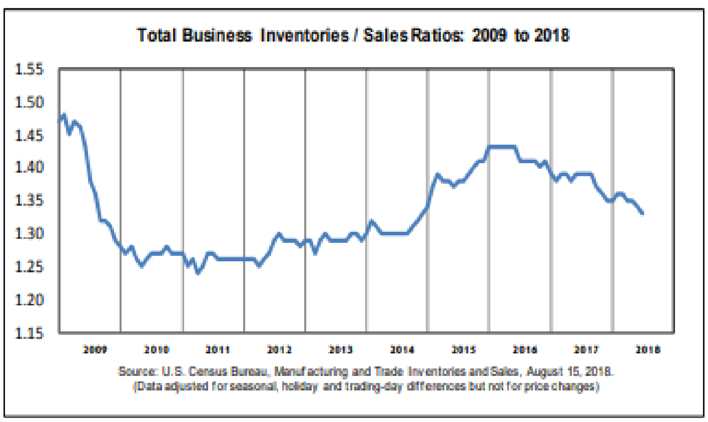
Economic Update, August 17, 2018
Submitted by Dave Keiser

Summary: The economic news was mixed this week. On the downside, consumer sentiment slipped as perceptions of prices and buying conditions declined, with data suggesting that consumers have become much more sensitive to even relatively low inflation rates than in past decades. For example, the University of Michigan reported that survey respondents viewed home buying conditions as less favorable in early August than any time in the past ten years. Also, prices for agricultural exports in July declined by their largest percentage since October 2011, with the 14.1-percent drop in soybean prices being the primary contributor. On the upside, construction and housing continues to be positive—new housing permits continue to increase. Manufacturing inventories and sales remain positive, and retail and food sales also increased. Unemployment continues to be low, and Tennessee had fewer initial claims than last week.

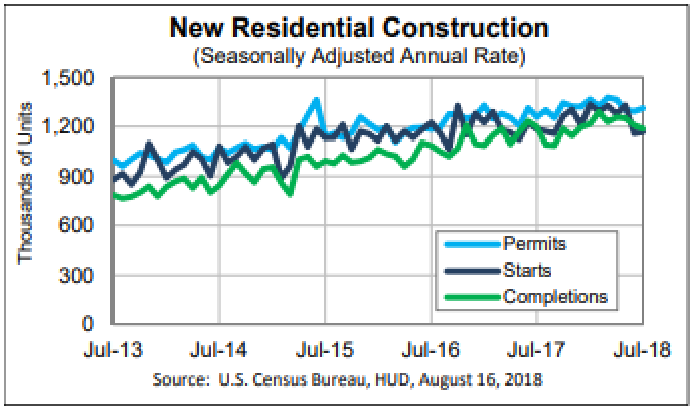
Census Bureau

Wednesday, Advance Monthly Sales for Retail and Food Services: "Advance estimates of U.S. retail and food services sales for July 2018 . . . were $507.5 billion, an increase of 0.5 percent from the previous month, and 6.4 percent above July 2017. Total sales for the May 2018 through July 2018 period were up 6.3 percent from the same period a year ago. The May 2018 to June 2018 percent change was revised from up 0.5 percent to up 0.2 percent."

Wednesday, Manufacturing and Trade, Inventories and Sales: "The combined value of distributive trade sales and manufacturers' shipments for June . . . was estimated at $1,452.2 billion, up 0.3 percent from May 2018 and . . . up 8.2 percent from June 2017. Manufacturers' and trade inventories . . . were estimated at an end-of-month level of $1,937.2 billion, up 0.1 percent from May 2018 and . . . up 4.0 percent from June 2017. The total business inventories/sales ratio based on seasonally adjusted data at the end of June was 1.33. The June 2017 ratio was 1.39."



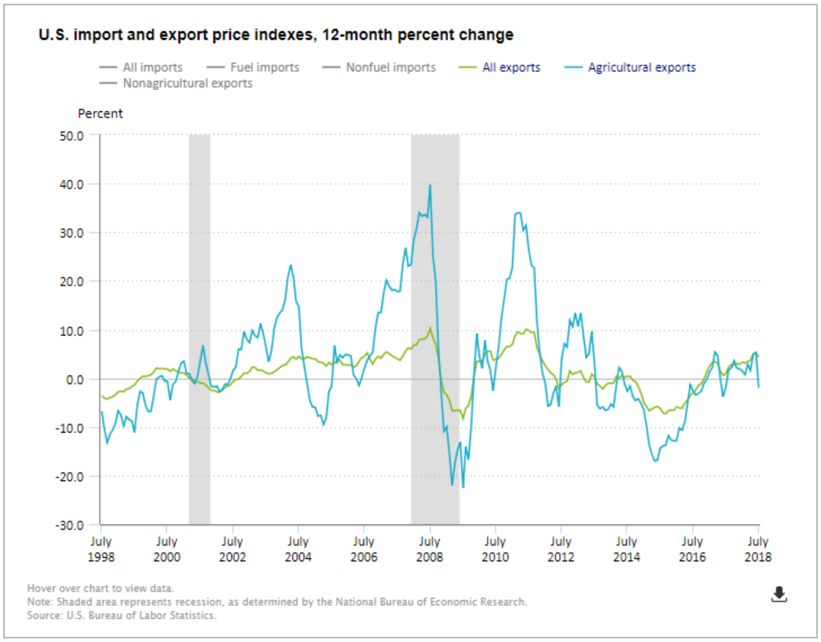
Thursday, New Residential Construction: "Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,311,000. This is 1.5 percent above the revised June rate of 1,292,000 and is 4.2 percent above the July 2017 rate of 1,258,000. Single-family authorizations in July were at a rate of 869,000; this is 1.9 percent above the revised June figure of 853,000. . . . Privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,168,000. This is 0.9 percent above the revised June estimate of 1,158,000, but is 1.4 percent below the July 2017 rate of 1,185,000. . . . Privately-owned housing completions in July were at a seasonally adjusted annual rate of 1,188,000. This is 1.7 percent below the revised June estimate of 1,209,000 and is 0.8 percent below the July 2017 rate of 1,197,000."



