

Economic Update, January 5, 2018
Submitted by Michael Mount

Summary: Consumer confidence was down a bit but remains strong. The Federal Reserve expects real GDP growth to continue into 2018. New vehicle sales in the US were down 1.8 percent for 2017 and are expected to fall further.

Census Bureau

Wednesday, [Construction Spending](#): “Construction spending during November 2017 was estimated at a seasonally adjusted annual rate of \$1,257.0 billion, 0.8 percent above the revised October estimate of \$1,247.1 billion. . . . Spending on private construction was at a seasonally adjusted annual rate of \$964.3 billion, 1.0 percent above the revised October estimate of \$955.1 billion. . . . In November, the estimated seasonally adjusted annual rate of public construction spending was \$292.7 billion, 0.2 percent above the revised October estimate of \$292.0 billion.”

Friday, [Manufacturers' Shipments, Inventories and Orders](#): “New orders for manufactured goods in November, up five of the last six months, increased \$6.5 billion or 1.3 percent to \$488.1 billion.”

Last Thursday, [Advance Economic Indicators Report](#): “The international trade deficit was \$69.7 billion in November, up \$1.6 billion from \$68.1 billion in October.” Trade increased overall, but imports increased more than exports. Wholesale inventories were up 0.7 percent to \$610.2 billion, and retail inventories were up 0.1 percent to \$619.1 billion.

Friday, [U.S. International Trade in Goods and Services](#): “The goods and services deficit was \$50.5 billion in November, up \$1.6 billion from \$48.9 billion in October, revised. November exports were \$200.2 billion, \$4.4 billion more than October exports. November imports were \$250.7 billion, \$6.0 billion more than October imports.”

Bureau of Economic Analysis

Last Thursday, [U.S. Net International Investment Position](#): “The U.S. net international investment position increased to -\$7,768.7 billion (preliminary) at the end of the third quarter of 2017 from -\$8,004.1 billion (revised) at the end of the second quarter.”

Department of Labor

Last Thursday, [Initial Claims](#): “In the week ending December 23, the advance figure for seasonally adjusted initial claims was 245,000, unchanged from the previous week's unrevised level of 245,000.”

Thursday, [Initial Claims](#): “In the week ending December 30, the advance figure for seasonally adjusted initial claims was 250,000, an increase of 3,000 from the previous week's revised level.”

The Conference Board

Last Wednesday, [Consumer Confidence](#): The index “decreased in December, following a modest improvement in November. The Index now stands at 122.1 (1985=100), down from 128.6 in November. . . . ‘Consumer confidence retreated in December after reaching a 17-year high in November,’ said Lynn Franco, Director of Economic Indicators at The Conference Board. ‘The decline in confidence was fueled by a somewhat less optimistic outlook for business and job prospects in the coming months. Consumers’ assessment of current conditions, however, improved moderately. Despite the decline in confidence, consumers’ expectations remain at historically strong levels, suggesting economic growth will continue well into 2018.’”

Bloomberg

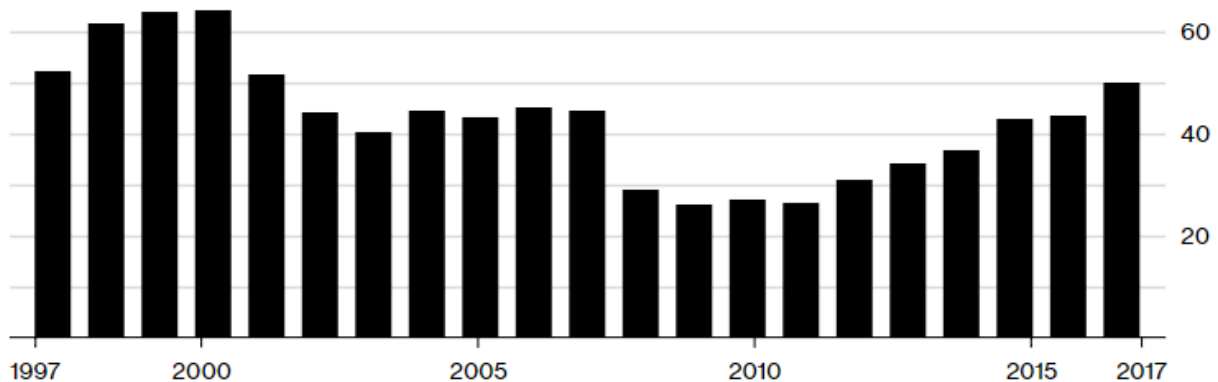
Last Thursday, [Consumer Comfort](#): The index increased to 52.4 from 50.8. “The gain in confidence, the first in three weeks, shows Americans are upbeat about the economy as stocks rally, unemployment lingers near a 17-year low and property values increase.”

