

Economic Update, July 8, 2016

Submitted by Reuben Kyle

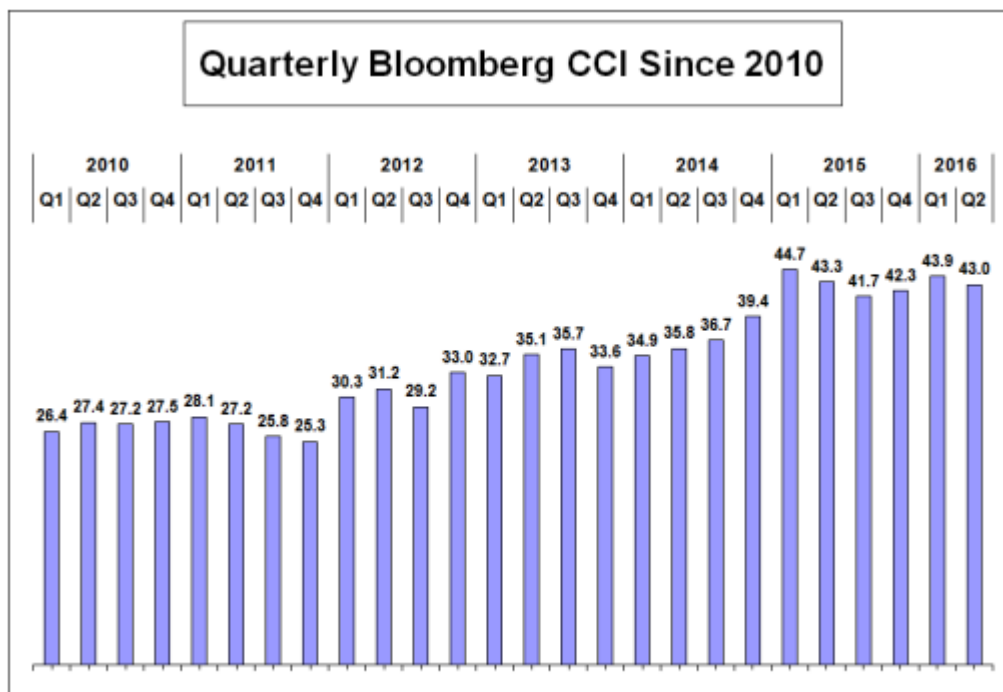
Summary: It is jobs Friday, and the number for June is 287,000 jobs added, though the unemployment rate rose to 4.9%. Other labor market measures are also up in the latest reports. Consumer confidence seems to have been little affected by Brexit. The purchasing managers' surveys—both—indicate a growing service-producing sector in the US.

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

Tuesday: More on Brexit from Dr. R this week, but he is not expecting much impact on the US economy. In fact, the strong Japanese yen is likely to help US exports and move some Asian production to the US, according to him. Read this week's commentary carefully if you are a bond investor. His forecast for Friday's jobs report is 205,000 with an unemployment rate of 4.9%. He also had some interesting things to say about last week's construction data.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 43.5 down from 43.9 last week. Below is a chart showing the quarterly index since 2010.



Gallup.com (Reminder: Gallup's numbers are based on their own daily surveys, not any government numbers.)

Tuesday, [Economic Confidence index](#) (ECI): The June 2016 ECI was -14, unchanged from May or April. "Americans' economic confidence began to slide in the first week of June before the Brexit vote and remained lower the following week, perhaps related to the anxiety leading up to the British referendum. Although the latest weekly figure is on the low end of what Gallup recorded in 2015 and thus far in 2016, it is much higher than all monthly readings from 2008 to 2011."

Tuesday, [US Consumer Spending Measure](#): In June 2016, average daily spending by US consumers was \$88, down from \$93 in May and \$95 in April. "Americans' spending in June started out strong, with US adults' estimates of their spending averaging \$95 from June 1 through June 15—essentially in line with spending in April and May. But consumers appeared to pull back significantly in the second half of the month, with daily reports of spending averaging a much lower \$82. Gallup did not observe meaningful differences in first-half versus second-half spending estimates in May or in any prior June. . . . That decline was apparent prior to Britons' voting to leave the European Union, a move that sent financial markets around the world tumbling. US stocks have since recovered most of the losses." One possible explanation is the approach of the long 4th of July weekend. (Refer to the findings on the ECI.) The report notes that there is nothing unusual about a fall in average daily spending from May to June.

Wednesday, [Job Creation Index](#): For some reason, Gallup has not published this index on their website, but it is in the Economics Calendar. According to that the source, the June 2016 index is 33. That number is the difference between those surveyed reporting their employers are hiring (44%) minus those indicating that their employers are laying workers off (11%).

