

Summary: The economic news this week is, once again, subdued but not negative. Job openings were down slightly but then so were initial claims. Retail sales were up as were manufacturers' shipments. The DOT Transportation Freight index fell, but General Motors announced a \$100 million investment in Spring Hill, Tennessee. One consumer confidence measure was up and another down.

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

Tuesday: Dr. R begins the week with a thorough dissection of last week's employment report. First, he notes the slowing of employment growth to 156,000 jobs and a slight increase in the unemployment rate from 4.9% to 5.0%. But he has some further thoughts:

Now to some details. Private employment gained 144k in August and then rebounded by 167k in September. Hours worked slipped 0.2% in August but rose 0.4% in September. Payroll growth was largely unchanged in August, but rose a large 0.7% in September. Instead of an anemic \$13 billion in August, compensation should grow almost \$60 billion in September.

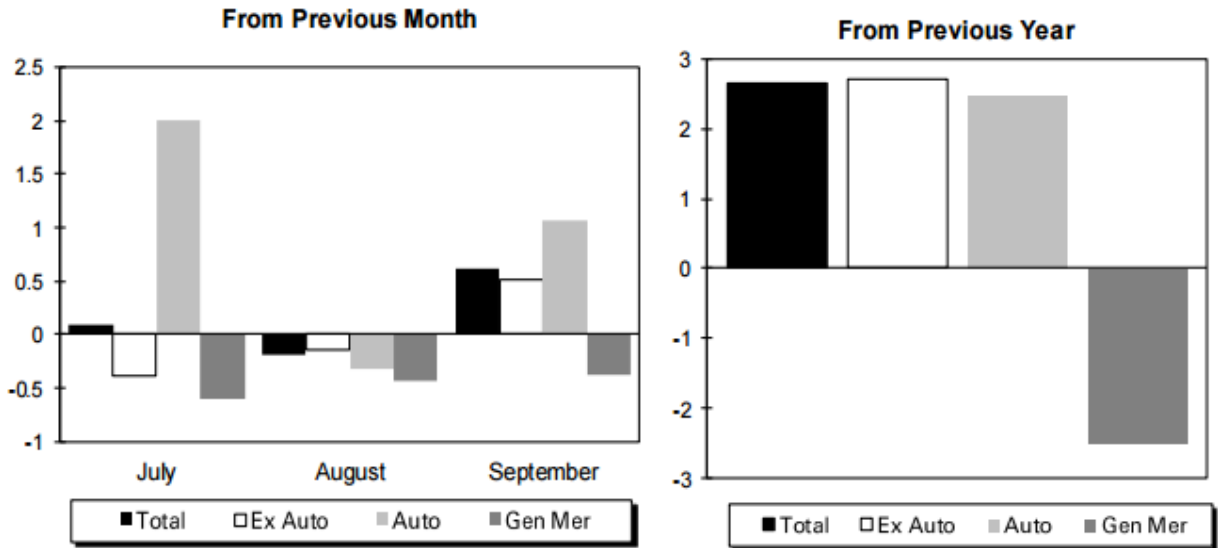
He then looks at the employment figures for many sectors. His initial forecast for 4th quarter GDP growth is 3.0%, but we won't see those numbers until after the first of the year. He offers an interesting observation about U.S. Balance of Trade deficit, pointing out that it grew by \$1.25 billion in August, and that was the amount U.S. broadcasters paid to air the Olympic Games. That amount produced a 3.6% increase in service imports, and that will be reversed in September's numbers.

Census Bureau

Friday, [Advance Monthly Sales for Retail and Food Services](#): The preliminary sales report for retail and food services in September 2016 is for an increase of 0.6% from August and 2.7% higher than in September 2015. The charts below show the percentage change in sales from August to September and from September 2015.

Percent Change in Retail and Food Services Sales

(Estimates adjusted for seasonal variation and holiday and trading-day differences, but not for price changes)



Friday, [Manufacturing and Trade, Inventories and Sales](#): In August 2016, the combined value of distributive trade sales and manufacturers' shipments were up by 0.2% from July but unchanged from August 2015. Inventories were also 0.2% higher than in July and 0.7% higher than in August 2015. The inventory/sales ratio was 1.39, unchanged from the previous month and up by 0.1% from a year earlier.

