

Economic Update, April 15, 2016
Submitted by Reuben Kyle

Summary: This week the economic news was not so great. Retail sales were down as were manufacturing shipments and industrial production. Measures of consumer confidence were mixed with one indicator up and another down. Still, initial claims and unemployment measures point to continued strength in labor markets. Tennessee's unemployment rate fell to 4.5%, compared with the national rate of 5.0%.

Dr. Ratajczak's [Weekly Commentary](#)

Monday: Dr. R continues to joust with Fed Chair Janet Yellen. He believes that she is being too cautious and should continue raising the fed funds rate. He offers an interesting argument about the U.S. economy. "Growth in the U.S., while below our normal standards, has been much better than in much of the world despite also struggling with oil production problems and the ...soaring dollar. A solid infrastructure program would bring growth that is desired without altering long term deficits..." Despite lower initial claims he is maintaining his forecast of 190,000 jobs in April.

Census Bureau

Wednesday, [Advance Monthly Sale for Retail and Food Services](#): The preliminary sales of retailers and food service providers in March 2016 were down 0.3% from February but 1.7% higher than in March 2015. "Retail trade sales were down 0.2 percent ($\pm 0.5\%$)* from February 2016, and up 1.3 percent ($\pm 0.5\%$) from last year. Building material and garden equipment and supplies dealers were up 10.8 percent ($\pm 2.5\%$) from March 2015, while gasoline stations were down 15.6 percent ($\pm 1.6\%$) from last year." (Here is a test: *"The 90 percent confidence interval includes zero." What does that indicate? A chocolate donut with sprinkles if you get it right.)

Wednesday, [Manufacturing and Trade, Inventories and Sales](#): In February 2016 the combined value of distributive trade sales and manufacturers' shipments was 0.4% lower than in January and 1.4% less than in February 2015. Inventories were down by 0.1% for the month but 1.2% higher than a year earlier. The inventory/sales ratio was 1.41, unchanged from January.

Bureau of Labor Statistics

Tuesday, [U.S. Import and Export Price Indexes](#): In March 2016, the U.S. Import Price Index rose 0.2% though excluding fuel imports the index was down by 0.1% and over the previous 12-month period the index is 6.2% lower. The index for U.S. exports was unchanged for the month but down by 6.1% since March 2015. In the case of exports agricultural prices, which fell by 2.5% were offset by nonagricultural exports, up by 0.3%. March was the first time since May 2015 that the export index did not fall.

Wednesday, [Producer Price Index](#) (PPI): The PPI for final demand in March 2016 was down by 0.1% following a 0.2% decrease in February and a 0.1% increase in January. In the case of goods the index rose by 0.2% while the index for services fell by 0.2%. Excluding foods, energy, and trade the index was unchanged from February. Over the previous 12-month period the PPI is 0.1% lower though excluding foods, energy, and trade the index has risen by 0.9%.

Thursday, [Consumer Price Index](#) (CPI): In March 2016, the CPI for All Urban Consumers increased by 0.1% and since March 2015 the index is up by 0.9%. Excluding food and energy the index was also up by 0.1% and by 2.2% over the prior 12 months. In March energy prices rose by 0.9% led by gasoline, which was 2.2% higher.

Thursday, [Real Earnings](#): After a 0.3% increase in average hourly earnings and the 0.1% increase in the CPI, real average hourly earnings increased by 0.2% in March 2016. In the case of production and nonsupervisory workers real average hourly earnings were unchanged with a 0.2% rise in average hourly

earnings offset by the 0.1% increase in the CPI. From March 2015 to March 2016, real average hourly earnings for all workers increased by 1.4% and by 1.8% for production and nonsupervisory workers.

Friday, [Consumer Expenditures Midyear Update](#): This report covers the 12-month period June 2014 through June 2015 a during which average expenditures per consumer unit increased by 5.9% compared with the same period the previous year. Average incomes increased by 6.6%. The only expenditure categories that did not increase were gasoline, down 12.0%, and cash contributions, down 1.6%.

Friday, [Regional and State Employment and Unemployment](#): In March 2016, unemployment rates fell in 21 states from February, rates increased in 15 states, and were unchanged in 14 states and the District of Columbia. In [Tennessee](#), the unemployment rate was 4.5% compared with 4.9% in February. The lowest rate, 2.5%, was in South Dakota followed by 2.65 in New Hampshire. Alaska had the highest rate at 6.6%. Payroll employment increased in 15 states from February and 36 had increases year-over-year. Tennessee lost 700 jobs from the previous month but has gained 91,800 jobs since March 2015. Mining/logging/construction/ dropped 1,500 jobs while manufacturing added 800.

U.S. Department of Labor

Thursday, [Initial Claims](#): For the week ending April 9, 2016, new claims for unemployment insurance fell by 13,000 to 253,000 and the four-week moving average was 256,000, down 1,500. The four-week moving average number of insured unemployed was 2,178,000, the lowest level since November 18, 2000. In the week ending April 2, three states plus Puerto Rico reported increases of 1,000 or more new claims and two states reported decreases of 1,000 or more. Tennessee reported an increase of 481 initial claims.