Thursday, [Consumer Comfort](#): The index decreased to 51.8 from 52.4. “American consumers last year were more upbeat on average than at any time since 2001, reflecting more favorable views of the economy, personal finances and the buying climate.”

Feeling Good

American households were more upbeat last year than at any time since 2001

■ Bloomberg Consumer Comfort Index annual average



Source: Bloomberg, Langer Research Associates

University of Michigan

Friday, [Consumer Sentiment](#): “Consumer confidence continued to slowly sink in December, with most of the decline among lower income households. The extent of the decline was minor, with the December figure just below the average for 2017 (95.9 versus 96.8). Indeed, the average in 2017 was the highest since 2000, and only during the long expansions of the 1960s and 1990s was confidence significantly higher.”

National Association of Realtors

Last Wednesday, [Pending Home Sales](#): The index “rose 0.2 percent to 109.5 in November from 109.3 in October. With last month’s modest increase, the index remains at its highest reading since June (110.0), and is now 0.8 percent above a year ago.”

S & P

Last Tuesday, [Home Price Index](#): The index “reported a 6.2% annual gain in October, up from 6.1% in the previous month.” According to David M. Blitzer, managing director and chairman of the Index Committee at S&P Dow Jones Indices, “Underlying the rising prices for both new and existing homes are low interest rates, low unemployment and continuing economic growth. Some of these favorable factors may shift in 2018. The Fed is widely expected to raise the Fed funds rate three more times to reach 2% by the end of the New Year. Since home prices are rising faster than wages, salaries, and inflation, some areas could see potential home buyers compelled to look at renting. Data published

by the Urban Institute suggests that in some West coast cities with rapidly rising home prices, renting is more attractive than buying.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 2.8 percent from two weeks earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$424,100 or less) remained unchanged from the week prior at 4.25 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.65 percent from 3.66 percent.”

Institute for Supply Management

Wednesday, [Purchase Managers’ Index](#): “Economic activity in the manufacturing sector expanded in December, and the overall economy grew for the 103rd consecutive month. . . . The December PMI registered 59.7 percent, an increase of 1.5 percentage points from the November reading of 58.2 percent.” Among survey respondents, one from the paper products industry said “All suppliers are reporting strong business activity and difficulties obtaining qualified employees.”

Federal Reserve

Wednesday, [FOMC Minutes](#): “The information reviewed for the December 12–13 meeting indicated that labor market conditions continued to strengthen through November and suggested that real gross domestic product (GDP) was rising at a solid pace in the second half of 2017. . . . Movements in domestic financial asset prices over the intermeeting period reflected slightly stronger-than-expected economic data releases. . . . Beyond 2017, the forecast for real GDP growth was revised up modestly. . . . Based on their current assessments, almost all participants expressed the view that it would be appropriate for the Committee to raise the target range for the federal funds rate 25 basis points at this meeting. These participants agreed that, even after an increase in the target range at this meeting, the stance of monetary policy would remain accommodative, supporting strong labor market conditions and a sustained return to 2 percent inflation.”

Motor Intelligence

Wednesday, [Motor Vehicle Sales \(see "New Vehicle Sales" link for spreadsheet with data\)](#): Total light vehicle sales were 17.2 million in 2017, down 1.8 percent from 17.6 million in 2016 (the record year). GM “[expects the industry to sell fewer than 17 million new vehicles in 2018](#)” in the US. In 2017, GM’s US sales decreased 1.4 percent. But VW’s increased 6.1 percent, and Nissan’s increased 1.9 percent. The shift from “passenger cars” to “light trucks” continued in 2017.