

Economic Update, December 14, 2018
Submitted by Michael Mount

Summary: Although economic indicators remain strong, there's a growing consensus that economic growth is slowing. A majority of economists surveyed by the [Wall Street Journal](#) now believe that the Federal Reserve's next interest rate increase, following its expected increase in December, will occur after March, if at all (see chart at the end). The Bureau of Economic Analysis released "prototype" estimates of real GDP by county, including percent change in real GDP from 2014 to 2015 (see map below).

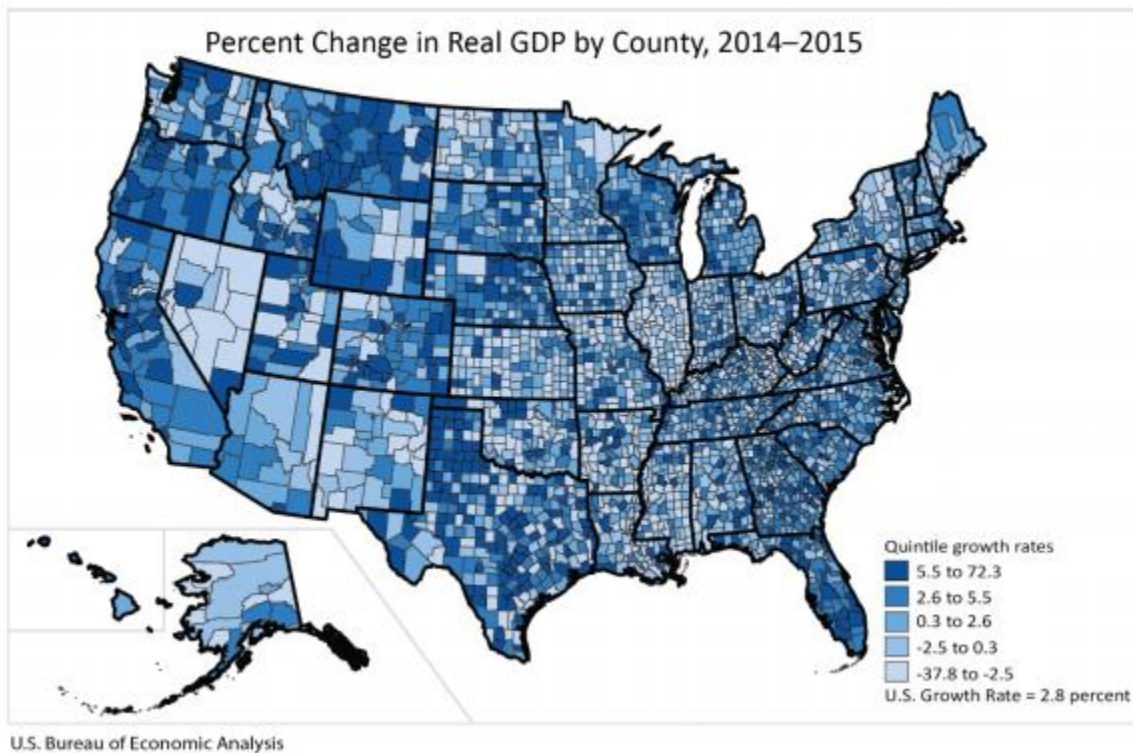
Census

Friday, [Retail and Food Services](#): "Advance estimates of U.S. retail and food services sales for November 2018 . . . were \$513.5 billion, an increase of 0.2 percent from the previous month, and 4.2 percent above November 2017. Total sales for the September 2018 through November 2018 period were up 4.3 percent from the same period a year ago."

Friday, [Manufacturing and Trade](#): "The combined value of distributive trade sales and manufacturers' shipments for October . . . was estimated at \$1,469.9 billion, up 0.3 percent from September 2018 and was up 6.1 percent from October 2017."

Bureau of Economic Analysis

Wednesday, [Gross Domestic Product by County](#): "In 2015, real (inflation adjusted) GDP increased in 1,931 counties, decreased in 1,159, and was unchanged in 23." Real GDP increased in 70 Tennessee counties from 2014 to 2015, decreased in 22, and was unchanged in three.



