

Economic Update, December 2, 2016
Submitted by Reuben Kyle

Summary: As usual, the first Friday of the month is when the job numbers for the previous month are released, and those numbers indicate 178,000 new jobs and a 4.6% unemployment rate. Also, we got the second estimate for GDP growth in the 3rd quarter, and that was 3.2%, up from the first estimate of 2.9%. Construction spending was up, and motor vehicle sales continue to be strong. Surveys of purchasing managers are positive. In sum, the economic news for the week was upbeat.

Census Bureau

Thursday, [Construction Spending](#): In October 2016, construction spending was up by 0.5% from September and 3.4% higher than in October 2015. Year-to-date spending is 4.5% higher than the same period in 2015. Residential spending was up by 1.6%, but nonresidential spending was down by 2.1%. Total public construction spending was 2.8% above the previous month, and both educational construction and highway construction spending were up for the month.

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): In October 2016, unemployment rates were lower in 231 of 387 Metropolitan Statistical Areas (MSAs), higher in 127, and unchanged in 29 compared with October 2015. The lowest unemployment rate was in Fargo, North Dakota (and Minnesota) at 1.8%, and the highest was 22.0% in El Centro, California. Nine of the 10 Tennessee MSAs had lower rates in October than in September 2016 or October 2015. Of the 387 MSAs across the country, 311 had increased employment over the year earlier, while 68 had lower employment, and eight experienced no change in employment. Among the 10 Tennessee MSAs, nine had higher employment than in October 2015. All 10 added 22,200 jobs, with Memphis gaining 6,200, Nashville-Davidson-Murfreesboro-Franklin adding 3,500, and the Cleveland MSA employment increasing by 2,600 new jobs.

Thursday, [Occupational Requirements in the U.S., Annual 2016](#): “Workers spent 61.0 percent of the workday standing or walking in jobs surveyed in 2016, the U.S. Bureau of Labor Statistics reported today. This is the first release of the Occupational Requirements Survey (ORS), which is an establishment-based survey and provides information about the physical demands, mental requirements, education and training, and environmental conditions of jobs in the U.S. economy.” There is a lot of information in this report so readers can choose what to look at.

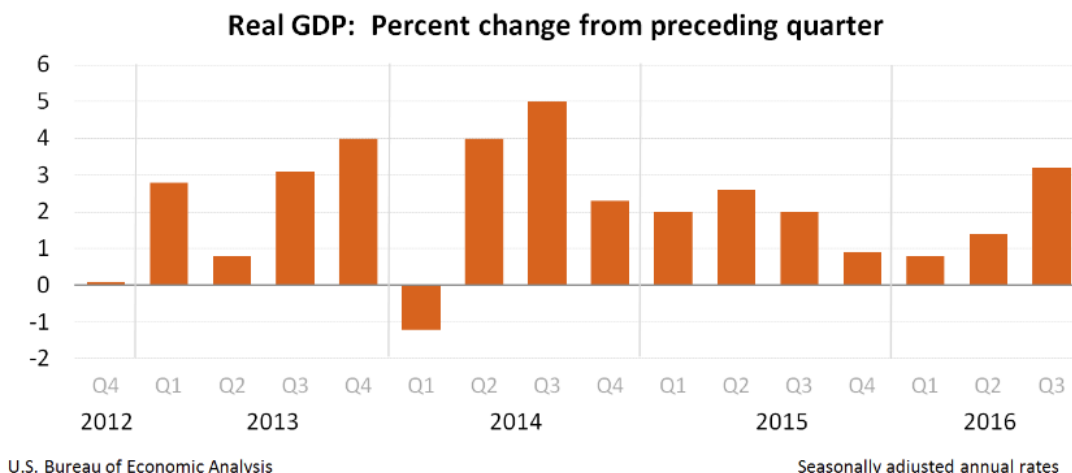
Friday, [Employment Situation](#): In November 2016, total nonfarm employment increased by 178,000, and the unemployment rate fell to 4.6%. The Household Survey shows that the labor force declined by 226,000, and the Labor Force Participation Rate dropped by 0.1 percentage points to 62.7%. The number of unemployed fell by 387,000. Unemployment rates fell for every demographic group except Hispanic or Latino Ethnicity, for which the rate was unchanged. According to the Establishment Survey, total private sector employment increased by 156,000, while the government sector added 22,000. Construction gained 19,000 and Motor Vehicles and Parts added 1,200. The biggest gainers in the service-producing sector were Professional and Business Services with 63,000 new jobs, Health Care and Social Assistance adding 34,700, and Leisure and Hospitality gaining 29,000. Average weekly hours were unchanged at 34.4. The diffusion index for 262 private industries was 55.5% and that index for 79 manufacturing industries was 46.8%.

