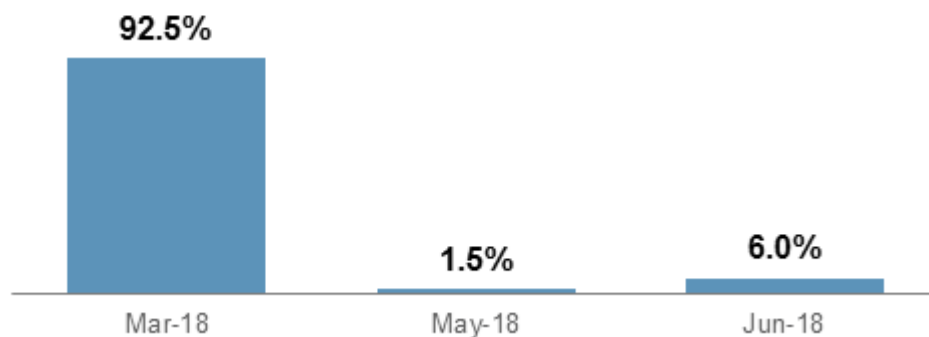
Last Friday, [Consumer Price Index](#): "The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in December on a seasonally adjusted basis. Over the last 12 months, the all items index rose 2.1 percent before seasonal adjustment. The index for all items less food and energy increased 1.8 percent over the last year; the 12-month change has now been either 1.7 or 1.8 percent for eight consecutive months."

Federal Reserve

Wednesday, [Beige Book](#): “Reports from the 12 Federal Reserve Districts indicated that the economy continued to expand from late November through the end of the year, with 11 Districts reporting modest to moderate gains and Dallas recording a robust increase. The outlook for 2018 remains optimistic for a majority of contacts across the country. On balance, employment continued to grow at a modest pace since the previous report.” The information below is from a *Wall Street Journal* monthly survey of more than 60 economists.

Q&A: Spring is for Hiking

At which FOMC meeting will the Fed make its next increase in the federal funds rate?



Source: [Wall Street Journal Economic Forecasting Survey](#).

Wednesday, [Industrial Production](#): “Industrial production rose 0.9 percent in December even though manufacturing output only edged up 0.1 percent.” Mining was up 1.6 percent and utilities were up 5.6 percent. Fourth quarter production showed a recovery from a third quarter held down by Hurricanes Harvey and Irma.

Mortgage Bankers Association

Last Thursday, [New Home Purchase Mortgage Applications](#): “[F]or December 2017 . . . mortgage applications for new home purchases increased 7.8 percent compared to December 2016. Compared to November 2017, applications decreased by 18 percent relative to the previous month.”

“After playing catch-up for 2 months following the slowdown caused by hurricanes Harvey, Irma and Maria, mortgage applications for new homes declined in December to a more normal growth rate of 7.8% on a year over year basis,” said Lynn Fisher, MBA Vice President of Research and Economics.

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 4.1 percent from one week earlier . . . for the week ending January 12, 2018.” The average interest rate for conforming 30-year fixed-rate mortgages increased from 4.23 to 4.33 percent, its highest level since March 2017.

National Association of Home Builders

Wednesday, [Housing Market Index](#): “Builder confidence in the market for newly-built single-family homes dropped two points to a level of 72 in January . . . after reaching an 18-year high in December 2017.”

National Federation of Independent Business:

Last Tuesday, [Small Business Optimism Index](#): “The Optimism Index for last month came in at 104.9, slightly lower than the near-record November report but still a historically exceptional

performance. That makes 2017 the strongest year ever in the history of the survey. The average monthly Index for 2017 was 104.8. The previous record was 104.6, set in 2004.”

IBD/TIPP

Last Friday, [Economic Optimism Index](#): The index “climbed 3.2 points to 10-month high of 55.1... The gauge of the six-month economic outlook vaulted 5.7 points to 55.5 after slipping into mildly pessimistic territory in December. The six-month personal financial outlook index jumped 4.9 points to 64.0, the highest since January 2004.”

Gallup

Wednesday, [Economic Confidence Index](#): “Americans' views of the U.S. economy were positive on balance in 2017, with Gallup's U.S. Economic Confidence Index averaging +6 for the year. This was a 16-point increase from -10 in 2016 and is the index's first positive annual average since Gallup began daily tracking of this measure in 2008.”

Markit Economics

Last Monday, [US Sector PMI](#): “The US technology sector indicated a marked upturn in output in December. . . . Output growth in the basic materials sector expanded sharply. . . . The consumer goods sector likewise indicated a strong and faster upturn in business activity in December. . . . Meanwhile, expansions in the industrials and financials sectors softened, with growth in the latter easing to an eight-month low. . . . For the second successive month, the healthcare sector indicated a contraction in business activity.”

University of Michigan

Friday, [Survey of Consumers](#): From December 2017 to January 2018, the index of consumer sentiment decreased from 95.9 to 94.4 and current economic conditions decreased from 113.8 to 109.2. However, the index of consumer expectations increased slightly from 84.3 to 84.8.

2017 September Economic Conditions Index by Metropolitan Statistical Area (percent)