Bureau of Labor Statistics

Wednesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In August 2016, the number of job openings in the U.S. was 5.4 million, down from 5.7 million in July. The number of hires was 5.2 million, virtually unchanged from July, and the number of separations was 4.95 million, also nearly the same as the previous month. The quit rate was 2.1%, the same as in the two prior months.

Thursday, [U.S. Import and Export Price Indexes](#): In September 2016, the U.S. Import Price Index rose by 0.1% because of a 1.1% increase in fuel import prices. Over the past 12-month period, the import index has fallen by 1.1%. The U.S. Export Price Index increased by 0.3% in September despite a 1.0% decline in the Nonagricultural Price Index. From September 2015 through September 2016, the export index decreased 1.5%.

Friday, [Producer Price Index \(PPI\)](#): In September 2016, the PPI for Final Demand rose by 0.3% from August and by 0.7% over the previous 12-month period. Excluding food and energy, the index also gained 0.3% for the month. In the case of goods, the index was up by 0.7%, led by energy prices, which rose by 2.5%. The index for services rose by 0.1%, prompted by a 1.3% increase in the index for transportation and warehousing. Year-over-year, and excluding foods, energy, and trade services, the PPI is up by 1.5%.

U.S. Department of Labor

Thursday: [Initial Claims](#) for unemployment insurance in the week ending October 8, 2016, fell by 1,000 to 246,000, and the four-week moving average declined 3,500 to 249,250. The latter figure was the lowest since November 3, 1973. "The 4-week moving average [for the advance number of seasonally adjusted insured unemployed] was 2,070,000, a decrease of 25,750 from the previous week's revised average. This is the lowest level for this average since July 8, 2000 when it was 2,056,250." Two states reported increases of 1,000 or more new claims for the week ending October 1 and one state reported a decrease of 1,000 or more. Tennessee reported an increase of 76 initial claims.

U.S. Department of Transportation

Thursday, [August 2016 Freight Transportation Services Index](#): After four consecutive monthly increases, the index for the amount of freight moved by for-hire transport carriers fell by 1.8% to 122.3. The August figure is down from the all-time high level of 124.5 in July 2016. (This index was initiated in 2000.)

Board of Governors of the Federal Reserve

Tuesday, Labor Market Conditions Index: The index for September 2016 is at -2.2, following -1.3 in August and +0.8 in July. The index has now been negative every month in 2016 except for July.

Wednesday, [Federal Open Market Committee \(FOMC\) Minutes](#): These minutes are from the FOMC meetings of September 20-21, 2016. If you are curious about what occurs at these meetings besides discussion of economic activities and monetary policy, the first part of these minutes discuss many other matters. The usual staff analyses of the current economic situation, financial conditions, and a briefing on the economic outlook comes next. Then the participants give their assessment and views on the prospects of the economy. There was some disagreement on the strength of labor markets and the trajectory of inflation. "After assessing the outlook for economic activity, the labor market, and inflation, as well as the risks around that outlook, the Committee decided to maintain the target range for the federal funds rate at ¼ to ½ percent at this meeting. Members generally agreed that the case for

an increase in the policy rate had strengthened.” Of the 10 voting members of the committee, seven voted in favor of maintaining the current policy, and three voted against it, preferring a ¼ percentage point increase.

The Tennessean

Wednesday, [GM To Add 650 Jobs At Spring Hill Plant](#): General Motors announced a \$790 million investment in its Spring Hill, Tennessee facility that will add a third shift to its operations and increase employment there by 650 jobs. The plant will begin producing the Cadillac XT5 and the GMC Acadia. The plant currently employs 3,300 hourly employees, up from 2,643 in April.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 42.1, up from 41.4 the previous week. The index has changed very little over the past five weeks. “This extends what’s been an unusually flat year; the index’s standard deviation in 2016, 1.0, is its lowest in more than 30 years of available data and is less than half the average standard deviation, 2.3. Among the challenges: persistently low wage growth, sharp income gaps and a job market that, while improved, still faces difficulties.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-October index is 87.9, down from 91.2 in the final September reading. “The Sentiment Index slipped in early October to its lowest level since last September and the second lowest level in the past two years. The early October loss was concentrated among households with incomes below \$75,000, whose Index fell to its lowest level since August of 2014. ...Overall, real personal consumption can be expected to increase by 2.5% through mid-2017.”

