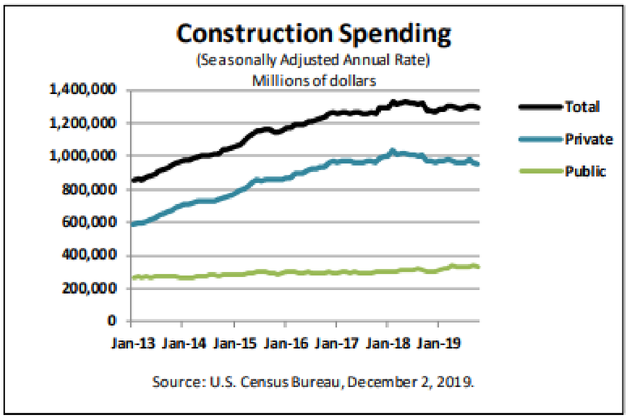
Economic Update, December 6, 2019
Submitted by Dave Keiser

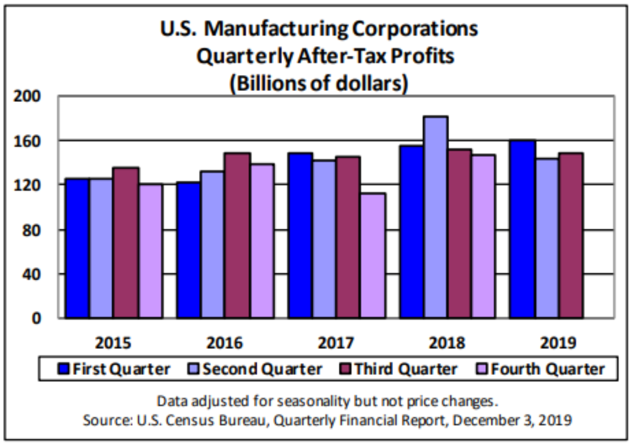
Summary: Overall, the economy continues to be steady. Unemployment remained at 3.5 percent with 266,000 new jobs added. Construction spending was down slightly, while indicators for retail trade, services, and non-manufacturing sectors all stayed steady. Wholesale sales were down slightly, and the trade deficit lessened as both imports and exports were down. And consumer sentiment remains high. Meanwhile, small businesses report raising wages as they struggle to find qualified employees. Mortgage applications were down and job cuts for the year are the highest it has been since 2015. On a local note, Nissan is closing operations for a couple of days in January to cut costs as forecasts for operating income hit a 11-year low according to Reuters.

Census Bureau

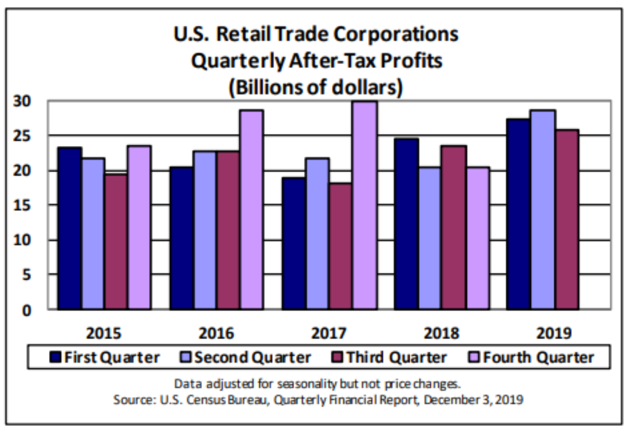
Monday, Monthly Construction Spending: "Construction spending during October 2019 was estimated at a seasonally adjusted annual rate of $1,291.1 billion, 0.8 percent below the revised September estimate of $1,301.8 billion. The October figure is 1.1 percent above the October 2018 estimate of $1,277.4 billion. During the first ten months of this year, construction spending amounted to $1,086.5 billion, 1.7 percent below the $1,105.2 billion for the same period in 2018."