Thursday, [Good Jobs Rate](#): This rate, measuring the percentage of adults 18 and older who work for an employer at least 30 hours per week, is 46.0% in June 2016 compared with 45.5% in May. The latest rate is the highest monthly rate since Gallup began recording it in 2010.

Bureau of Labor Statistics

Friday, [Employment Situation](#): The report is for 287,000 jobs created in June 2016. The unemployment rate increased from 4.7% in May to 4.9% and serves as a reminder that these numbers are volatile as they are influenced by people entering and leaving the labor force for a variety of reasons. According to the Household Survey, 414,000 people joined the labor force in June while the number not in the labor force fell by 191,000. Among different demographic groups, unemployment rates increased for all except Asians, and the rate for that group is 3.5%, lowest among all racial and ethnic groups. People working part-time "for economic reasons" fell by 587,000. According to the Establishment Survey, private-sector employment increased by 265,000, and government added 22,000 jobs. Manufacturing employment rose by 14,000, though motor vehicle and parts manufacturing lost 100 jobs. Average weekly hours worked were unchanged at 34.4, and average weekly earnings increased by 68 cents. The total private diffusion index of 262 industries was 62.4%, and the manufacturing index was 55.1%. In other words, more than a majority of industries surveyed added jobs in June.

ADP.com

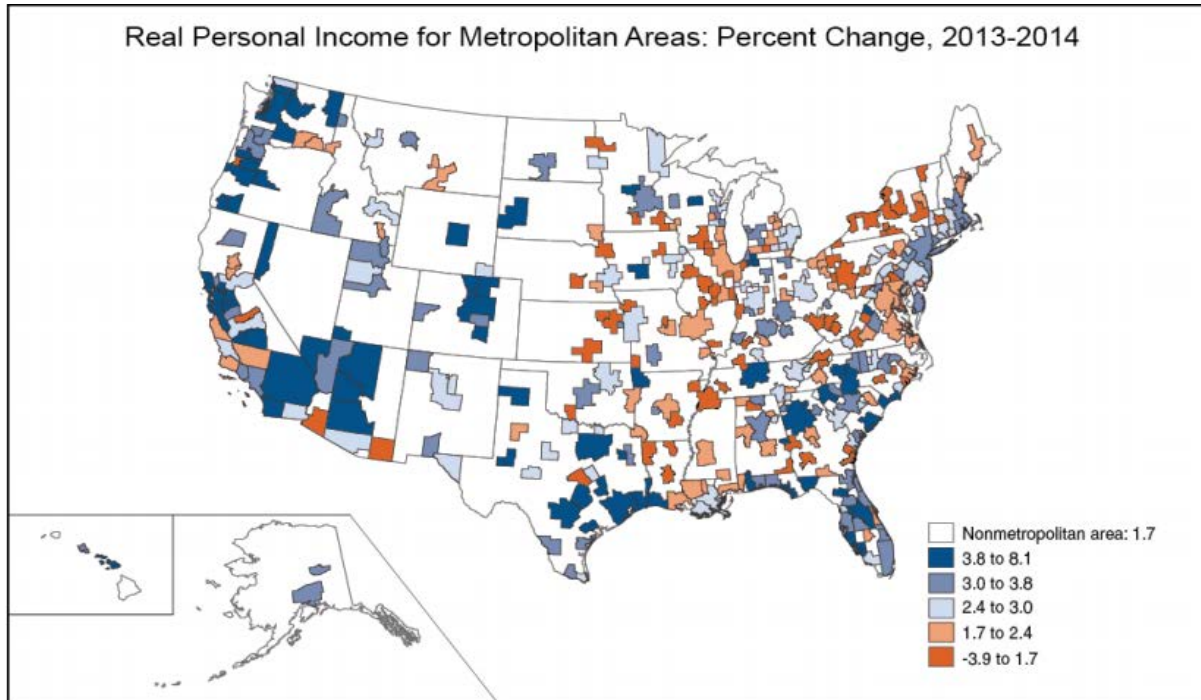
Thursday, [Employment Report](#): In June 2016, private sector employment increased by 172,000 with the service-producing sector adding 208,000, while the goods-producing sector lost 36,000. Construction lost 5,000 jobs, and manufacturing employment fell by 21,000.

US Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending July 2, 2016, totaled 254,000, a decrease of 16,000 from the prior week, and the four-week moving average fell 2,500 to 264,750. In the previous week, ending June 27, seven states reported increases of 1,000 or more in initial claims, and three states reported decreases of 1,000 or more. Tennessee reported an increase of 268.

Bureau of Economic Analysis

Thursday, [Real Personal Income for States and Metro Areas](#): In 2014, real personal income increased nationally 2.9% with current-dollar personal income increasing 4.4% while the Personal Consumption Expenditure Price Index rose 1.4%. In Tennessee, real personal income increased 2.8%, ranking in the third quintile. The map below shows the changes in real personal income in metro areas. The highest increase among Tennessee MSAs was in middle Tennessee.



