

Economic Update, December 8, 2017
Submitted by Michael Mount

Summary: Overall, things are good, but optimism slipped from recent highs. Wages are increasing faster than inflation, though the unemployment rate remained at 4.1%. The trade deficit grew, mostly because of increasing imports. I found an interesting [article](#) about bitcoin and [another](#) on the income puzzle.

Census Bureau

Monday, [Manufacturers' Shipments, Inventories and Orders](#): “New orders for manufactured goods in October, down following two consecutive monthly increases, decreased \$0.3 billion or 0.1 percent to \$479.6 billion. . . . This followed a 1.7 percent September increase. Shipments, up ten of the last eleven months, increased \$2.7 billion or 0.6 percent to \$484.2 billion. This followed a 1.1 percent September increase. Unfilled orders, down three of the last four months, decreased \$0.2 billion or virtually unchanged to \$1,135.1 billion. This followed a 0.3 percent September increase. The unfilled orders-to-shipments ratio was 6.68, unchanged from September. Inventories, up eleven of the last twelve months, increased \$1.2 billion or 0.2 percent to \$661.6 billion. This followed a 0.6 percent September increase. The inventories-to-shipments ratio was 1.37, unchanged from September.”

Tuesday, [U.S. International Trade in Goods and Services](#): “The goods and services deficit was \$48.7 billion in October, up \$3.8 billion from \$44.9 billion in September. . . . October exports were \$195.9 billion, down less than \$0.1 billion from September exports. October imports were \$244.6 billion, \$3.8 billion more than September imports. The October increase in the goods and services deficit reflected an increase in the goods deficit of \$3.8 billion to \$69.1 billion and a decrease in the services surplus of less than \$0.1 billion to \$20.3 billion.”

Tuesday, [Preliminary Profile of U.S. Exporting Companies](#): “In 2016, there were 278,828 identified U.S. exporters, accounting for \$1.2 trillion in exports of goods (of \$1.5 trillion total exports of goods.)” This is a decrease from 294,834 identified U.S. exporters, accounting for \$1.3 trillion total exports of goods, in 2015.

Tuesday, [Manufacturing, Mining, Wholesale Trade, and Selected Service Industries](#): “U.S. manufacturing corporations’ seasonally adjusted after-tax profits in the third quarter of 2017 totaled \$147.4 billion, up \$3.7 billion from the after-tax profits of \$143.7 billion recorded in the second quarter of 2017, but not statistically different from the from the after-tax profits of \$147.8 billion recorded in the third quarter of 2016.” Mining reduced its losses, wholesale and information profits were up, and professional and technical service profits were down.

Tuesday, [Retail Trade](#): “Seasonally adjusted after-tax profits of U.S. retail corporations with assets of \$50 million and over totaled \$20.3 billion, down \$1.7 billion from the \$21.9 billion recorded in the second quarter of 2017, and down \$2.7 billion from the \$22.9 billion recorded in the third quarter of 2016.”

Thursday, [Services Survey](#): “U.S. selected services total revenue for the third quarter of 2017, not adjusted for seasonal variation or price changes, was \$3,717.6 billion, an increase of 1.1 percent from the second quarter of 2017 and up 5.2 percent from the third quarter of 2016. The second quarter of 2017 to third quarter of 2017 percentage change was revised from the advance estimate of 1.2 percent.”

Friday, [Wholesale Trade: Sales and Inventories](#): “October 2017 sales of merchant wholesalers, except manufacturers’ sales branches and offices, . . . were \$484.6 billion, up 0.7 percent from the revised September level and were up 8.4 percent from the October 2016 level. . . . Total inventories of

merchant wholesalers, except manufacturers' sales branches and offices, . . . were \$605.3 billion at the end of October, down 0.5 percent from the revised September level."

Institute for Supply Management (ISM)

Tuesday, [Non-Manufacturing Index](#): Economic activity in the non-manufacturing sector grew in November for the 95th consecutive month. Anthony Nieves, chair of the Institute for Supply Management Non-Manufacturing Business Survey Committee, is quoted: "The NMI registered 57.4 percent, which is 2.7 percentage points lower than the October reading of 60.1 percent. This represents continued growth in the non-manufacturing sector at a slower rate."

