

Economic Update, January 29, 2016

Submitted by Reuben Kyle

Summary: The big economic news story of the week is the 0.7% increase in real GDP in the 4th quarter of 2015. Keep in mind that this estimate is only the first of three and typically the second estimate, which includes more complete data on some measures, is higher than the first estimate. Also, the Federal Open Market Committee did not raise the fed funds rate this month. The other economic news was mixed with manufacturing data down but initial claims also falling. The housing market indicators are strong, and the three consumer confidence surveys show no drastic changes in consumer attitudes.

Dr. Ratajczak's [Weekly Commentary](#)

Monday: Dr. R is back and has a lot on his mind. He begins with his assessment of China's economy, which he contends is growing at less than the 7% rate the Chinese government stated. He also has lots to say about oil markets. Currently, he argues there is excess world production, including increased sales by Iran, of 2 million barrels per day. Still he thinks that by year's end that excess supply will be eliminated, though he is not looking for \$100 per barrel oil. His forecast for 4th quarter GDP growth is 1%, and he sees growth in 2016 as slightly better than in 2015. As for January 2016 job growth, he didn't give a number yet but suggested that it would be less than 200,000. There is a lot more about many topics.

Bureau of Economic Analysis

Friday, [Gross Domestic Product, 4th Quarter 2015 \(Advance Estimate\)](#): Adjusted for inflation, the advance estimate of 4th quarter 2015 GDP growth is 0.7%, compared with 2.0% in the 3rd quarter. "The increase in real GDP in the fourth quarter primarily reflected positive contributions from personal consumption expenditures (PCE), residential fixed investment, and federal government spending that were partly offset by negative contributions from private inventory investment, exports, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased." The Gross Domestic Purchases price index increased 0.2% in Q4. For 2015, real GDP increased 2.5%, the same as in 2014. Nominal, or current-dollar, GDP in 2015 was \$17,937.8 billion, an increase of 4.1% from 2014. The second estimate will be released February 26, 2016.

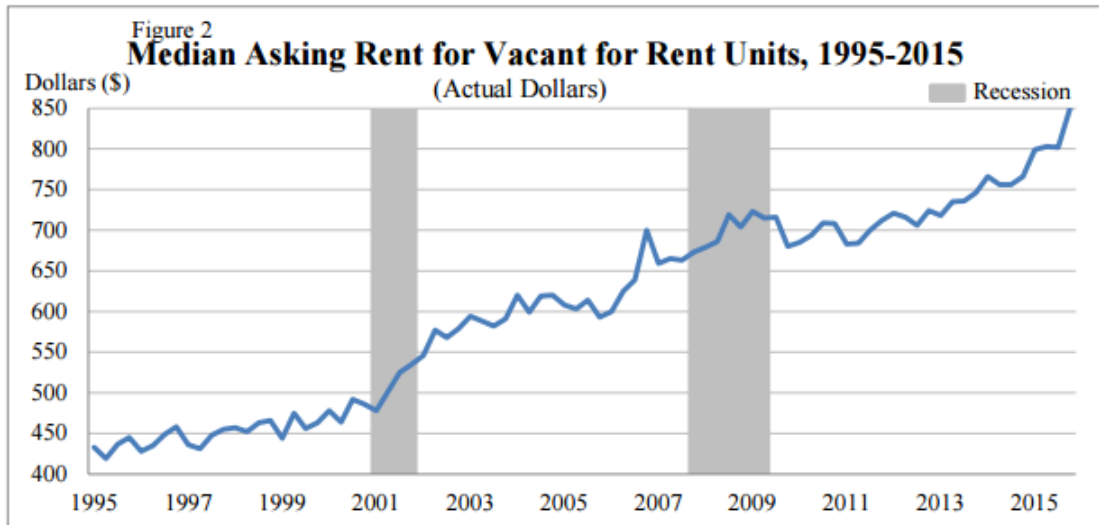
Census Bureau

Wednesday. [New Residential Sales](#): The seasonally adjusted, annual rate of single-family home sales in December 2015 was 544,000, which is 10.8% higher than in November and 9.9% higher than a year earlier. For all of 2015, an estimated 501,000 new single-family houses were sold, and that is 14.5% more than in 2014.