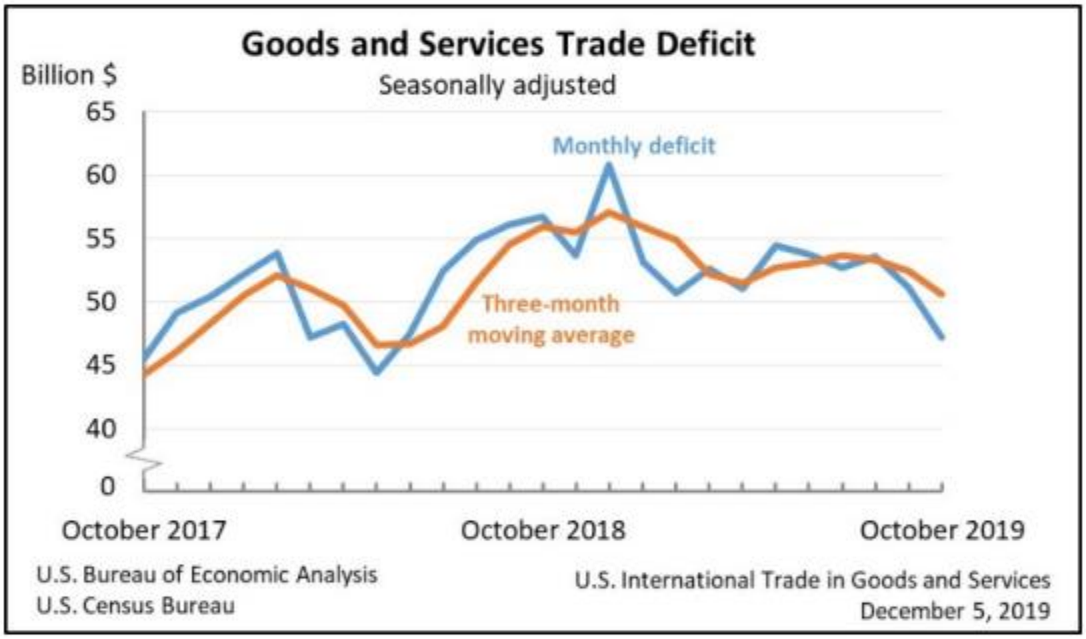

Tuesday, Manufacturing, Mining, Wholesale Trade, and Selected Service Industries: "U.S. manufacturing corporations' seasonally adjusted after-tax profits in the third quarter of 2019 totaled $149.1 billion, up $5.1 billion from the after-tax profits of $144.0 billion recorded in the second quarter of 2019, but down $2.6 billion from the after-tax profits of $151.7 billion recorded in the third quarter of 2018. Seasonally adjusted sales for the quarter totaled $1,748.7 billion, not statistically different from the $1,748.2 billion in the second quarter of 2019, and not statistically different from the $1,765.8 billion in the third quarter of 2018."



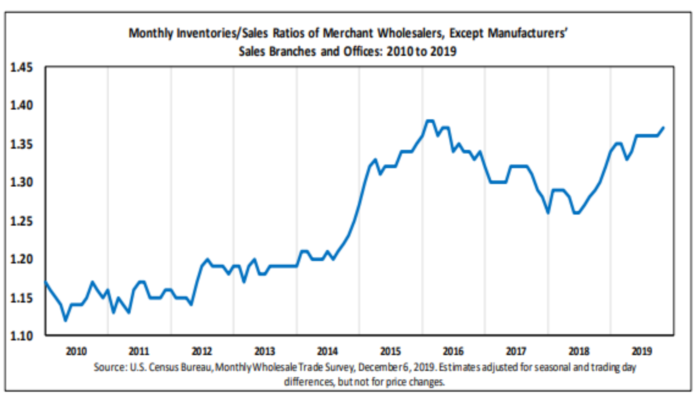

Tuesday, [Retail Trade](): "Seasonally adjusted after-tax profits of U.S. retail corporations with assets of $50 million and over totaled $25.7 billion, down $2.8 billion from the $28.5 billion recorded in the second quarter of 2019, but up $2.2 billion from the $23.5 billion recorded in the third quarter of 2018. Seasonally adjusted sales for the quarter totaled $802.9 billion, up $7.7 billion from the $795.2 billion recorded in the second quarter of 2019, and up $32.2 billion from the $770.6 billion recorded in the third quarter of 2018."




