Economic Update, August 3, 2018
Submitted by Dave Keiser

Summary: Overall, the economy continues to do relatively well. Unemployment is still low, and personal income rose. Unemployment claims were down in Tennessee, and the unemployment rate in Tennessee's metropolitan areas remains low as well. On the flip side, the international trade deficit grew, and construction spending is down in both the private and public sector.

Census Bureau

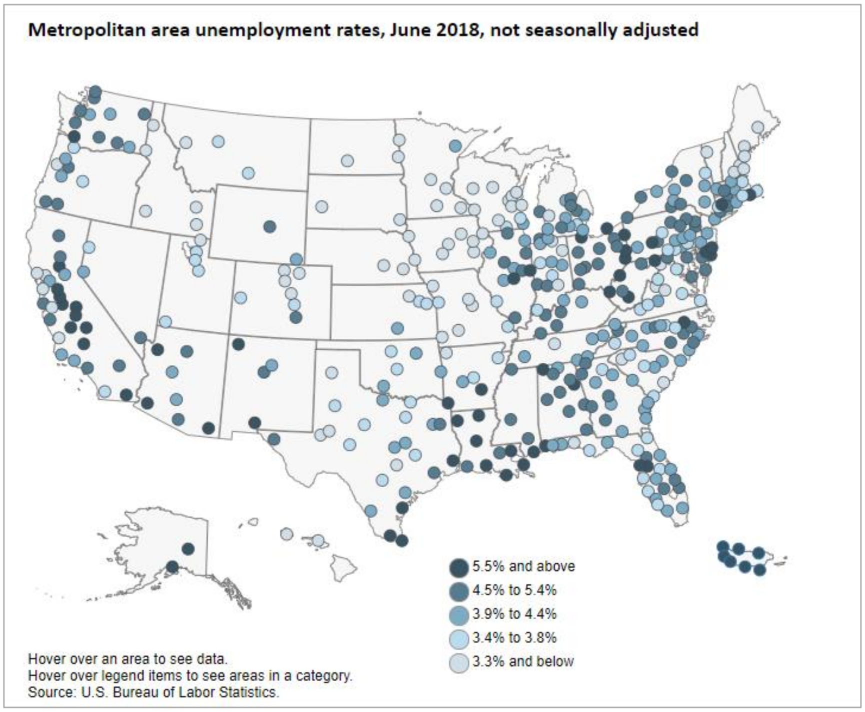
Wednesday, Construction Spending: "Construction spending during June 2018 was estimated at a seasonally adjusted annual rate of $1,317.2 billion, 1.1 percent below the revised May estimate of $1,332.2 billion. . . . Spending on private construction was at a seasonally adjusted annual rate of $1,019.8 billion, 0.4 percent below the revised May estimate of $1,023.9 billion. . . . In June, the estimated seasonally adjusted annual rate of public construction spending was $297.4 billion, 3.5 percent below the revised May estimate of $308.3 billion."

Thursday, Manufacturers' Shipments, Inventories, and Orders: "New orders for manufactured goods in June, up four of the last five months, increased $3.3 billion or 0.7 percent to $501.7 billion. . . . This followed a 0.4 percent May increase. Shipments, up thirteen of the last fourteen months, increased $4.9 billion or 1.0 percent to $501.4 billion. This followed a 0.6 percent May increase. Unfilled orders, up seven of the last eight months, increased $4.4 billion or 0.4 percent to $1,165.2 billion. This followed a 0.5 percent May increase. The unfilled orders-to-shipments ratio was 6.64, down from 6.67 in May. Inventories, up twenty consecutive months, increased $0.7 billion or 0.1 percent to $669.3 billion. This followed a 0.2 percent May increase. The inventories-to-shipments ratio was 1.33, down from 1.35 in May."

