Economic Update, November 9, 2018
Submitted by Michael Mount

Summary: Citing strength in the labor market and inflation near its 2 percent target, the Federal Reserve, did not increase interest rates, although a December increase remains likely (see chart below). The Wall Street Journal has an article showing how the Fed's statement changed from September to November (business fixed-investment went from growing strongly to growing moderately).

Census

Friday, Wholesale Trade: "September 2018 sales of merchant wholesalers . . . were $511.2 billion, up 0.2 percent from the revised August level . . . . Total inventories of merchant wholesalers . . . were $644.6 billion at the end of September, up 0.4 percent from the revised August level."

Bureau of Economic Analysis

Thursday, Activities of U.S. Affiliates of Foreign Multinational Enterprises: "Majority-owned U.S. affiliates (MOUSAs) of foreign multinational enterprises employed 7.1 million workers in the United States in 2016, a 3.9 percent increase from 6.8 million in 2015 . . . MOUSAs accounted for 5.6 percent of total private-industry employment in the United States."

Bureau of Labor Statistics

Tuesday, Metropolitan Area Employment and Unemployment: "Unemployment rates were lower in September than a year earlier in 308 of the 388 metropolitan areas, higher in 58 areas, and unchanged in 22 areas . . ." Tennessee's unemployment rate decreased from 3.8% in August 2018 to 3.7% in September. The unemployment rates in Tennessee's metropolitan areas ranged from 3.0% in the Nashville area to 4.4% in Clarksville.

Tuesday, Job Openings and Labor Turnover Survey: "The number of job openings decreased to 7.0 million on the last business day of September . . . . Over the month, hires and separations were both little changed at 5.7 million."

Wednesday, Business Employment Dynamics: "From December 2017 to March 2018, gross job gains from opening and expanding private-sector establishments were 7.4 million, a decrease of 420,000 jobs from the previous quarter . . . . Over this period, gross job losses from closing and contracting private-sector establishments were 6.7 million, a decrease of 181,000 jobs from the previous quarter."

Thursday, Employer-Reported Workplace Injuries and Illnesses: "There were approximately 2.8 million nonfatal workplace injuries and illnesses reported by private industry employers in 2017, which occurred at a rate of 2.8 cases per 100 full-time equivalent (FTE) workers . . . . Private industry employers reported nearly 45,800 fewer nonfatal injury and illness cases in 2017 compared to a year earlier . . ."

Friday, Producer Price Index: "The Producer Price Index for final demand rose 0.6 percent in October, seasonally adjusted . . . . On an unadjusted basis, the final demand index increased 2.9 percent for the 12 months ended in October."

Department of Labor

Thursday, Initial Claims: "In the week ending November 3, the advance figure for seasonally adjusted initial claims was 214,000, a decrease of 1,000 from the previous week's revised level."

Institute for Supply Management

Monday, Non-manufacturing Sector: "Economic activity in the non-manufacturing sector grew in October for the 105th consecutive month . . . ." The index "registered 60.3 percent, which is 1.3 percentage points lower than the September reading of 61.6 percent. This represents continued growth in the non-manufacturing sector at a slower rate."

IHS Markit

Monday, PMI Services: "The U.S. service sector reported a strong expansion in business activity in October. The rate of growth rebounded from September's weather-related weakness, but was also buoyed by a sharp rise in new business. Capacity was often reported to have come under some strain, however, and difficulties finding suitable candidates were partly to blame for the rate of job creation easing to a nine-month low. Meanwhile, price pressures intensified, with rates of both input cost and output charge inflation accelerating."

Thursday, US Sector PMI: "October data signaled a sharp expansion in healthcare activity . . . . Although the financial sector indicated a ninth successive month of output growth, the rate of the expansion eased to only a fractional pace that was the weakest in the aforementioned sequence. It was also slowest among the monitored sectors."

Investor's Business Daily

Monday, Economic Optimism Index: The index "fell 2.4% in November to 56.4 after rising 3.8% in October to 57.8. The index in recent months has backed off of August's 58.0 level, which was the second-highest reading since January 2004. November marks the 26th straight month that Economic Optimism Index has been over 50—which signals overall optimism about the economy—a record for this index."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 4.0 percent from one week earlier . . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($453,100 or less) increased to 5.15 percent from 5.11 percent . . . . The average contract interest rate for 15-year fixed-rate mortgages remained unchanged at 4.55 percent . . ."

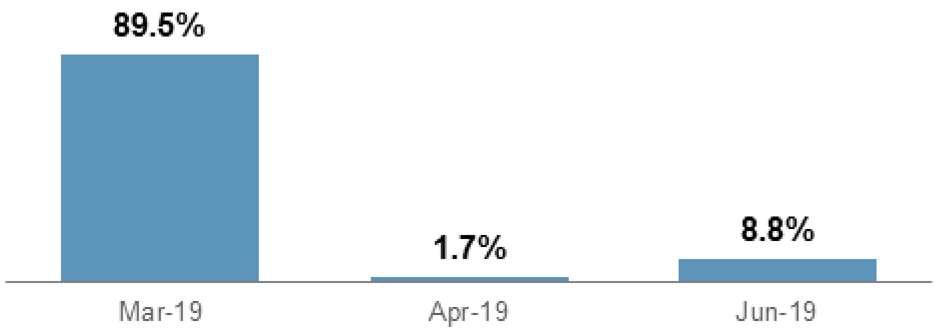
Federal Reserve

Wednesday, Consumer Credit: "Consumer credit increased at a seasonally adjusted annual rate of 5-1/4 percent during the third quarter. Revolving credit increased at an annual rate of 2 percent, while non-revolving credit increased at an annual rate of 6-1/2 percent. In September, consumer credit increased at an annual rate of 3-1/4 percent."

Thursday, Interest Rate Decision: "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 2 to 2-1/4 percent." Economists expect the next rate increases in December and March (see chart below).

## Q&A: The Rate Path Ahead

Economists unanimously believe the Fed will raise rates in December. But when will it move next?




Source: Wall Street Journal Economic Forecasting Survey.

University of Michigan

Friday, [Consumer Sentiment](): "Consumer sentiment remained virtually unchanged in early November from its October reading. . . . Income expectations have improved and consumers anticipate continued robust growth in employment, but consumers also anticipate rising inflation and higher interest rates."