

Economic Update, December 15, 2017
Submitted by Michael Mount

Summary: Citing the strength of the labor market, the Federal Reserve increased its target range for the federal funds rate to 1.25% to 1.5%. Most economists expect another rate increase in March. The Fed is targeting a rate of 2% for core inflation, which excludes food and energy. Core inflation is currently at 1.7%, so they are trying to stay ahead of it.

Census Bureau

Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for November 2017, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$492.7 billion, an increase of 0.8 percent from the previous month, and 5.8 percent above November 2016. Total sales for the September 2017 through November 2017 period were up 5.2 percent from the same period a year ago. The September 2017 to October 2017 percent change was revised from up 0.2 percent to up 0.5 percent. Retail trade sales were up 0.8 percent from October 2017, and were up 6.3 percent from last year. Gasoline Stations were up 12.2 percent from November 2016, while Building Materials and Garden Equipment and Supplies Dealers were up 10.7 percent from last year.”

Thursday, [Manufacturing and Trade: Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for October, adjusted for seasonal and trading-day differences but not for price changes, was estimated at \$1,400.8 billion, up 0.6 percent from September 2017 and was up 6.5 percent from October 2016. Manufacturers’ and trade inventories . . . were estimated at an end-of-month level of \$1,885.7 billion, down 0.1 percent from September 2017, but were up 3.5 percent from October 2016. The total business inventories/sales ratio based on seasonally adjusted data at the end of October was 1.35. The October 2016 ratio was 1.39.”

Bureau of Labor Statistics

Monday, [Job Openings and Labor Turnover Survey](#): On the last business day of October, there were 6.0 million job openings, little changed from September. “Job openings have been at or near record high levels since June. The job openings rate was 3.9 percent in October.”

Tuesday, [Producer Price Index](#): “The Producer Price Index for final demand increased 0.4 percent in November, seasonally adjusted. . . . Final demand prices also moved up 0.4 percent in both October and September. On an unadjusted basis, the final demand index rose 3.1 percent for the 12 months ended in November, the largest advance since a 3.1-percent increase for the 12 months ended January 2012.”

Wednesday, [Consumer Price Index](#): “The all items index rose 2.2 percent for the 12 months ending November. The index for all items less food and energy rose 1.7 percent, a slight decline from the 1.8-percent increase for the period ending October. The energy index rose 9.4 percent over the last 12 months, and the food index rose 1.4 percent.”

Wednesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.2 percent from October to November, seasonally adjusted. . . . This result stems from a 0.2-percent increase in average hourly earnings being more than offset by a 0.4-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U).”

Thursday, [U.S. Import and Export Price Indexes](#): “U.S. import prices rose 0.7 percent in November . . . after ticking up 0.1 percent in October. Higher prices for fuel drove the increase in

November and nonfuel prices recorded no change. U.S. export prices increased 0.5 percent in November following a 0.1-percent advance the previous month.”

Friday, [Employer Costs for Employee Compensation](#): “Employer costs for employee compensation averaged \$35.64 per hour worked in September 2017. . . . Wages and salaries averaged \$24.33 per hour worked and accounted for 68.3 percent of these costs, while benefit costs averaged \$11.31 and accounted for the remaining 31.7 percent. Total employer compensation costs for private industry workers averaged \$33.55 per hour worked in September 2017. Total employer compensation costs for state and local government workers averaged \$48.78 per hour worked in September 2017.”

Bureau of Economic Analysis

Wednesday, [Travel and Tourism Satellite Accounts](#): “Real spending on travel and tourism accelerated in the third quarter of 2017, growing at an annual rate of 6.6 percent after increasing 6.0 percent in the second quarter. . . . Real gross domestic product (GDP) for the nation also accelerated, increasing 3.3 percent in the third quarter after increasing 3.1 percent in the second quarter of 2017. The leading contributors to the acceleration in real spending were traveler accommodations and food and beverage services. Traveler accommodations accelerated, growing 13.5 percent in the third quarter after increasing 3.8 percent in the second quarter. Food and beverage services increased 0.6 percent after decreasing 1.4 percent in the previous quarter.”

NFIB

Tuesday, [Small Business Optimism Index](#): The Index of Small Business Optimism gained 3.7 points to 107.5 in November, the second highest reading in 44 years. “Eight of the 10 Index components posted a gain and two declined, as Job Openings fell from its record high level and Capital Spending Plans declined 1 point. Eighty percent of the gain in the Index was accounted for by expectations about future business conditions and real sales gains, and the environment for business expansion.”