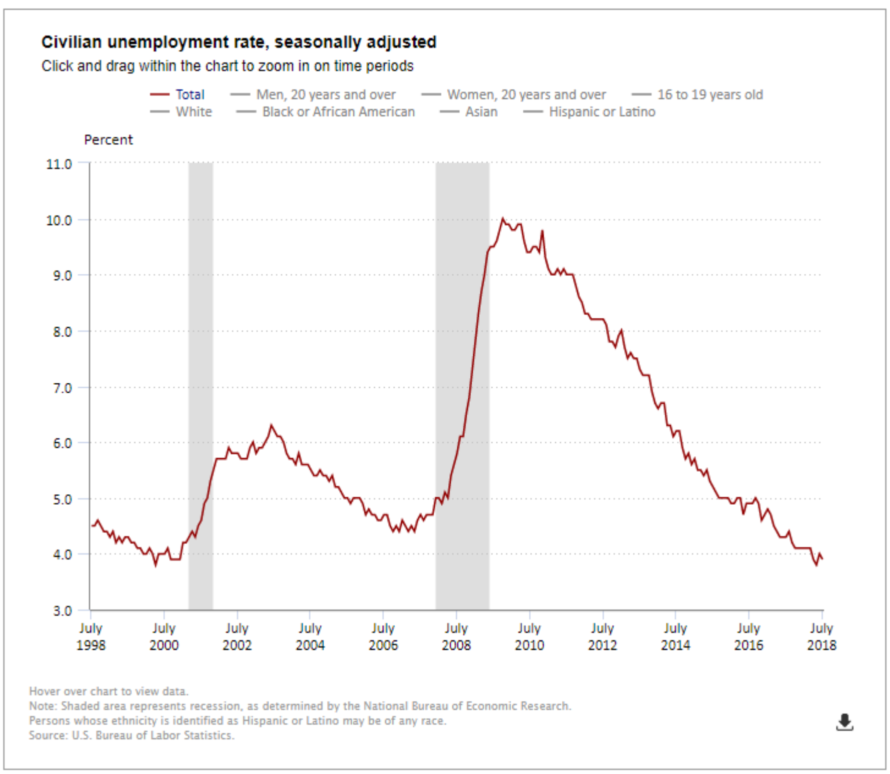
Friday, U.S. International Trade in Goods and Services: "June exports were $213.8 billion, $1.5 billion less than May exports. June imports were $260.2 billion, $1.6 billion more than May imports. The June increase in the goods and services deficit reflected an increase in the goods deficit of $3.1 billion to $68.8 billion and a decrease in the services surplus of less than $0.1 billion to $22.5 billion. Year-to-date, the goods and services deficit increased $19.6 billion, or 7.2 percent, from the same period in 2017. Exports increased $103.6 billion or 9.0 percent. Imports increased $123.2 billion or 8.6 percent."

Bureau of Labor Statistics

Wednesday, Metropolitan Area Employment and Unemployment: "Unemployment rates were lower in June than a year earlier in 298 of the 388 metropolitan areas, higher in 61 areas, and unchanged in 29 areas. . . . Thirty-eight areas had jobless rates of less than 3.0 percent and two areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 51 metropolitan areas and was essentially unchanged in 337 areas. The national unemployment rate in June was 4.2 percent, not seasonally adjusted, down from 4.5 percent a year earlier." In Tennessee, June 2018 unemployment rates for metro areas from lowest to highest were Nashville-Murfreesboro-Franklin (3.2), Knoxville (3.9), Chattanooga (4.1), Kingsport-Bristol-Bristol, VA (4.2), Cleveland (4.4), Jackson (4.4), Morristown (4.4), Memphis (4.9), Clarksville (5.1).



Friday, Employment Situation: "Total nonfarm payroll employment rose by 157,000 in July, and the unemployment rate edged down to 3.9 percent. . . . Employment increased in professional and business services, in manufacturing, and in health care and social assistance."



ADP.com

Wednesday, Employment Report: "Private sector employment increased by 219,000 jobs from June to July. . . . 'The labor market is on a roll with no signs of a slowdown in sight,' said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. 'Nearly every industry posted strong gains and small business hiring picked up.'"

Bureau of Economic Analysis

Tuesday, Personal Income and Outlays: "Personal income increased $71.7 billion (0.4 percent) in June. . . . Disposable personal income (DPI) increased $65.3 billion (0.4 percent) and personal consumption expenditures (PCE) increased $57.1 billion (0.4 percent). Real DPI increased 0.3 percent in June and Real PCE increased 0.3 percent. The PCE price index increased 0.1 percent. Excluding food and energy, the PCE price index increased 0.1 percent."

