Economic Update, February 23, 2018

Submitted by Michael Mount

Summary: The news this week was positive with the leading economic index reaching a new high. Historically, sharp decreases in the index have served as warnings of impending recessions. The chart below shows what it did before the 2001 and 2007-2009 recessions. One of the leading indicators is the stock market, but the recent decrease won't show up in the index until next month.

Department of Labor

Thursday, Initial Claims: "In the week ending February 17, the advance figure for seasonally adjusted initial claims was 222,000, a decrease of 7,000 from the previous week's revised level. The previous week's level was revised down by 1,000 from 230,000 to 229,000. The 4-week moving average was 226,000, a decrease of 2,250 from the previous week's revised average. The previous week's average was revised down by 250 from 228,500 to 228,250."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 6.6 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($453,100 or less) increased to its highest level since January 2014, 4.64 percent, from 4.57 percent."

IHS Markit

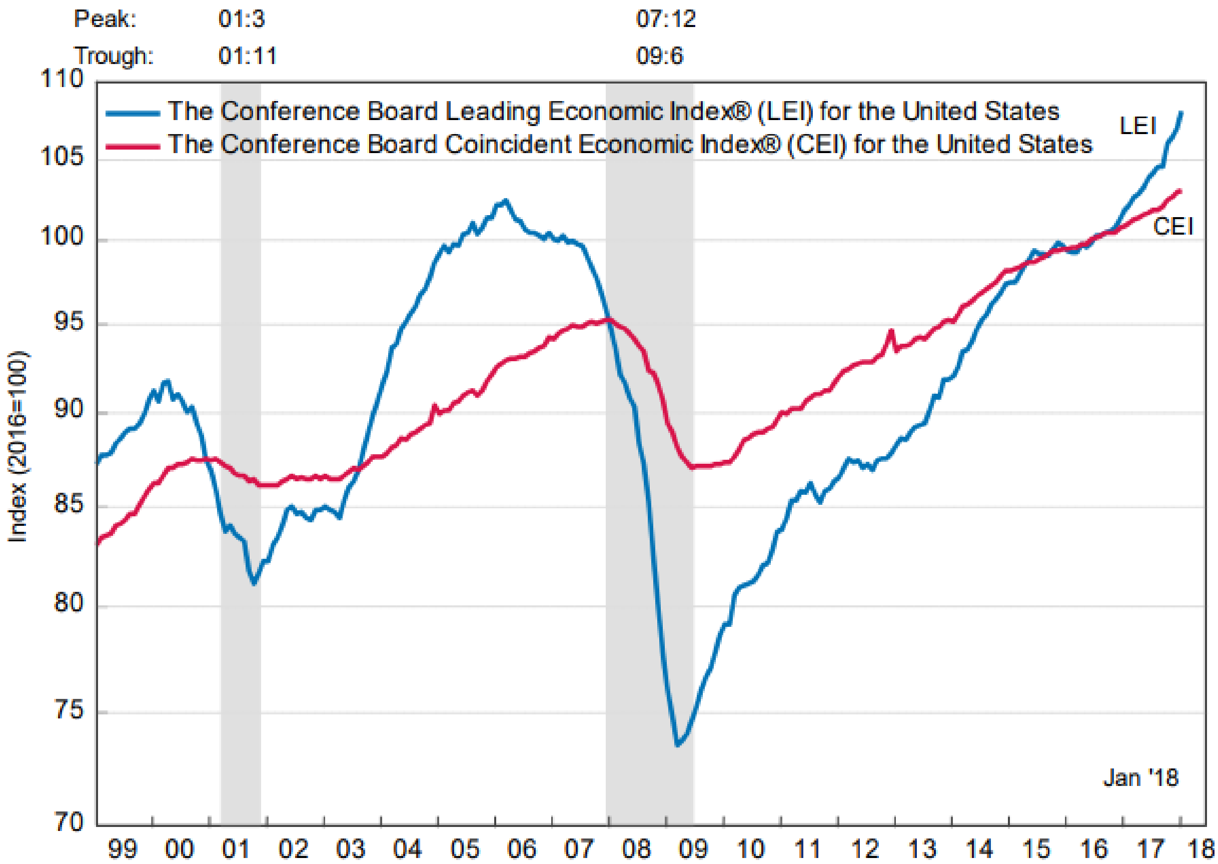
Wednesday, Purchase Managers' Index: "U.S. private sector companies experienced a marked improvement in business activity growth during February. This was highlighted by a rise in the seasonally adjusted IHS Markit Flash U.S. Composite PMI Output Index to 55.9, up from 53.8 in January and the highest reading for almost two-and-a-half years."

Federal Reserve

Wednesday, Minutes of FOMC Meeting: "Labor market conditions continued to strengthen through December and that real gross domestic product (GDP) expanded at about a 2½ percent pace in the fourth quarter of last year. Growth of real final domestic purchases by households and businesses, generally a good indicator of the economy's underlying momentum, was solid. Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), remained below 2 percent in December."

The Conference Board

Thursday, Leading Economic Index: "The U.S. LEI accelerated further in January and continues to point to robust economic growth in the first half of 2018. While the recent stock market volatility will not be reflected in the U.S. LEI until next month, consumers' and business' outlook on the economy had been improving for several months and should not be greatly impacted. . . . The leading indicators reflect an economy with widespread strengths coming from financial conditions, manufacturing, residential construction, and labor markets."



Latest LEI Trough March 2009, Latest CEI Trough June 2009
Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.
Source: The Conference Board

National Association of Realtors

Wednesday, Existing Homes Sales: "Existing-home sales slumped for the second consecutive month in January and experienced their largest decline on an annual basis in over three years. . . . Lawrence Yun, NAR chief economist, says . . . 'It's very clear that too many markets right now are becoming less affordable and desperately need more new listings to calm the speedy price growth.'"

Bloomberg

Wednesday, Consumer Comfort Index: The index increased to 54.5 in February from 52.5 in January. "Americans' outlook for the U.S. economy improved in February to the second-highest level since March 2002. . . . A robust labor market and wage gains are keeping weekly consumer comfort levels near 17-year highs, indicating the tumble in the stock market earlier this month did little to damp spirits."