

Economic Update, September 22, 2017
Submitted by Reuben Kyle

Summary: The week's economic news was pretty much more of the same. The US economy is moving along but not red hot, which may be for the best. Labor markets are recovering from the double blows of the hurricanes. Construction numbers may reflect some of the initial effects of these storms. The Federal Reserve did not raise the federal funds rate. And various forecasters appear to see more growth for the next six months or so.

Census Bureau

Tuesday, [New Residential Construction](#): In August 2017, the number of building permits issued for privately-owned homes rose 5.7% from July and was 8.3% higher than in August 2016. Permits issued for single-family houses, however, dropped 1.5% from July. Housing starts fell 0.8% from July but were 1.4% above the figure from a year earlier. Single-family starts rose 1.6% from July. Housing completions were down 10.2% for the month, though they were 3.4% above the figure for August 2016.

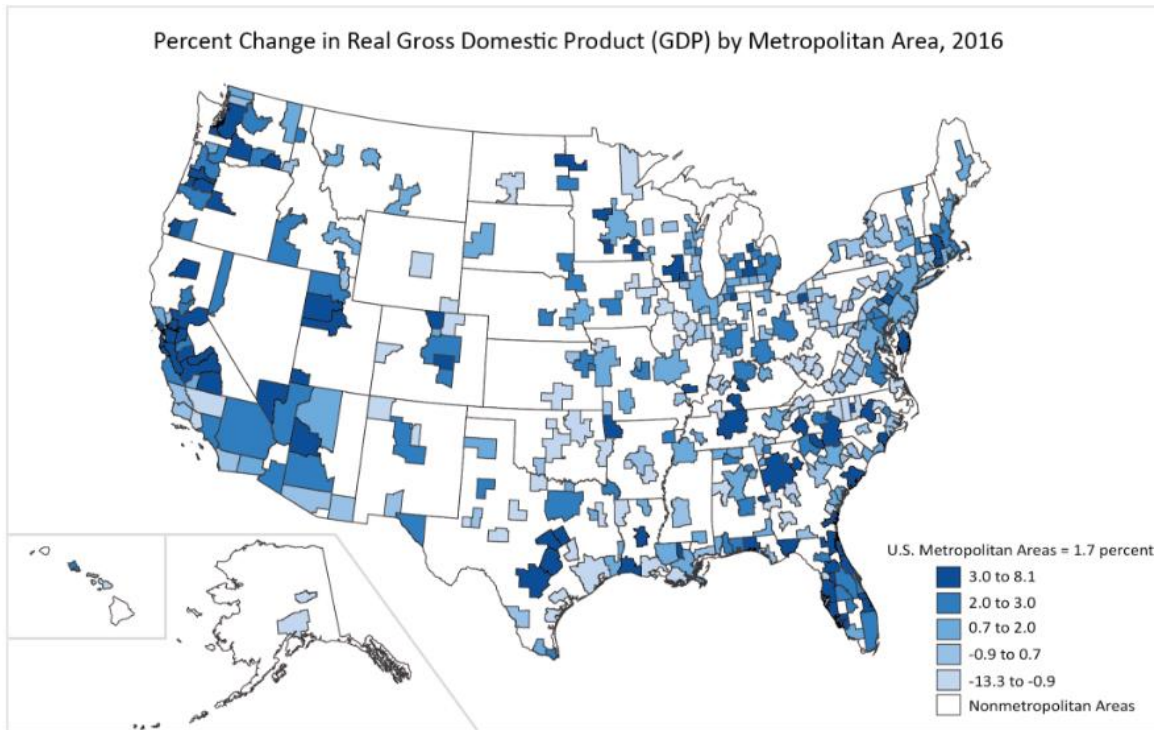
Bureau of Labor Statistics

Tuesday, [US Import and Export Price Indexes](#): The Import Price Index increased 0.6% in August 2017 and has increased 2.1% since August 2016. Fuel imports increased 4.2% in August, compared with an increase of 0.3% for non-fuel imports. The Export Price Index also rose 0.6% in part because of a 0.7% increase in the prices of non-agricultural exports. Year-over-year the export index is up 2.3%.

Wednesday, [Unpaid Eldercare in the US](#): "Sixteen percent of the civilian noninstitutional population age 15 and over (41.3 million people) provide unpaid eldercare, the US Bureau of Labor Statistics reported today. About one-fourth (26 percent) of eldercare providers engage in unpaid eldercare on a given day, spending an average of 2.8 hours providing this care. These estimates are averages for the 2-year period of 2015-16." Elders are identified as persons 65 or older requiring care because of their age.