U.S. Department of Labor

Thursday, Initial Claims: "In the week ending July 28, the advance figure for seasonally adjusted initial claims was 218,000, an increase of 1,000 from the previous week's unrevised level of 217,000. The 4-week moving average was 214,500, a decrease of 3,500 from the previous week's unrevised average of 218,000." Initial claims were down 216 in Tennessee over the same period.

Institute for Supply Management

Wednesday, July 2018 Manufacturing ISM *Report on Business*: The July PMI registered 58.1 percent, a decrease of 2.1 percentage points from the June reading of 60.2 percent, but economic activity in the manufacturing sector expanded in July, and the overall economy grew for the 111th consecutive month. "Of the 18 manufacturing industries, 17 reported growth in July, in the following order: Textile Mills; Electrical Equipment, Appliances & Components; Apparel, Leather & Allied Products; Computer & Electronic Products; Petroleum & Coal Products; Paper Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Machinery; Plastics & Rubber Products; Miscellaneous Manufacturing; Fabricated Metal Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Chemical Products; Wood Products; and Transportation Equipment. The only industry reporting a decrease in July is Primary Metals."

Friday, July 2018 Non-Manufacturing ISM *Report on Business*: The NMI registered 55.7 percent, which is 3.4 percentage points lower than the June reading of 59.1 percent, but economic activity in the non-manufacturing sector grew in July for the 102nd consecutive month. "The 16 non-manufacturing industries reporting growth in July—listed in order—are: Mining; Public Administration; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Other Services; Construction; Real Estate, Rental & Leasing; Transportation & Warehousing; Finance & Insurance; Retail Trade; Wholesale Trade; Arts, Entertainment & Recreation; Information; Utilities; Health Care & Social Assistance; and Management of Companies & Support Services. The two industries reporting a decrease are: Educational Services; and Professional, Scientific & Technical Services."

Markit Economics

Wednesday, IHS Markit U.S. Manufacturing Purchasing Managers' Index (PMI): The index registered 55.3 in July, down slightly from 55.4 in June. "U.S. manufacturing firms signaled a strong improvement in operating conditions in July, despite the headline PMI falling to a five-month low. Weaker rises in output and employment were seen in July, while export sales fell for the second month in a row. Meanwhile, companies reported the greatest deterioration in vendor performance since the series began and a faster rate of input cost inflation. That said, business confidence remained strongly positive, and was supported by hopes of further increases in overall new orders. . . . Overall, the latest improvement in the health of the sector was the joint-weakest in 2018 to date, but remained strong in the context of historical data."

Friday, PMI Services Index: The index registered 56.0 in July, down from 56.5 in June. "July survey data signaled a further robust increase in business activity across the U.S. service sector. Although the latest upturn eased to a three-month low, it was sharp nonetheless and one of the fastest in the last three years. Similarly, the rate of new business growth softened to the weakest in six months, but remained steep overall. . . . Where an increase in business activity was reported, panelists linked this to favorable demand conditions and more robust client demand."

National Association of Realtors

Monday, Pending Home Sales: "Pending home sales increased in all four major regions in June, but overall activity lagged year ago levels for the sixth straight month. . . . The Pending Home Sales Index, a forward-looking indicator based on contract signings, rose 0.9 percent to 106.9 in June from 105.9 in May. Despite last month's increase, contract signings are still down 2.5 percent on an annual basis. Lawrence Yun, NAR chief economist, says an uptick in existing inventory helped lift contract signings in June. . . . 'The positive forces of faster economic growth and steady hiring are being met by the negative forces of higher home prices and mortgage rates. Even with slightly more homeowners putting their home on the market, inventory is still subpar and not meeting demand. As a result, affordability constraints are pricing out some would-be buyers and keeping overall sales activity below last year's pace.'"

Bloomberg.com

Thursday, Consumer Comfort Index: The latest index reading is 58.6, down from the 17-year high of 59. "The drop in consumer comfort snapped a string of seven straight weekly advances characterized by a pickup in optimism among men. . . . The data showed comfort about the economy fell for just the second time since early June. . . . The U.S. economy accelerated to a 4.1 percent annualized pace of expansion in the second quarter, the fastest since 2014. Optimism about personal finances rose amid steady fuel prices and a rebound in stocks from the year's low in February."