U.S. Bureau of Economic Analysis

Federal Open Market Committee

Wednesday, [FOMC Minutes](#): These are minutes from the June 14-15, 2016 meeting. The minutes reflect a range of opinions among the participants about the riskiness of economic conditions, with staff and other participants indicating increased "downside" risk. Although one member remarked that the core inflation Personal Consumption Expenditure (PCE) price index exceeded 2% in the first quarter, most expected "inflation to remain low in the near term." The policy decision was to leave the fed funds rate at $\frac{1}{4}\%$ to $\frac{1}{2}\%$ with all voting in favor and none dissenting.

Markit Economics

Wednesday, [Purchasing Managers' Index \(PMI\) Services Index](#): The UK survey of US service sectors purchasing managers finds their index up from 51.3 to 51.4 in June 2016. Chief Markit Economist Chris Williamson says, "Rebound, what rebound? The final PMI numbers confirm the earlier flash PMI signal that the pace of US economic growth remained subdued in the second quarter. While volatile official GDP numbers are widely expected to show a rebound from a lacklustre start to the year, the PMIs suggest the underlying malaise has not gone away. The surveys point to an annualized pace of economic growth of just 1% in the second quarter." (Get your bets down on whose survey is correct!)

Institute for Supply Management

Wednesday, [June 2016 ISM Non-Manufacturing Index \(NMI\) Report on Business](#): In June 2016, the NMI increased by 3.6 percentage points from 52.9% to 56.5%, making June the 77th consecutive month of expansion in the non-manufacturing sector of the US economy. Fifteen of the 18 non-manufacturing industry sectors surveyed reported expanding, and three sectors reported contracting. The table below gives the details for both the manufacturing and the non-manufacturing surveys for June.

ISM [®] NON-MANUFACTURING SURVEY RESULTS AT A GLANCE COMPARISON OF ISM [®] NON-MANUFACTURING AND ISM [®] MANUFACTURING SURVEYS* JUNE 2016									
	Non-Manufacturing						Manufacturing		
Index	Series Index Jun	Series Index May	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jun	Series Index May	Percent Point Change
NMI[®]/PMI[®]	56.5	52.9	+3.6	Growing	Faster	77	53.2	51.3	+1.9
Business Activity/Production	59.5	55.1	+4.4	Growing	Faster	83	54.7	52.6	+2.1
New Orders	59.9	54.2	+5.7	Growing	Faster	83	57.0	55.7	+1.3
Employment	52.7	49.7	+3.0	Growing	From Contracting	1	50.4	49.2	+1.2
Supplier Deliveries	54.0	52.5	+1.5	Slowing	Faster	6	55.4	54.1	+1.3
Inventories	55.5	54.0	+1.5	Growing	Faster	15	48.5	45.0	+3.5
Prices	55.5	55.6	-0.1	Increasing	Slower	3	60.5	63.5	-3.0
Backlog of Orders	47.5	50.0	-2.5	Contracting	From Growing	1	52.5	47.0	+5.5
New Export Orders	53.0	49.0	+4.0	Growing	From Contracting	1	53.5	52.5	+1.0
Imports	54.0	53.5	+0.5	Growing	Faster	5	52.0	50.0	+2.0
Inventory Sentiment	62.5	60.0	+2.5	Too High	Faster	229	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	51.0	50.0	+1.0
Overall Economy				Growing	Faster	83			
Non-Manufacturing Sector				Growing	Faster	77			

* **Non-Manufacturing ISM[®] Report On Business[®]** data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM[®] Report On Business[®]** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

** Number of months moving in current direction.

Census Bureau

Tuesday. [Manufacturers' Shipments, Inventories, and Orders](#): In May 2016, new orders for manufactured goods were down 1.0% from April, shipments increased by \$0.2 billion, unfilled orders increased by 0.2%, and inventories fell by 0.1%. The decline in new orders was the result of a 5.7% decrease in transportation equipment. At the same time, new orders for nondurables increased 0.3%. The decrease in shipments was led by transportation equipment, down 0.4%. While shipments of nondurables increased 0.3%. Unfilled orders increased, with transportation equipment leading the increase with a 0.2% gain. Finally, inventories for manufactured durables fell 0.3%, while those for nondurables increased 0.1%.

Wednesday, [US International Trade in Goods and Services](#): US exports in May 2016 were down by \$0.3 billion from April, while US imports increased by \$3.4 billion, resulting in an increase of \$3.8 billion in the US Balance of Trade in Goods and Services deficit. The deficit in goods increased by \$3.7, billion while the surplus in services increased by \$0.1 billion. Year-over-year, the average deficit in goods and services fell by \$5.1 billion for the same three-month period in 2015.