

Economic Update, January 27, 2017  
Submitted by Reuben Kyle

Summary: There was good economic news and not-so-good economic news this week. On the good side, the economy continues to grow but at a pretty modest pace (according to the BEA report on 2016 GDP growth), the Leading Economic Indicators were up, and the purchasing managers' surveys were strong at the end of the year. On the down-side, GDP growth was feeble though positive, year-end housing was down though still strong over the whole year, and initial claims rose in the latest report.

Census Bureau

Thursday, [Advance Economic Indicator Report](#): The year-end report of the December Advance International Trade in Goods was a \$0.3 billion decrease in the trade deficit from November; the Advance Wholesale Inventories was up by \$0.1 billion from November; and Advance Retail Inventories were unchanged from November.

Thursday, [New Residential Sales](#): In December 2016, sales of single-family homes fell by 10.4% from November and by 0.4% from December 2015. The median sales price of new houses was \$322,500 in December compared to \$309,200 in November. At the current sales rate, there is a 5.8 month supply of houses available. For the year, an estimated 563,000 new houses were sold in 2016, and that was a 12.2% increase from 2015.

Friday, [Advance Report on Durable Goods Manufacturers' Shipments](#): In December 2016, new orders and unfilled orders for manufactured durable goods both fell from November levels while shipments and inventories both increased. In the case of new orders, shipments, and unfilled orders, transportation equipment was the principal mover. Machinery was the category prompting the increase in inventories. For nondefense capital goods, new orders, shipments, and inventories all increased while unfilled orders fell. Defense capital goods experienced the opposite, with new orders, shipments, unfilled orders, and inventories all falling.

Bureau of Labor Statistics

Tuesday, [Regional and State Employment and Unemployment](#): In December 2016, unemployment rates were significantly lower in 10 states, higher in one state, and stable in 39 states and the District of Columbia. Over the year of 2016, 11 states experienced significantly lower unemployment rates, three states had higher rates, and 37 states plus the District of Columbia had stable rates. [Tennessee's](#) unemployment rate in December was 4.9% compared with 4.8% in November. In December 2015 Tennessee's unemployment rate was 5.6%. New Hampshire had the lowest unemployment rate in December at 2.9% while Alaska had the highest rate at 6.7%. Three states had statistically significant increases in total nonfarm employment in December, and five states had significantly lower employment for the month. Compared with December 2015, 26 states plus the District of Columbia had significant increases in total nonfarm employment in December 2016. Two states had significantly lower employment, year-over-year. For the month of December, Tennessee employment increased by 6,600 jobs while, year-over-year, Tennessee gained 62,100 jobs. In Tennessee, construction added 7,700 jobs, manufacturing gained 6,800, and health care and social assistance employment increased by 13,100.

Tuesday, [Usual Weekly Earnings of Wage and Salary Workers](#): "Median weekly earnings of the nation's 111.3 million full-time wage and salary workers were \$849 in the fourth quarter of 2016 (not seasonally adjusted), the U.S. Bureau of Labor Statistics reported today. This was 2.9 percent higher than a year earlier, compared with a gain of 1.8 percent in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period." Median weekly earnings of women were \$758 or 81.8% of the median for men at \$927. This report gives earnings by many different categories.

Wednesday, [Quarterly Data Series on Business Employment Dynamics](#): This report gives the total employment gains from new businesses and expansions for the 2nd quarter of 2016—March to June—and the number of job losses from business closings and contractions. The gains numbered 7.5 million, and there were 7.2 million losses, resulting in a net increase of 307,000 jobs over the period.

“Gross job gains at expanding establishments totaled 6.1 million in the second quarter of 2016, an increase of 278,000 jobs from the previous quarter.”

“Opening establishments accounted for 1.4 million jobs gained in the second quarter of 2016, an increase of 208,000 jobs from the previous quarter.”

“Contracting establishments lost 5.8 million jobs in the second quarter of 2016, an increase of 212,000 jobs from the prior quarter.”

“In the second quarter of 2016, closing establishments lost 1.3 million jobs, an increase of 161,000 jobs from the previous quarter.”

Thursday, [Union Membership \(Annual\) 2016](#): “[The] percent of wage and salary workers who were members of unions” in 2016 fell from 11.1% to 10.7% with the number of wage and salary workers belonging to labor unions numbering 14.6 million. The union membership rate among public-sector workers was 34.4% compared with 6.4% among private-sector workers.