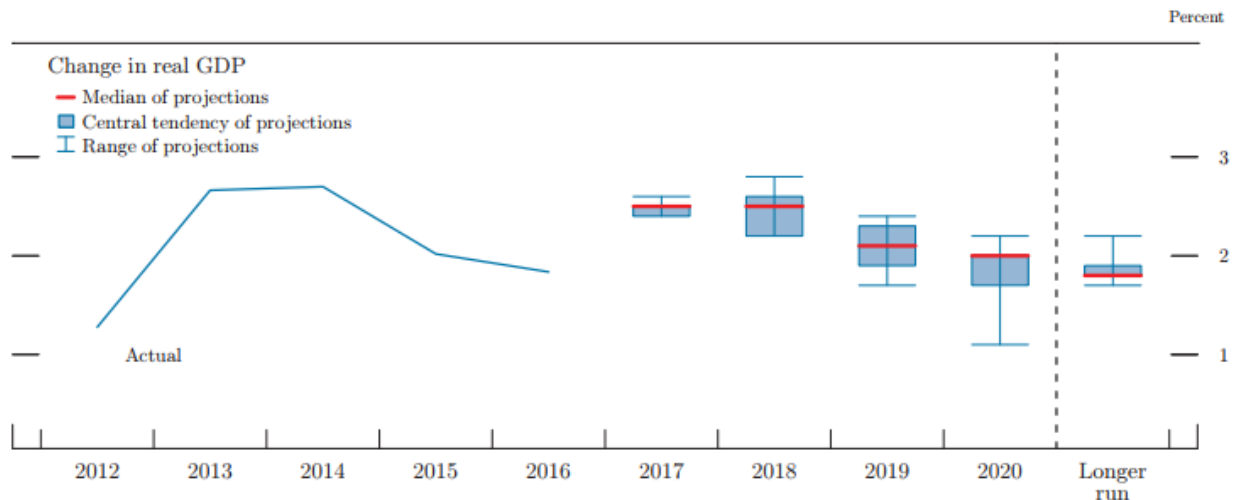
Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 2.3 percent from one week earlier. . . . The Refinance Index decreased 3 percent from the previous week. The seasonally adjusted Purchase Index decreased 1 percent from one week earlier.”

Federal Reserve

Wednesday, [FOMC Meeting Announcement](#): “In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 1-1/4 to 1-1/2 percent. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.”

Wednesday, [FOMC Forecasts](#): This includes forecasts of real GDP, the unemployment rate, and inflation. Here’s the chart for real GDP:



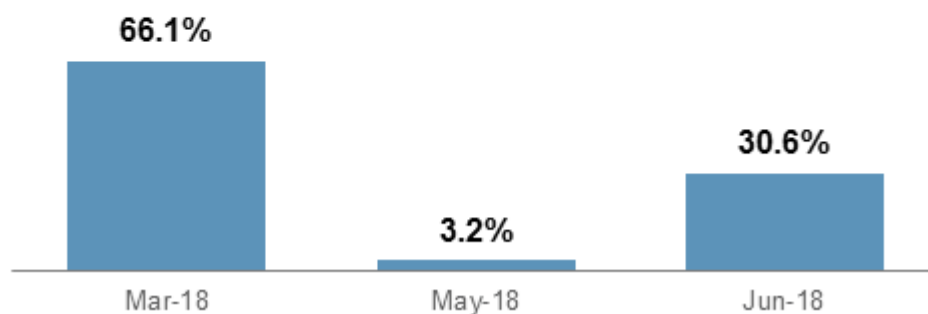
Friday, [Industrial Production and Capacity Utilization](#): “Industrial production moved up 0.2 percent in November after posting an upwardly revised increase of 1.2 percent in October. . . . Capacity utilization for the industrial sector was 77.1 percent in November, a rate that is 2.8 percentage points below its long-run (1972–2016) average.”

Wall Street Journal

Wednesday, [Economic Forecasting Survey](#): Most economists expect the next increase in interest rates will be in March.

Q&A: Once More, With Feeling

At which FOMC meeting will the Fed increase interest rates for the second time from where we are now?



U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending December 9, the advance figure for seasonally adjusted initial claims was 225,000, a decrease of 11,000 from the previous week's unrevised level of 236,000. The 4-week moving average was 234,750, a decrease of 6,750 from the previous week's unrevised average of 241,500.”

Bloomberg

Thursday, [Consumer Comfort Index](#): The index decreased from 52.3 to 51.3, cooling from a 13-week high, while remaining at an elevated level during the heart of the holiday shopping season.

“Americans are embracing a rosier economic picture, record stock prices this month, and an unemployment rate at an almost 17-year low. These reasons help explain why Federal Reserve policy makers raised their benchmark lending rate on Wednesday by a quarter percentage point to a target range of 1.25 percent to 1.5 percent.”