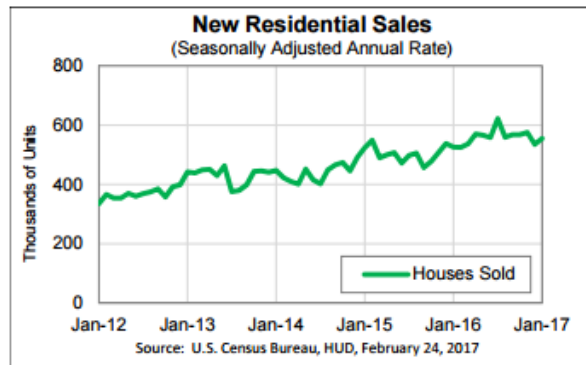


Economic Update, February 24, 2017  
Submitted by Reuben Kyle

Summary: The economic news of the week was basically more of the same: continued economic expansion with few negative reports. Even those that saw a drop from week- to-week or month-to-month remain at high (or positive) levels. A UTK economic report forecasts continued economic progress. This week I included an obituary for Economist Kenneth Arrow, one of the great ones of the 20<sup>th</sup> century.

Census Bureau

Friday, [New Residential Sales](#): In January 2017, new home sales increased by 3.7% from December and by 5.5% from January 2016. The graphic below summarizes the report.



U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending February 18, 2017, increased by 6,000 to 244,000, and the four-week moving average fell by 4,000 to 241,000. For the previous week ending February 11, two states reported increases of 1,000 or more in initial claims, and seven states reported decreases of 1,000 or more. Tennessee reported 256 fewer claims than in the week before.

Federal Housing Finance Agency (FHFA)

Thursday, [FHFA House Price Index](#): In the 4<sup>th</sup> quarter of 2016, housing prices increased by 1.5% from the 3<sup>rd</sup> quarter and by 6.2% from Q4 2015. Between Q4 2015 and Q4 2016, house prices rose in 46 states and the District of Columbia. “Among the 100 largest metropolitan areas in the U.S., annual price increases were greatest in the Tampa-St. Petersburg-Clearwater, FL, where prices increased by 13.2 percent. Prices were weakest in Wilmington, DE-MD-NJ (MSAD), where they fell 1.8 percent.”

Board of Governors of the Federal Reserve

Wednesday, [Minutes of the Federal Open Market Committee](#) (FOMC): These are the minutes of the meeting held January 31 and February 1, 2017. They include discussion of a number of administrative functions of the committee which are dealt with only occasionally. The participants agreed that the labor market “continued to strengthen” and that economic activity was expanding at a “moderate” pace. The point was repeated that inflation measures continued to be below the 2% target. As reported after the meeting, the unanimous decision of the committee was to maintain the federal funds rate at the current ½% to ¾%. However, “many participants expressed the view that it might be appropriate to raise the federal funds rate again fairly soon if incoming information on the labor market and inflation was in line with or stronger than their current expectations or if the risks of overshooting the Committee’s maximum-employment and inflation objectives increased.” [“Patrick T. Harker,](#)

president of the Federal Reserve Bank of Philadelphia and one of the voters this year, said in a speech Tuesday that his outlook had not changed. 'Given the state of the economy – more or less back to normal – I continue to see three modest rate hikes of 25 basis points each as appropriate for 2017, assuming things stay on track,' Mr. Harker said."

University of Tennessee Center for Business and Economic Research

Thursday, [Press Release: Tennessee, U.S. Economies to Stay Steady in 2017](#): This link is to a brief summary of [An Economic Report to the Governor of the State of Tennessee](#)...The press release as well as the report were authored by Dr. Matt Murray, Associate Director of the Center. A few highlights from the report include:

- "In Tennessee, nonfarm jobs should be up 1.4 percent in 2017 and 1.2 percent in 2018. Manufacturing will see job gains of less than 1 percent in both years.
- "The state's unemployment rate will average 4.8 percent in 2017 and 4.6 percent in 2018.
- "Over the next 10 years, Tennessee's population is projected to grow at a rate of 1 percent per year, matching the forecast population growth of the nation.
- "The state's unemployment rate will continue its slow downward trend, with the annualized unemployment rate to rest at about 4.6 percent for most of the decade before falling to 4.5 percent in 2022."

National Association of Realtors

Wednesday, [Existing Home Sales](#): In January 2017, existing home sales increased by 3.3% from December and by 3.8% from January 2016. The "seasonally adjusted annual rate of 5.69 million in January from an upwardly revised 5.51 million in December 2016" and is the highest rate since February 2007. Chief NAR Economist Lawrence Yun stated: "Much of the country saw robust sales activity last month as strong hiring and improved consumer confidence at the end of last year appear to have sparked considerable interest in buying a home,...Market challenges remain, but the housing market is off to a prosperous start as homebuyers staved off inventory levels that are far from adequate and deteriorating affordability conditions."

Markit Economics

Tuesday, [Purchasing Managers' Index \(PMI\) Manufacturing Index Flash](#): The preliminary February 2017 index is 54.3, down from 55.8 at the final January reading. Chief Markit Economist Chris Williamson writes: "The drop in the flash PMI numbers for February suggests that the post-election upturn has lost some momentum. Growth of business output, new orders and hiring all waned, as did inflationary pressures. Despite the dip, the pace of growth and hiring remained solid. But the worry is that a drop in business optimism about the outlook suggests that companies are expecting growth to ease further in coming months."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index is 48.0 compared with 48.1 the prior week.

University of Michigan

Friday, [Consumer Sentiment Index](#): In February 2017, the final index for the month was 96.3, down from 98.5 in January. "While consumer confidence edged upward in late February, it remained slightly below the decade peak recorded in January. Overall, the Sentiment Index has been higher during the past three months than any time since March 2004."

The New York Times

Wednesday, [Obituary for Kenneth J. Arrow](#): Arrow is recognized as one of the greatest economists of the 20<sup>th</sup> century. He was a theoretician whose work included many areas. Another great,

Paul Samuelson, stated: “The economics of insurance, medical care, prescription drug testing — to say nothing of bingo and the stock market — will never be the same after Arrow.” Every student of economics in the last half of the 20<sup>th</sup> century studied some aspect of Arrow’s work even if much of it was beyond our own capabilities. He spent most of his academic career at Stanford University. At his death, he was 95 years old.