ADP.com

Wednesday, [ADP Employment Report](#): In November 2016, private sector employment increased by 216,000. Construction added 2,000 jobs, while manufacturing lost 10,000. In the service producing sector, the total gains were 228,000 jobs with Trade, Transportation & Utilities adding 69,000 and Professional & Business Services gaining 68,000.

Bureau of Economic Analysis

Tuesday, [Gross Domestic Product, 3rd Quarter 2016 \(2nd estimate\)](#): The revised estimate of 3rd quarter GDP growth is 3.2%, compared with the advance estimate of 2.9%. The revised estimate of personal consumption expenditures was higher than in the original. Quarterly changes in real GDP are shown in the chart below.



Corporate profits increased by \$133.8 billion in the 3rd quarter in contrast to a decrease of \$12.5 billion in Q2.

Friday, [Personal Income and Outlays](#), October 2016: Personal Income and Disposable Personal Income (DPI) both increased by 0.6% in October, and DPI adjusted for inflation increased by 0.4%. Real Personal Consumption Expenditures (PCE) increased by 0.1%, and the PCE Price Index was up by 1.4% from October 2015.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance rose by 17,000 for the week ending November 26, 2015, to 268,000 and for the four-week moving average by 500 to 251,500. Seventeen states reported increases of 1,000 or more initial claims for the week ending November 19, and no state reported a decrease of 1,000 or more. Tennessee reported a decline of 122 new claims that week.

Board of Governors of the Federal Reserve

Wednesday, [Beige Book](#): This report covers a period from October through mid-November 2016 for all 12 Federal Reserve Districts. The summary states that the economy continued to expand “across most regions.” The Sixth District, or Atlanta Federal Reserve Bank, reports modest improvement since the last reporting period. Retailers indicated that sales were flat and automobile dealers stated that their sales were soft. Tourism and hospitality contacts experienced some relocation because of Hurricane Matthew. Residential realtors indicated “slow but steady growth” and builders reported increased activity from this period in 2015. In manufacturing, new orders and production were higher than in the previous period. “Contacts were more optimistic about business activity going forward, as almost half indicated they expect an increase in production levels over the next six months, compared with only one-third in the previous report.” Transportation services, in particular rail and trucking, reported slowing traffic. Labor markets appeared to be tight, with construction and medical care providers having difficulty finding qualified workers. Despite drought conditions, harvests of soybean and corn crops in Tennessee were reported to be “ahead of the five-year average.” The Eighth District, or St. Louis Federal Bank, reported modest improvement in economic activity since the last report.

Employment and wages were reported to be growing modestly. "Among businesses surveyed in mid-November, 40 percent reported employment was higher or slightly higher than at the same time last year, and over half expect their firm to increase employment over the next twelve months." Here too employers are finding it difficult to hire qualified workers. General retailers in Memphis experienced a "slowdown" in sales since the last report and many automobile dealers also had the same experience. A majority of manufacturing contacts indicated increases in production and capacity utilization. "Nearly all contacts surveyed expect production, new orders, and capacity utilization to increase in the first quarter of 2017 relative to the first quarter of 2016." Year-to-date residential real estate sales were up by 8% in Memphis. Demand for mortgages and commercial and industrial loans was reported as "strong." Here, also, forecasts of cotton and soybean production were "up slightly."