Bureau of Economic Analysis

Friday, [Gross Domestic Product, 4<sup>th</sup> Quarter and Annual 2016](#): The advance estimate of 4th quarter GDP growth is 1.9%. “The deceleration in real GDP in the fourth quarter reflected a downturn in exports, an acceleration in imports, a deceleration in PCE, and a downturn in federal government spending that were partly offset by an upturn in residential fixed investment, an acceleration in private inventory investment, an upturn in state and local government spending, and an acceleration in nonresidential fixed investment.” For the calendar year 2016, real GDP grew by 1.6% down from the 2.6% in 2015. “The deceleration in real GDP from 2015 to 2016 reflected a downturn in private inventory investment, a deceleration in PCE, a downturn in nonresidential fixed investment, and decelerations in residential fixed investment and in state and local government spending that were offset by a deceleration in imports and accelerations in federal government spending and in exports.” Current-dollar GDP totaled \$18,566.9 billion for 2016, an increase of \$530.3 billion. The second estimate of these numbers will be released February 28.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending January 21, 2017, increased by 22,000 to 259,000, and the four-week moving average was 245,500, down 2,000 from the previous week. For the week ending January 14, two states reported increases of 1,000 or more initial claims while 19 states reported decreases of 1,000 or more. Tennessee reported a decline of 948 new claims.

Federal Housing Finance Agency (FHFA)

Wednesday, [FHFA House Price Index](#): In November 2016, the index increased by 0.5% from October. Over the previous 12-month period, the index rose by 6.1%. There was considerable variation by geographic region, with a low of 4.7% in the Middle Atlantic region—New York, New Jersey, and Pennsylvania—to 7.7% in the Pacific region—Hawaii, Alaska, Washington, Oregon, and California.

The Conference Board

Thursday, [Leading Economic Indicators \(LEI\)](#): In December 2016, the LEI increased by 0.5% to 124.6 (2010=100). Ataman Ozyildirim, Director of Business Cycles and Growth Research stated: “The U.S. Leading Economic Index increased in December, suggesting the economy will continue growing at a moderate pace, perhaps even accelerating slightly in the early months of this year...December’s large gain was mainly driven by improving sentiment about the outlook and suggests the business cycle still

showed strong momentum in the final months of 2016.” The Coincident Economic Indicators increased by 0.3% to 114.3 after no change in November.

#### Markit Economics

Tuesday, [Purchasing Managers’ Index \(PMI\) Manufacturing Index Flash](#): The preliminary index for January 2017 is 55.1 compared with 54.3 in December 2016. The improvement was the result of a 22-month high for output and a 28-month high for new orders. According to Chris Williamson, Chief Markit Economist: “US manufacturers are seeing a bumper start to 2017, with production surging higher in January on the back of rising inflows of new orders.”

Thursday [PMI Services Flash](#): Advance January 2017 results for the Service index is 55.1, up from 53.1 in December. That indicates the fastest growth of business activity since November 2015. Chief Economist Williamson wrote: “The improvement in service sector business conditions follows the news earlier in the week that manufacturing also enjoyed a bumper start to the year. The two PMI surveys collectively point to the economy growing at an annualised [sic] rate of just over 2.5% in January, and [that] puts the US on a strong footing to achieve faster growth in 2017.”

#### National Association of Realtors

Tuesday, [Existing Home Sales](#): In December 2016, existing home sales were down 2.8% from November and 0.7% higher than in December 2015. But sales, at 5.45 million units for the year, were the highest since 2006, when 6.48 million units were sold. Lawrence Yun, Chief NAR Economist, stated: "Solid job creation throughout 2016 and exceptionally low mortgage rates translated into a good year for the housing market...However, higher mortgage rates and home prices combined with record low inventory levels stunted sales in much of the country in December." The median home price in December was \$232,200 or 4% higher than in December 2015.

#### Bloomberg.com

Thursday, [Consumer Comfort Index](#): The index was 45.2, unchanged from the previous week and “a strong level indicating optimism for the economy and the jobs outlook.”

#### University of Michigan

Friday, [Consumer Sentiment Index](#): In January 2017, this index was 98.5 compared to 98.2 in December 2016 and 92.0 in January 2016. “Consumers expressed a higher level of confidence January than any other time in the last dozen years. The post-election surge in confidence was driven by a more optimistic outlook for the economy and job growth during the year ahead as well as more favorable economic prospects over the next five years.”