

Economic Update, January 20, 2017
Submitted by Reuben Kyle

Summary: The week's economic news was generally positive. The year-end housing numbers were all up, industrial production rebounded, the Fed's Beige Book reported continued moderate growth across the country, and initial claims for unemployment insurance are at low levels not seen since the early 1970's. Inflation measures are up but only to the level that the Fed targets.

Census Bureau

Thursday, [New Construction Spending](#): In December 2016, the number of building permits issued was 0.2% below the number issued in November. For the year of 2016, 1,182,600 permits were issued, 0.4% above 2015. Housing starts were up by 11.3% from November, and for 2016, starts were 4.9% higher than the year before. Housing completions declined by 7.9% from November but were 9.7% above the figure for 2015.

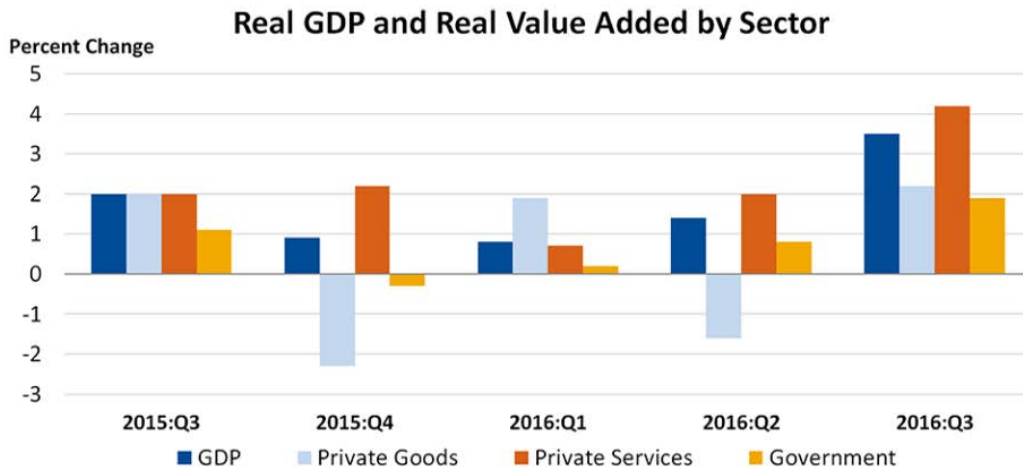
Bureau of Labor Statistics

Wednesday, [Consumer Price Index \(CPI\)](#): In December 2016, the CPI for All Urban Consumers rose by 0.3%, and for the year 2016, that index was up by 2.1%. The main drivers of the increase were gasoline, up 3.0%, transportation services, up 0.6%, and used cars and trucks, up 0.5%. The index for Food was unchanged and its component Food at Home fell by 0.2%.

Wednesday, [Real Earnings](#): Inflation-adjusted average hourly earnings increased by 0.1% in December 2016 as a result of a 0.4% increase in average hourly earnings combined with the 0.3% rise in the CPI. In the case of Production and Nonsupervisory Workers, real average hourly earnings were unchanged from November to December as their average hourly earnings rose by 0.3%, matching a 0.3% increase in the CPI for Urban Wage Earners and Clerical Workers.

Bureau of Economic Analysis

Thursday, [Gross Domestic Product by Industry](#), 3rd Quarter 2016: Real GDP grew by 3.5% in the 3rd quarter of 2016 with positive contributions from 20 of 22 industry groups. The leading sector was finance insurance. The chart below shows some detail of growth by industry.



U.S. Bureau of Economic Analysis

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending January 7, 2017, fell by 15,000 to 234,000, and the four-week moving average declined by 10,250 to 246,750. The latter figure was the lowest average since November 3, 1973. In the previous week ending December 31, 2016, increases in initial claims of 1,000 or more were reported by 19 states, including Tennessee, and 10 states reported decreases of 1,000 or more. Tennessee reported an increase in new claims of 1,116 with the following comment: "Layoffs in the administrative, support, waste management and remediation service, manufacturing, and accommodation and food service industries."

Board of Governors of the Federal Reserve

Wednesday, [Industrial Production](#): In December 2016, industrial production increased by 0.8%, with Manufacturing gaining 0.2% and Utilities adding 6.6%. Construction production fell by 0.3%. From December 2015 through December 2016, industrial production increased by 0.5%, with the index at 104.6 (2012 = 100). Capacity Utilization in December was 75.5%, up by 0.6 percentage points. For the period December 2015 through December, capacity utilization rose 0.4 percentage points.

Wednesday, [Beige Book](#): The January 2017 Beige Book, covering a period from late November through December, has a new format, and the second map includes a map of the 12 federal Reserve Districts, if you are not familiar with them. The National summary states that most districts report continued moderate growth, with a rebound in manufacturing activity and an optimistic outlook for 2017. The Atlanta Federal Reserve Bank, heading the 12th District, reports a tightening of labor markets since the previous report. "Firms and staffing agencies had difficulty filling positions for certain professional jobs, craft labor jobs, and low-skill jobs." The bank's Inflation Expectations Survey found that unit costs were up by 1.7% year-over-year in December, and respondents anticipate a 2.1% increase in unit costs in 2017. Retail sales during the holiday period were "slightly above expectations." Tourism and hospitality activity was mixed in the district. Home builders reported steady growth. Manufacturing activity increased compared with the last report. Transportation activity was mixed with growth in containerized cargo, but trucking slowed. Energy demand was weak. In the Eighth District, or St. Louis Federal Reserve Bank, the report was of moderate growth in economic activity. Manufacturing employment and wages increased moderately since the previous report. There was little evidence of price pressures, and low commodity prices are exerting downward pressure. "For example, agricultural equipment dealers outside of Memphis reported they have reduced prices on late-model used trade-ins to fuel sales." Real estate prices are increasing moderately. "A contact in the Memphis area also reported higher prices in industrial and retail properties." Retail sales were little changed. In line with other districts, manufacturing activity increased during this period. Residential real estate activity was unchanged from earlier reports. "According to a survey of 85 small- and mid-sized District banks, overall lending activity experienced moderate growth across all lending categories with some signs of a slight tapering."

National Association of Home Builders

Wednesday, [Housing Market Index](#): In January 2017, the builders' Housing Market Index was 67, down from 69 the prior month but still described as "firm." "NAHB expects solid 10 percent growth in single-family construction in 2017, adding to the gains of 2016," said NAHB Chief Economist Robert Dietz. "Concerns going into the year include rising mortgage interest rates as well as a lack of lots and access to labor."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index is 45.2, up from 45.1 the previous week. "Consumer confidence readings have been holding onto the bulk of their post-election gains but have failed to push higher."