The Conference Board

Tuesday, [Consumer Confidence Index](#): The November 2016 index stands at 107.1, up from 100.8 in October. Lynn Franco, Director of Economic Indicators at The Conference Board, stated: "Consumer confidence improved in November after a moderate decline in October, and is once again at pre-recession levels, (The Index stood at 111.9 in July 2007.) A more favorable assessment of current conditions coupled with a more optimistic short-term outlook helped boost confidence. And while the majority of consumers were surveyed before the presidential election, it appears from the small sample of post-election responses that consumers' optimism was not impacted by the outcome. With the holiday season upon us, a more confident consumer should be welcome news for retailers."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index was 44.9 compared with 44.8 the prior week. "With its best six-week average since February 2015, it's poised to end 2016 with its highest annual average since the end of the Great Recession."

Institute for Supply Management

Thursday, [November 2016 Manufacturing Index ISM Report on Business](#): The index is 53.2% up by 1.3 percentage points from the 51.9% in October. The overall U.S. economy expanded for the 90th consecutive month. The survey covers 18 manufacturing industry sectors of which 11 reported expanding, six reported contracting, and one stayed the same. Below are a few of respondents' comments.

- "Raw materials have been rather flat. Ramping up for year-end and reducing inventory is main supply chain goal at this time." (Chemical Products)
- "Strong manufacturing numbers in anticipation of strong year-end bookings." (Computer & Electronic Products)
- "Business is still steady. We are foregoing our shutdown over Christmas break due to an increase in customer orders." (Plastics & Rubber Products)
- "Heading into 2017, our business levels look pretty consistent compared to 2016." (Primary Metals)
- "Sector remains strong, orders and forecasts are consistent and demand outlook is positive." (Food, Beverage & Tobacco Products)

Markit Economics

Thursday, [Purchasing Managers' Index \(PMI\) Manufacturing Index](#): The November 2016 index was 54.1 compared with 53.4 in the final October reading and was 53.9 in the November flash. Chief Markit Economist Chris Williamson commented: "Both production and order books are growing at impressive rates, fueled predominantly by rising domestic demand for goods from both consumers and businesses. Companies are also rebuilding stock levels, suggesting the recent inventory drag is easing."

“The stronger dollar is hurting exporters, but the flip-side of the exchange rate appreciation is lower import costs, which have in turn helped to ameliorate the impact of rising global commodity prices compared to other countries.”

“However, although employment rose, the survey found ongoing caution in respect to hiring new staff, linked in turn to uncertainty about the outlook and worries about rising costs.”

Autodata.com

Thursday, [Motor Vehicle Sales](#): In November 2016, U.S. light vehicle retail sales were at a seasonally-adjusted, annual rate of 17.87 million, down a shade from 18.02 million in October but the fourth highest rate for the year. Year-over-year sales by Tennessee assemblers were mixed. Compared to November 2015, General Motors’ car sales were up by 6.5%, Nissan’s car sales were 5.5% lower, and Volkswagen’s sales were up by 24.9%. Calendar year-to-date car sales were down by 6.5% for GM, down by 2.8% for Nissan, and down by 10% for Volkswagen.

Standard & Poor’s

Tuesday, [S&P Corelogic Case-Shiller House Price Index](#): In September 2016, the National Index was 5.5% higher than in September 2015 and now is above the pre-recession peak in July 2006. David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, is quoted as saying: “The new peak set by the S&P Case-Shiller CoreLogic National Index will be seen as marking a shift from the housing recovery to the hoped-for start of a new advance ... While seven of the 20 cities previously reached new post-recession peaks, those that experienced the biggest booms -- Miami, Tampa, Phoenix and Las Vegas -- remain well below their all-time highs.”

National Association of Realtors

Wednesday, [Pending Home Sales Index](#): In October 2016, the Pending Home Sales Index increased by 0.1% to 110.0 compared to 109.9 in September. “Lawrence Yun, NAR chief economist, says October’s minuscule uptick in contract activity nudged pending sales up to their highest level since July (111.2). ‘Most of the country last month saw at least a small increase in contract signings and more notably, activity in all four major regions is up from a year ago.’”

Gallup.com

Thursday, [Good Jobs Rate](#): This measure for November 2016 was 45.7%, down from 46.4% in October but the highest level for the month of November since Gallup began reporting this measure in 2010. Gallup does not do any seasonal adjustment of these numbers so the “dip” from October to November is a typical pattern.