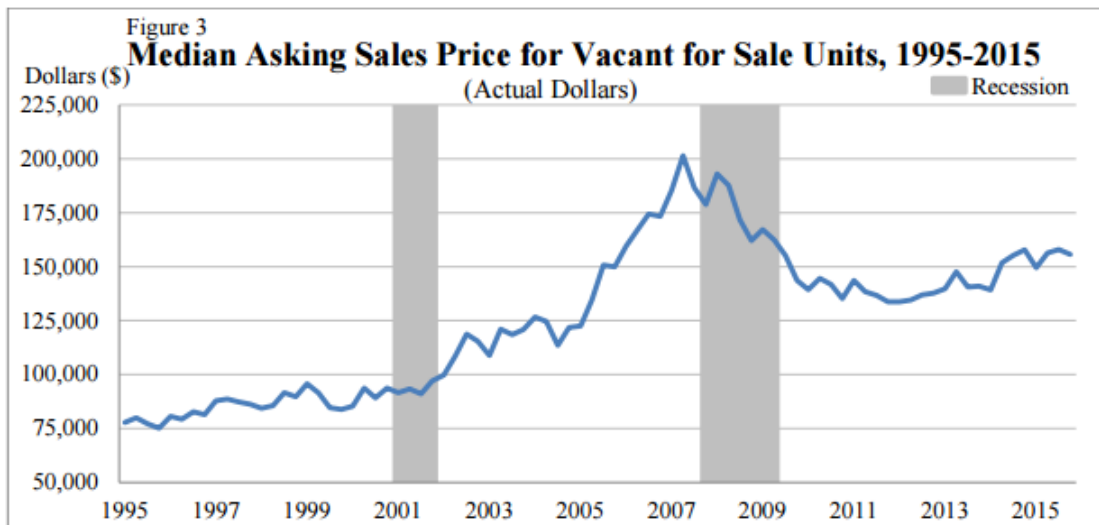
Thursday, [Advance Report on Durable Goods Manufacturers' Shipments, Inventories, and Orders](#): The preliminary report for December 2015 shows new orders falling, shipments and unfilled orders also down, and inventories up. The complete report will be published on February 4.

Thursday, [Residential Vacancies and Ownership, 4th Quarter 2015](#): The vacancy rate for rental housing was 7.0%, identical to the rate in Q4 2014 but 0.3% lower than in Q3 2015. The homeownership rate was 63.8% in the 4th quarter, which was 0.2 percentage points lower than in Q4 2014 but 0.1 percentage point higher than in Q3 2015. The charts below show the asking rents and prices of vacant housing since 1995.

In the fourth quarter 2015, the median asking rent for vacant for rent units was \$850.



In the fourth quarter 2015, the median asking sales price for vacant for sale units was \$155,700.



NOTE: Median asking sales price and median asking rent data for vacant units can be found in Historical Table 11A/B at <http://www.census.gov/housing/hvs/data/histtabs.html>

*The historical figures in the graphs are not adjusted for inflation.

Bureau of Labor Statistics

Tuesday, [Regional and State Employment and Unemployment](#): In December 2015, 25 states had lower unemployment rates, 14 had higher rates, and 11 plus the District of Columbia were unchanged from November. The lowest unemployment rate, 2.7%, was in North Dakota followed by South Dakota and Nebraska at 2.9%. [Tennessee's unemployment rate](#) was 5.6%. Total nonfarm employment increased in 36 states and the District of Columbia, and employment fell in 14 states. Tennessee had a 0.7% increase in employment, ranking second in the country for percentage increase. The big gainers in

Tennessee were trade/transportation/utilities, professional/business services, and manufacturing. Since December 2014, Tennessee has added 64,900 jobs.

Wednesday, [Quarterly Data Series on Business Employment Dynamics](#): “From March 2015 to June 2015, gross job gains from opening and expanding private sector establishments were 7.6 million, an increase of 607,000 jobs from the previous quarter, the US Bureau of Labor Statistics reported today. Over this period, gross job losses from closing and contracting private sector establishments were 6.7 million, an increase of 4,000 jobs from the previous quarter. . . . The difference between the number of gross job gains and the number of gross job losses yielded a net employment gain of 829,000 jobs in the private sector during the second quarter of 2015.” This report is new to me, and it has lots of numbers if you want or need to know about the dynamics—numbers of opening businesses, closing businesses, expanding and contracting businesses. Also, it has employment figures for all of those categories.