Nobelprize.org

Monday, [The Prize in Economic Sciences](#) 2016: The Royal Swedish Academy of Sciences announced the award of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2016 to Oliver Hart of Harvard University and Bengt Holmström of the Massachusetts Institute of Technology. The award was for the “the understanding of real-life contracts and institutions, as well as potential pitfalls in contract design.” Holmström’s contributions focus on employer-employee relationships—also known as principal-agent relationships—and the design of compensation contracts. Hart focused on “incomplete contracts,” in which the allocation of control is formulated. “His research provides us with new theoretical tools for studying questions such as which kinds of companies should merge, the proper mix of debt and equity financing, and when institutions such as schools or prisons ought to be privately or publicly owned.” The [New York Times](#) has a discussion on the work of each man.

MTSU Business & Economic Research Center

Monday, [Global Commerce 2nd Quarter 2016](#): The lead article in this issue of the newsletter on Tennessee and the International Economy is devoted to the location of state exporting manufacturers. In 2014, “just under 3,000 Tennessee manufacturers exported.” Roughly 40% of Tennessee exporters are manufacturers. Maps are provided that show the location by five-digit zip code. Manufacturers in 423 of the 680 five-digit zip codes engaged in exporting, and in 10 zip codes, there are more than 30 exporting manufacturers, accounting for 15% of the statewide total. Not surprisingly, six of those 10 are adjacent to one of the state’s largest airports. Unfortunately, the global economic slump caused a 7.6% decline in Tennessee exports in Q2 2016. There is a lot more detail in the newsletter.

MTSU, Dr. David Penn, Department of Economics & Finance

[Tracking Tennessee’s Economy](#): The economic indicators for the Tennessee economy were updated through August 2016. Despite an increase in the number of initial claims from July to August,

the trend is down, with the monthly numbers around 3,000, down from a peak in March 2009 of nearly 16,000. Building permits issued, which peaked in early 2006 at 3,700 and fell to 525 in November 2008, were 2,300 in August 2016. “Over the year, single family permits are 16.5% higher while total permits are just 1.1% higher.” In August 2016, state sales tax collections totaled just slightly less than \$700 million, up 2.1% for the year. The unemployment rate in August was 4.4% compared with the national rate of 4.9%. Average weekly hours worked was 35.4 in August, and average weekly hourly earnings were \$21.90, up 3.8% over the year. The [Heat Chart](#) showing employment growth by industry shows only two industry sectors in orange, indicating declines, Mining and Logging and Transportation and Utilities. All the other sectors are green, indicating employment growth year-over-year. The fastest growth was in Construction at 6.2% followed by Education and Health Services at 4.2%.

The Wall Street Journal

Thursday, [Economic Forecasting Survey](#): The October 2016 survey of 77 economic forecasters includes responses from 58 individuals and organizations. The average forecast for 3rd quarter U.S. GDP growth is 2.59%, and the average for Q4 is 2.31%. The Consumer Price Index, as of December 2016, is forecast to have increased by 1.7% and by 2.1% as of June 2017. By the end of 2016, the price of oil is forecast to be \$49.74 (as I write, the price is \$50.38). The December 2016 unemployment rate is forecast at 4.9% and at 4.7% in June 2017. The yield on 10-year U.S. Treasury bonds is forecast to 1.81% as of December 2016 and 2.05% by mid-2017. Forecasters predict the probability of a recession in the next 12 months at a 1-in-5 chance. Finally, more than 80% of respondents expected the Fed to raise the fed funds rate in December 2016.