Friday, [Advance Quarterly Services Report](): In the 2nd quarter of 2018, sales revenue for a selected group of service industries was up 3.2 percent from the 1st quarter and up 5.4 percent from the 2nd quarter of 2017. Among industries included in the report are "utilities," which were down 10.6 percent from the 1st quarter; "transportation and warehousing," up 8.5 percent; "real estate and rental and leasing," 9.6 percent higher than in the 1st quarter; and "arts, entertainment, and recreation," up 13.9 percent.

Bureau of Labor Statistics

Tuesday, [U.S. Import and Export Price Indexes](): "Prices for U.S. imports recorded no change in July . . . after edging down 0.1 percent in June. Falling nonfuel prices in July offset higher fuel prices. U.S. export prices decreased 0.5 percent in July following a 0.2-percent increase in June. The July decline was driven by a drop in agricultural export prices. . . . Prices for agricultural exports fell 5.3 percent in July, after decreasing 1.0 percent in June and rising 1.6 percent in May. The fall in July was the largest monthly decline since the index decreased 6.5 percent in October 2011. A 14.1-percent drop in soybean prices was the primary contributor to the decline in agricultural prices; export prices for corn, wheat, fruits, and nuts also decreased in July. Agricultural export prices decreased 2.0 percent over the past year, the first 12-month drop since the index fell 1.8 percent in July 2017."



Thursday, Summer Youth Labor Force: "From April to July 2018, the number of employed youth 16 to 24 years old increased by 2.0 million to 20.9 million. . . . This year, 55.0 percent of young people were employed in July, little changed from a year earlier. (The month of July typically is the summertime peak in youth employment.) The unemployment rate for youth was 9.2 percent in July, also little changed from July 2017."

Friday, State Employment and Unemployment: "Unemployment rates were lower in July in 11 states, higher in 2 states, and stable in 37 states and the District of Columbia. . . . Ten states had jobless rate decreases from a year earlier and 40 states and the District had little or no change. The national unemployment rate edged down by 0.1 percentage point from June to 3.9 percent and was 0.4 point lower than in July 2017. Nonfarm payroll employment increased in 6 states in July 2018, decreased in 1 state, and was essentially unchanged in 43 states and the District of Columbia. Over the year, 34 states added nonfarm payroll jobs and 16 states and the District were essentially unchanged." Since July 2017, Tennessee's employment numbers have increased by 56,300 jobs.