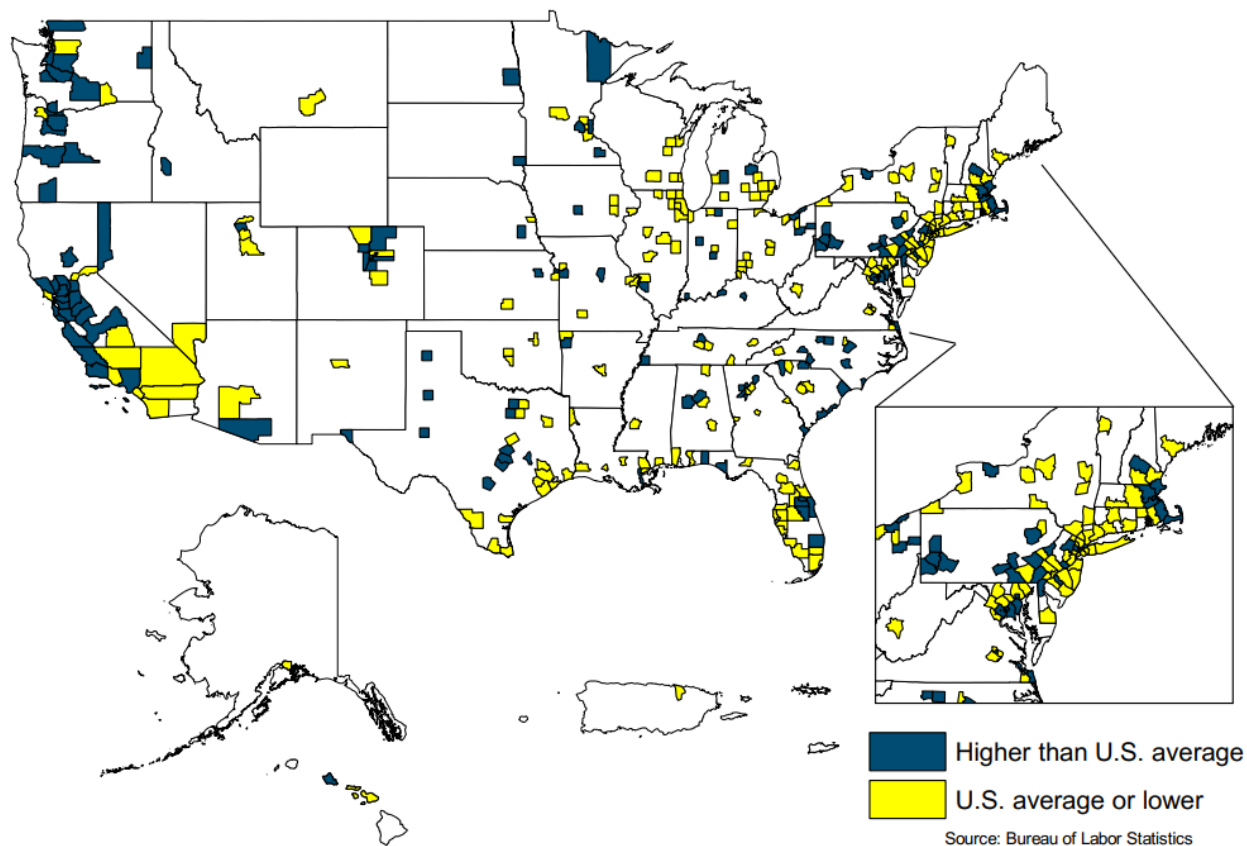
IHS Markit Economics

Tuesday, [Purchasing Manager's Index for Services](#): "November survey data signaled a slower rate of expansion in business activity across the US service sector. Although output growth eased slightly to a five-month low, the upturn in new business accelerated and was solid overall. Employment growth meanwhile reached a three month peak, which helped alleviate capacity pressures. In line with this, backlog accumulation softened to a five-month low. Inflationary pressures intensified with both input prices and output charges rising at quicker paces. The latest survey also indicated a fall in business confidence to the joint-lowest since February."

Bureau of Labor Statistics

Tuesday, [County Employment and Wages](#): "From June 2016 to June 2017, employment increased in 318 of the 346 largest U.S. counties. . . . The U.S. average weekly wage increased 3.2 percent over the year, growing to \$1,020 in the second quarter of 2017." Of Tennessee's six most populous counties, Shelby's average weekly wage increased the most at 3.8 percent. Davidson's percentage increase was also greater than the US average, but percentage increases for each of the other four counties weren't.