Board of Governors of the Federal Reserve

Wednesday, [Beige Book](#): This survey of economic activity in the 12 Federal Reserve Districts covers a period from late February to March. Most of the Districts reported continued economic growth in the “modest to moderate range” with most expecting that pace to continue going forward. In the Sixth District, or Atlanta Federal Reserve Bank, conditions were summarized as the same as in the last report. Retailers at the low end of the scale reported sales growth but upscale retailers reported a “softening” of their sales. Automobile dealers’ sales were up in February with low gas prices aiding sales of larger vehicles. Hospitality providers reported strong activity though some reported that international visits were down from the previous year. Both real estate sellers and builders were “upbeat” and commercial contractors report backlogs of one- to two-years. Manufacturing activity strengthened during the period with new orders, production levels, and payrolls increasing. In the transportation sector, trucking contacts “cited notable increases in overall tonnage during the reporting period.” Credit was reported to be available for qualified borrowers but tight for risky ventures. “Firms seeking employees for high-demand fields, such as information technology, engineering, and construction continued to experience difficulty filling jobs. Outside of these specialized fields, challenges finding workers eased some.” In some case less experienced workers are finding training opportunities. In the Eighth District, or St. Louis Federal Reserve Bank, economic activity improved at a modest pace since the previous report. Wages were reported to be increasing in the District. “Contacts throughout the District reported that the lack of skilled labor will continue to put upward pressure on wages, especially in construction and advanced manufacturing. One contact in the Memphis area reported that the skills gap is affecting production and profitability for area employers. Contacts in the service and healthcare industries around the District reported increases in employment, while contacts in the natural resources and mining industry reported layoffs.” Retailers report a slight increase in sales from 2015. Plans for new hotels were announced in Memphis. Manufacturing activity also is reported to be improving. Several health care providers reported plans to hire new employees and to expand facilities

though some reported cutbacks. Trucking contacts reported increased revenue and some announced expansion plans. February home sales in Memphis were up by 6.9% compared with February 2015. “Still facing low crop prices, farmers plan to increase acreage to cover as much of their fixed costs as they can. District corn, cotton, rice, and soybeans acreage is expected to be higher last year.”

Friday, [Industrial Production](#) In March 2016, industrial production fell by 0.6% for the second consecutive month and over the previous 12-month period industrial production has fallen by 2.2%. Production was down in every major sector including construction and manufacturing. In motor vehicles and parts production declined by 1.5%. Capacity utilization decreased by 0.5 percentage points to 74.8%, which is 5.2 percentage points below its average of 80.0% for the years 1972-2015.

International Monetary Fund

Wednesday, [Global Economy Faltering From Too Slow Growth for Too Long](#): The IMF’s World Economic Outlook forecasts world economic growth for 2016 at 3.2%, as downward revision of 0.2 percentage points. The forecast for the U.S. economy is a GDP growth rate of 2.4% this year, 0.2 percentage points lower than the previous forecast in January 2016 and 2.5% for 2017, also down by 0.1 percentage points. The strongest growth is forecast for China, 6.5% in 2016, and India, 7.5% this year. Among the countries identified in the summary Brazil had the lowest forecast growth rate of -3.8% in 2016. “The current diminished outlook calls for an immediate, proactive response, [Maurice] Obstfeld [IMF Economic Counsellor and Director of Research] noted. To support global growth, he emphasized, there is a need for a more potent policy mix—a three-pronged policy approach based on structural, fiscal, and monetary policies.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest reading of this index was 43.6 up one full point from 42.6 the previous week. “The CCI is very near its average this year, 43.9, and above its average in weekly data back to late 1985, 41.7. That includes the deeply down years of 2008-2014, when the index’s annual averages ranged from 26.0 to 36.7. It’s back within sight of its average in pre-recession 2007, 44.8.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-April 2016 index was 89.7 down from 91.0 in March. “Consumer confidence continued its slow overall decline in early April, marking the fourth consecutive monthly decline.”

The Wall Street Journal

Monday, [Student Debt Is Holding Back Millennials? Not So Fast.](#): This article reports on a study by a private firm “which services federal and private student loans.” In a survey of 3,000 people between the ages of 22 and 35, they found that using measures of home buying, marriage, and starting families, i.e., having children, those that are doing worst are those that incurred student debt but did not complete a degree, associate, bachelor’s, or higher. In the cases of those that did complete a degree, the borrowers, in all but one instance, had the highest degree of “success,” i.e., had a mortgage, got married, and started a family. With regard to “starting a family” those that still had some college debt with an associate degree were slightly more likely to having a child than those who borrowed.

The New York Times

Monday, [Where the Poor Live Longer: How Your Area Compares](#): This article contains a really cool interactive a map giving the life expectancy of 40 year-olds with household incomes below \$28,000 per year, adjusted for race. It seems that those living the longest in Tennessee live along the Cumberland Plateau with the reference city being Crossville. The life expectancy of those Tennesseans is 79.9 years which is “about the average for life expectancy for the poor [in the U.S.]” Those earning

\$100,000 or more will average about six more years. “That’s roughly equivalent to the difference in life expectancy between an average man in the United States and one in Nepal. It is about 1 years smaller than the gap for the United States as a whole.” The poor with the shortest life expectancy of 40 year-olds appears around Henderson County at 77.3 years with the reference city being Lexington. There is a lot more information in the article about each area. For example, while life expectancies have gone up in most areas of the country since 2001 life expectancy has declined in Knoxville, Tennessee and Austin, Texas. The interactive map covers the entire country.