Bureau of Economic Analysis

Wednesday, [Gross Domestic Product \(GDP\) by Metropolitan Area, 2016](#): Inflation-adjusted GDP increased in 267 of 382 Metropolitan Statistical Areas (MSAs) from 2015 to 2016. Inflation-adjusted GDP for all MSAs grew 1.7%; Lake Charles, Louisiana, and Bend-Redmond, Oregon, had the largest rate of growth at 8.1%, while Odessa, Texas, had the largest rate of decline at -13.3%. Of the 10 Tennessee MSAs, five experienced increases in inflation-adjusted GDP in 2016, and five experienced decreases. The map below shows all of the 382 MSAs.



U.S. Bureau of Economic Analysis

US Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending September 16, 2017, fell by 23,000 to 259,000, and the four-week moving average rose by 6,000 to 268,750. These figures reflect the effects of Hurricanes Harvey and Irma. The previous week, ending September 9, no state reported an increase of 1,000 or more initial claims, while six states plus Puerto Rico reported decreases of 1,000 or more; Tennessee reported an increase of 30 new claims over the prior week.

Board of Governors of the Federal Reserve

Tuesday, Federal Open Market Committee (FOMC) Meeting

Wednesday, [FOMC Meeting Announcement](#): “In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1 to 1-1/4 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.” The Committee also agreed to “initiate the balance sheet normalization program described in the June 2017 Addendum to the Committee’s Policy Normalization Principles and Plans.” The latter statement means that the Fed will begin reducing its holdings of Treasury securities. The initial [reaction](#) by financial markets was minimal.

Wednesday, [FOMC Forecasts](#): Participants in the meetings submit their own forecasts for some key economic measures for the current and following three years.

The mid-points of those forecasts are reported here: The GDP growth rate for 2017 is 2.4%, up from the 2.2% rate reported in their June projection. For 2018, the projection is 2.1%. The unemployment rate for 2017 is projected to be 4.3%, falling to 4.1% in the next year. Two measures of inflation are also included, the Personal Consumption Expenditure (PCE) index and the Core PCE Index—the PCE Index excluding food and energy—and those projections for 2017 are 1.6% and 1.5% respectively. Both are projected to rise to 1.9% in 2018. Finally, the projected federal funds rate for 2017 is 1.4%, increasing to 2.1% in 2018.

Federal Housing Finance Agency (FHFA)

Thursday, [FHFA House Price Index](#): In July 2017, this index rose 0.2% from June and 6.3% over the previous 12-month period. In the East South Central region, which includes Tennessee, the monthly increase was 0.5%, and year-over-year it was 6.4%.

National Association of Home Builders

Monday, [Housing Market Index](#): In September 2017, this measure of builders' confidence fell three points from 67 to 64. NAHB Chairman Granger MacDonald stated: "The recent hurricanes have intensified our members' concerns about the availability of labor and the cost of building materials. Once the rebuilding process is underway, I expect builder confidence will return to the high levels we saw this spring." NAHB Chief Economist Robert Dietz is also quoted: "Despite this month's drop, builder confidence is still on very firm ground. With ongoing job creation, economic growth and rising consumer confidence, we should see the housing market continue to recover at a gradual, steady pace throughout the rest of the year."

National Association of Realtors

Wednesday, [Existing Home Sales](#): In August 2017, existing homes sales declined 1.7% from July, marking the fourth month in the past five that month-over-month sales have fallen. The seasonally-adjusted, annual rate was 5.35 million in August, compared with 5.44 million in July. NAR Chief Economist Lawrence Yun stated: "What's ailing the housing market and continues to weigh on overall sales is the inadequate levels of available inventory and the upward pressure it's putting on prices in several parts of the country. Sales have been unable to break out because there are simply not enough homes for sale." He also expects that the damage caused by Hurricanes Harvey and Irma will hurt closings into 2018 in Houston and Florida.

The Conference Board

Thursday, [Leading Economic Indicators \(LEI\)](#): The August 2017 LEI was up 0.4% to 128.8 (2010=100). "The August gain is consistent with continuing growth in the US economy for the second half of the year, which may even see a moderate pick up," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "While the economic impact of recent hurricanes is not fully

reflected in the leading indicators yet, the underlying trends suggest that the current solid pace of growth should continue in the near term.” The Coincident Economic Index was unchanged from July at 115.8 (2010=100).

IHS Markit Economics

Friday, [Purchasing Managers' Index \(PMI\) Composite Flash](#): The preliminary September 2017 composite of the manufacturing and services indexes is 54.6, slightly lower than the 55.3 indicated in the final August survey. Chris Williamson, Chief Business Economist for IHS Markit, is quoted: “The US economy showed encouraging resilience in a month of hurricane disruption. Although the September surveys indicated a moderation in growth of business activity, the overall rate of expansion remained robust. Historical comparisons of the PMI with GDP indicate that the surveys point to the economy growing at an annualised rate of just over 2% in the third quarter.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 50.6, down from 51.9 the previous week.