Chart 4. Percent change in average weekly wage in counties with 75,000 or more employees, second quarter 2016-17 (U.S. average = 3.2 percent)



Tuesday, [Work Experience of the Population](#): “A total of 163.6 million persons worked at some point during 2016. . . . The proportion of the civilian non-institutional population age 16 and over who worked at some time during 2016 was 64.3 percent, little changed from 2015. The number of persons who experienced some unemployment during 2016 declined by 1.4 million to 15.6 million. . . . About 2.6 million individuals looked for a job but did not work at all in 2016, down from 3.2 million in 2015.”

Wednesday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 3.0 percent during the third quarter of 2017 . . . as output increased 4.1 percent and hours worked increased 1.1 percent. The productivity increase was the largest since the third quarter of 2014, when output per hour increased 4.4 percent. . . . From the third quarter of 2016 to the third quarter of 2017, productivity increased 1.5 percent, reflecting a 3.0-percent increase in output and a 1.5-percent increase in hours worked.”

Friday, [Employment Situation](#): “The unemployment rate held at 4.1 percent in November, and the number of unemployed persons was essentially unchanged at 6.6 million. Over the year, the unemployment rate and the number of unemployed persons were down by 0.5 percentage point and 799,000, respectively. . . . The number of long-term unemployed . . . was essentially unchanged at 1.6 million in November and accounted for 23.8 percent of the unemployed. . . . The labor force participation rate remained at 62.7 percent in November and has shown no clear trend over the past 12 months. The number of persons employed part time for economic reasons . . . , at 4.8 million, was essentially unchanged in November but was down by 858,000 over the year. . . . There were 469,000 discouraged workers in November, down by 122,000 from a year earlier.”

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending December 2, the advance figure for seasonally adjusted initial claims was 236,000, a decrease of 2,000 from the previous week's unrevised level of 238,000. The 4-week moving average was 241,500, a decrease of 750 from the previous week's unrevised average of 242,250.”

ADP.com

Wednesday, [ADP Employment Report](#): Private sector employment increased by 190,000 jobs from October to November. “The labor market continues to grow at a solid pace,” said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. “Notably, manufacturing added the most jobs the industry has seen all year. As the labor market continues to tighten and wages increase it will become increasingly difficult for employers to attract and retain skilled talent.”

Challenger

Thursday, [Job-Cut Report](#): “U.S.-based employers announced 29,831 job cuts in October, down 3 percent from the same month last year, when 30,740 job cuts were announced. Employers have announced 25 percent fewer job cuts than they did in the same period last year.” Announced layoffs this year are highest in retail.

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 4.7 percent from one week earlier. . . . The Refinance Index increased 9 percent from the previous week. The seasonally adjusted Purchase Index increased 2 percent from one week earlier.”

Gallup.com

Tuesday, [U.S. Economic Confidence Index](#): “Americans' assessments of the economy remain relatively strong, with [the index] at +9 for the week ending Dec. 3. This score is similar to the previous week's +11 and slightly above the average weekly level of economic confidence during the year so far (+6).”

Bloomberg

Thursday, [Consumer Comfort Index](#): The index advanced from 51.6 to 52.3, the highest since the week ending Sept. 3. “Consumer sentiment is closing in on its best year since 2001. Stocks at all-time highs, unemployment near a 17-year low and firmer economic growth are leading to brighter views of personal finances and the economy.”

IBD/TIPP

Tuesday, [Economic Optimism Index](#): The index decreased across all measures in December. The overall Economic Optimism reading dropped to 51.9, a decline of 3.2 percent. Nevertheless, the index maintains its longest stretch in positive territory in more than a decade. “Though our economic confidence index weakened slightly in December, it is still in its optimism territory. Americans are encouraged by the positive signs in the economy such as strong GDP growth, a robust job market, record gains in the stock market, and stable energy prices,” noted Raghavan Mayur, president of TechnoMetrica, IBD's polling partner.

NFIB

Thursday, [Jobs Report](#): “Small business job creation plans reached an all-time high in November, shattering the previous record. . . . Plans to create jobs shot up six points in November, a

clear sign that small business owners think the economy is strong. . . . Fifty-two percent of small business owners reported hiring or trying to hire in November, but 44 percent said they couldn't find qualified workers."

University of Michigan

Friday, [Consumer Sentiment Index](#): The index decreased to 96.8 from 98.5. "Consumer sentiment has remained quite favorable although it continued to slowly recede in early December from its October cyclical peak. Most of the recent decline was concentrated in the long-term prospects for the economy, while consumers thought current economic conditions have continued to improve."