U.S. Department of Labor

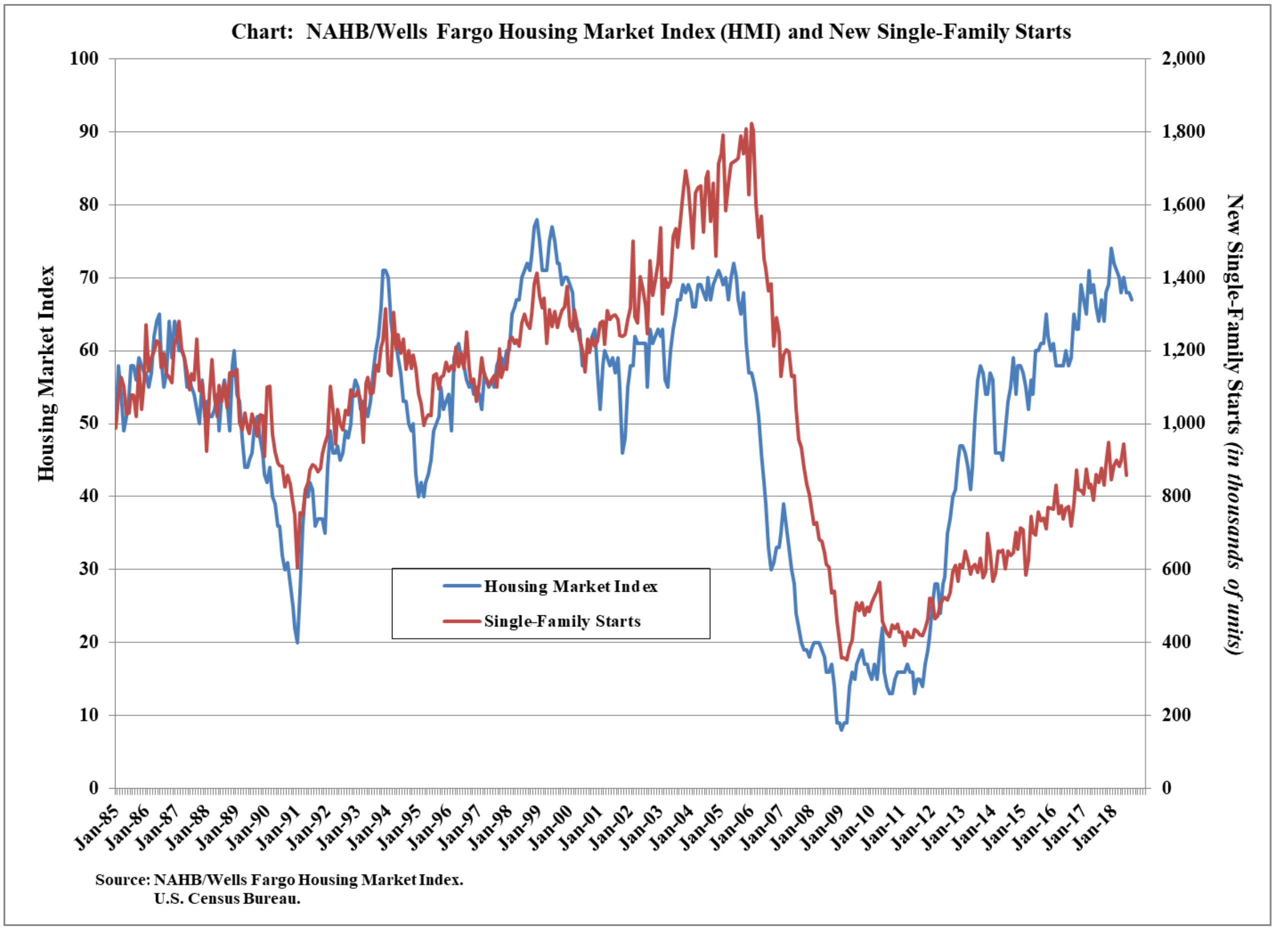
Thursday, Initial Claims: "In the week ending August 12, the advance figure for seasonally adjusted initial claims was 232,000, a decrease of 12,000 from the previous week's unrevised level of 244,000. The 4-week moving average was 240,500, a decrease of 500 from the previous week's unrevised average of 241,000." The number of new claims reported in Tennessee decreased by 49.

The Conference Board

Friday, Leading Economic Indicators (LEI): In July 2018, the index rose 0.6 percent to 110.7, following a 0.5 percent increase in June and a 0.1 percent increase in May. "'The U.S. LEI increased in July, suggesting the US economy will continue expanding at a solid pace for the remainder of this year,' said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. 'The strengths among the components of the leading index were very widespread, with unemployment claims, the financial components, and the ISM New Orders Index making the largest positive contributions.'"

National Association of Home Builders

Wednesday, Housing Market Index: In August 2018, the index decreased from 68 to 67. "'The solid economic expansion and firm job market should spur demand for new single-family homes in the months ahead,' said NAHB Chief Economist Robert Dietz. 'Meanwhile, builders continue to monitor how tariffs . . . are affecting key building material prices, including lumber. These cost increases, coupled with rising interest rates, are putting upward pressure on home prices and contributing to growing affordability challenges, as indicated by the latest quarterly reading of the NAHB/Wells Fargo Housing Opportunity Index.'"



The University of Michigan

Friday, Index of Consumer Sentiment: The index decreased from 97.9 at the end of July to 95.3. "Consumer sentiment slipped to its lowest level since last September, with the decline concentrated among households in the bottom third of the income distribution. The dominating weakness reflected much less favorable assessments of buying conditions, mainly due to less favorable perceptions of market prices. Buying conditions for large household durables sank to the lowest level in nearly four years. When asked to explain their views, consumers voiced the least favorable views on pricing for household durables in nearly ten years, since October 2008. Vehicle buying conditions were viewed less favorably in August than any time in the last four years, with vehicle prices being judged less favorably than any time since the close of 1984. Home buying conditions were viewed less favorably in early August than any time in the past ten years, with home prices judged less favorably than any time since 2006. These are extraordinary shifts in price perceptions given that consumers anticipate an inflation rate in the year ahead of 2.9% in early August, unchanged from last month. The data suggest that consumers have become much more sensitive to even relatively low inflation rates than in past decades."