Thursday, [Union Membership](#): In 2015, The percentage of wage and salary workers who were members of labor unions was 11.1%, and the number of workers in those unions numbered 14.8 million. In 1983, when this data was first reported, the union membership rate was 20.1%, and the number of members was 17.7 million. In Tennessee, the percent of employed workers who were union *members* was 5.0% in 2014 and 5.4% in 2015, while the percent *represented by* unions was 5.6% in 2014 and 6.5% in 2015. Remember that as a Right-to-Work state Tennessee workers are not required to join a union even though the union may represent them in negotiations.

Friday, [Employment Cost Index](#): In the 4th quarter of 2015, total compensation of civilian workers increased 0.6%, and for the year, compensation increased 2.0%. Over the year, wages and salaries increased 2.2%, while benefits increased 1.7%. In the private sector, the increase in total compensation was 1.9%, while for state and local government workers the increase was 2.5%.

US Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending January 23, 2016, were 278,000, down by 16,000 from the previous week, and the four-week moving average was 283,000, 2,250 lower for the week. For the week ending January 16, two states reported increases of 1,000 or more in initial claims, and 30 states including Tennessee reported decreases of 1,000 or more new claims. Tennessee reported a decrease of 6,086 initial claims.

Federal Open Market Committee

Wednesday, [Meeting Announcement](#): The committee’s announcement stated that labor market conditions improved but “economic growth slowed late last year. . . . Given the economic outlook, the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent. The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2% inflation.” The vote for the policy decision was unanimous.

The Conference Board

Tuesday, [Consumer Confidence](#): The January 2016 Conference Board Consumer Confidence Index was 98.1, up from 96.3 in December (1985 = 100). “Consumer confidence improved slightly in January, following an increase in December,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of current conditions held steady, while their expectations for the next six months improved moderately. For now, consumers do not foresee the volatility in financial markets as having a negative impact on the economy.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index is 44.6 up slightly from 44.0 the prior week. "The Bloomberg Consumer Comfort Index reached a more than three-month high this week, closing out its steadiest January in 14 years."

University of Michigan

Friday, [Consumer Sentiment Index](#): The January 2016 index is 92.0, down from 92.6 in December and lower than the 98.1 in January 2015. The report said that the survey indicated no impact on the numbers from last week's blizzard.

Federal Housing Finance Agency (FHFA)

Tuesday, [FHFA House Price Index](#): In November 2015, this index rose 0.5%. From November 2014 to November 2015, the index is up 5.9%.

Standard & Poor's

Tuesday, [S&P Case-Shiller Housing Price Index](#): November 2014 to November 2015, this index shows a 5.3% increase. Before any seasonal adjustment, the National Home Price Index was up 0.1% from October. "'Home prices extended their gains, supported by continued low mortgage rates, tight supplies and an improving labor market,' says David M. Blitzer, managing director and chairman of the Index Committee at S&P Dow Jones Indices. 'Sales of existing homes were up 6.5% in 2015 vs. 2014, and the number of homes on the market averaged about a 4.8 months' supply during the year; both numbers suggest a seller's market.'"

National Association of Realtors

Thursday, [Pending Home Sales](#): The December 2015 Pending Home Sales Index "ticked up" 0.1% to 106.8 from 106.7 in November. The index is now 4.2% higher than in December 2014. Sales declined slightly in most areas except for the Northeast. According to Lawrence Yun, chief NAR economist, "Overall, while sustained job creation is spurring more activity compared to a year ago, the ability to find available homes in affordable price ranges is difficult for buyers in many job creating areas. With homebuilding still grossly inadequate, steady price appreciation and tight supply conditions aren't going away any time soon."

Markit Economics

Tuesday, [Purchasing Managers' Index Services Flash](#): The preliminary PMI Services Index for January 2016 is 53.7 down slightly from the 54.3 in December. Keep in mind that an index above 50.0 is interpreted as indicating an expanding sector.