Thursday, [U.S. International Trade in Goods and Services](): ". . . the goods and services deficit was $47.2 billion in October, down $3.9 billion from $51.1 billion in September, revised. October exports were $207.1 billion, $0.4 billion less than September exports. October imports were $254.3 billion, $4.3 billion less than September imports. The October decrease in the goods and services deficit reflected a decrease in the goods deficit of $3.7 billion to $68.0 billion and an increase in the services surplus of $0.2 billion to $20.8 billion. Year-to-date, the goods and services deficit increased $6.9 billion, or 1.3 percent, from the same period in 2018. Exports decreased $0.8 billion or less than 0.1 percent. Imports increased $6.1 billion or 0.2 percent."




Friday, [Wholesale Trade](): "October 2019 sales of merchant wholesalers, except manufacturers' sales branches and offices . . . were $494.3 billion, down 0.7 percent from the revised September level and were down 1.4 percent from the October 2018 level. . . . Total inventories of merchant wholesalers, except manufacturers' sales branches and offices . . . were $675.6 billion at the end of October, up 0.1 percent from the revised September level. . . . The October inventories/sales ratio for merchant wholesalers, except manufacturers' sales branches and offices, based on seasonally adjusted data, was 1.37. The October 2018 ratio was 1.30."

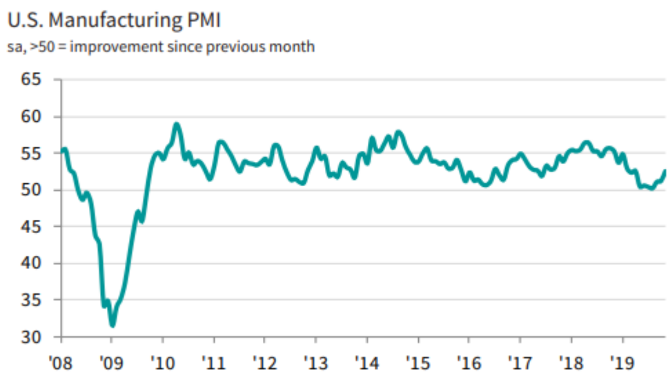



Institute for Supply Management (ISM)

Wednesday, [Non-Manufacturing Index](): "Economic activity in the non-manufacturing sector grew in November for the 118th consecutive month . . . The NMI registered 53.9 percent, which is 0.8 percentage points lower than the October reading of 54.7 percent. This represents continued growth in the non-manufacturing sector, at a slightly slower rate."

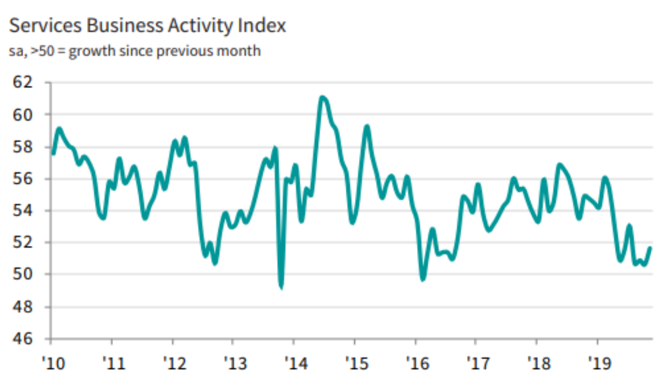
IHS Markit Economics

Monday, [Purchasing Manager Index for Manufacturing](): "November data indicated a faster rate of improvement in operating conditions across the U.S. manufacturing sector. Overall growth was supported by quicker expansions in production and new orders, with both domestic and foreign client demand strengthening. Manufacturers also increased their workforce numbers at a quicker pace amid reports of greater operational requirements. Business confidence remained historically muted, however, as global economic uncertainty continued to weigh on expectations. Meanwhile, rates of input price and output charge inflation picked up due to supplier shortages, tariffs and higher raw material costs."




Source: IHS Markit.

Wednesday, [Purchasing Manager's Index for Services](): "U.S. service sector firms signaled a quicker expansion in business activity in November. Although only marginal, the increase in output was supported by a renewed upturn in new orders. Foreign client demand remained lackluster, however, with new business from abroad continuing to fall. Greater new order inflows and a subsequent rise in backlogs of work led to a return to growth in employment, albeit only fractional overall. That said, business confidence remained muted and close to historical lows."




Sources: IHS Markit.

Bureau of Labor Statistics

Tuesday, [Work Experience](): "A total of 166.4 million persons worked at some point during 2018 . . . . The proportion of the civilian noninstitutional population age 16 and over who worked at some time during 2018 was 64.4 percent, little changed from 2017. The number of persons who experienced some unemployment during 2018 declined by 1.3 million to 13.2 million."