Bureau of Labor Statistics

Monday, [Job Openings and Labor Turnover](#): “The number of job openings was little changed at 7.1 million on the last business day of October. . . . Over the month, hires edged up to 5.9 million, and separations were little changed at 5.6 million.”

Tuesday, [Producer Price Index](#): The index “for final demand edged up 0.1 percent in November. . . . For the 12 months ended in November, prices for final demand less foods, energy, and trade services advanced 2.8 percent.”

Wednesday, [Consumer Price Index](#): The index “for All Urban Consumers (CPI-U) was unchanged in November on a seasonally adjusted basis after rising 0.3 percent in October. . . . Over the last 12 months, the all items index increased 2.2 percent before seasonal adjustment.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending December 8, the advance figure for seasonally adjusted initial claims was 206,000, a decrease of 27,000 from the previous week's revised level.”

Federal Reserve

Monday, [Survey of Consumer Expectations](#): “The median one-year-ahead inflation expectation held steady at 3.0 percent in November, unchanged for the eighth straight month. Inflation expectations at the three-year horizon dipped by 0.1 percentage point to 2.9 percent. Consumers’ outlook on the housing and labor markets was generally more pessimistic, with home price expectations reaching their lowest level in twelve months. Earnings and unemployment expectations deteriorated for the second consecutive month.”

Friday, [Industrial Production and Capacity Utilization](#): “Industrial production rose 0.6 percent in November after moving down 0.2 percent in October; the index for October was previously reported to have edged up 0.1 percent. In November, manufacturing production was unchanged, the output of mining increased 1.7 percent, and the index for utilities gained 3.3 percent. At 109.4 percent of its 2012 average, total industrial production was 3.9 percent higher in November than it was a year earlier. Capacity utilization for the industrial sector rose 0.4 percentage point in November to 78.5 percent, a rate that is 1.3 percentage points below its long-run (1972–2017) average.”

National Federation of Independent Business

Tuesday, [Small Business Economic Trends](#): “Small business optimism slightly dipped in November. The Index declined 2.6 points to 104.8. . . . The general consensus among forecasters is that the fourth quarter will be solid but slower. Growth appears to have peaked early this year and will slow as we move into 2019. There are a number of reasons, primarily structural, for a slowdown including a lack of qualified workers to fill open positions and a low rate of labor force growth.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications rose 1.6 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) decreased to 4.96 percent, the lowest level since September 2018, from 5.08 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 4.41 percent, the lowest level since September 2018, from 4.50 percent.”

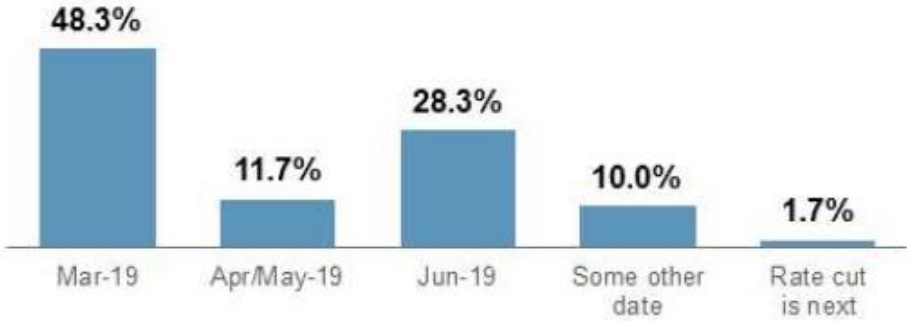
IHS Markit

Friday, [Purchasing Managers Index](#): “U.S private sector output continued to increase at a solid pace in December, but a slowdown in the service economy contributed to the weakest overall growth

for just over one-and-a-half years. The latest survey data also revealed a softer improvement in new order books and a further moderation in the rate of private sector job creation.”

Q&A: March in Sight

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



Source: [Wall Street Journal](#).