Friday, [Employment Situation](): "Total nonfarm payroll employment rose by 266,000 in November, and the unemployment rate was little changed at 3.5 percent . . . Notable job gains occurred in health care and in professional and technical services.  Employment rose in manufacturing, reflecting the return of workers from a strike."

**Chart 1. Unemployment rate, seasonally adjusted, November 2017 – November 2019**

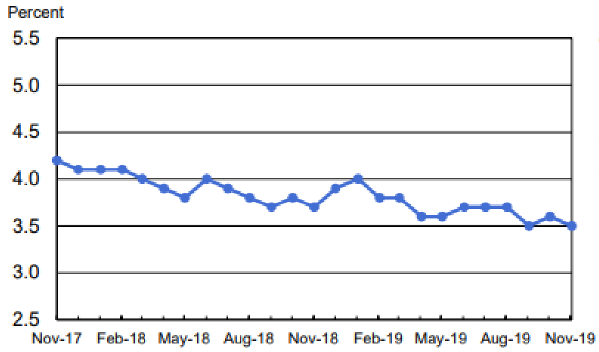
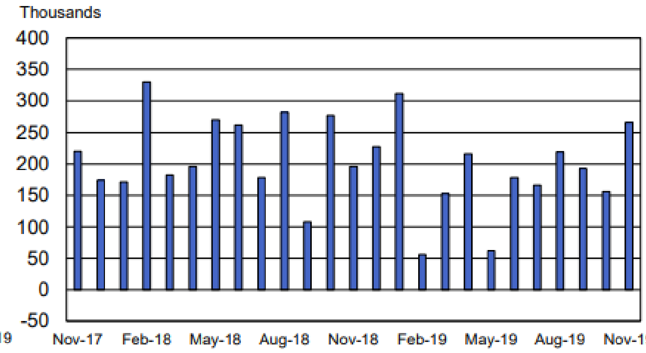
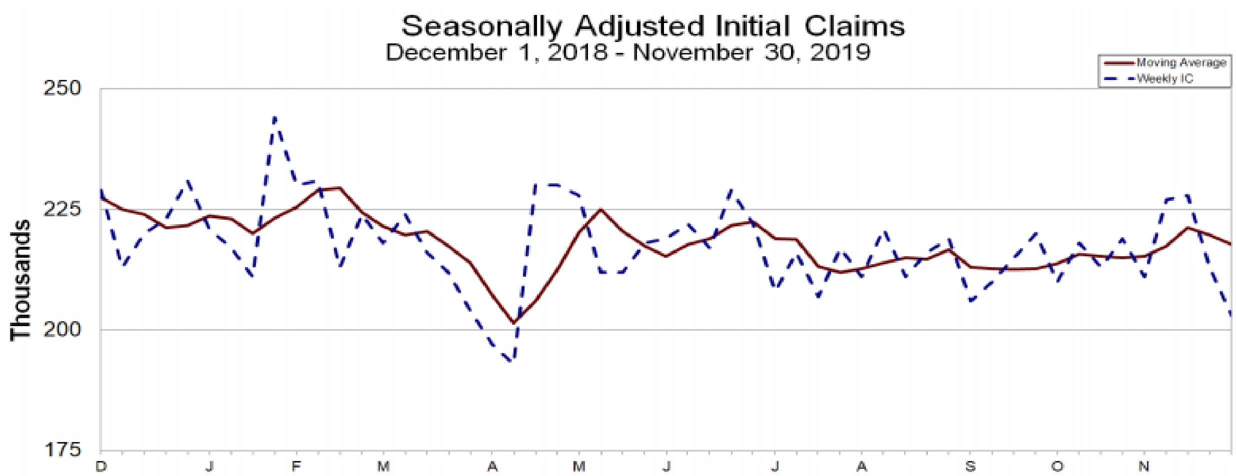



**Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, November 2017 – November 2019**




U.S. Department of Labor

Thursday, [Initial Claims](): "In the week ending November 30, the advance figure for seasonally adjusted initial claims was 203,000, a decrease of 10,000 from the previous week's unrevised level of 213,000.  The 4-week moving average was 217,750, a decrease of 2,000 from the previous week's unrevised average of 219,750."

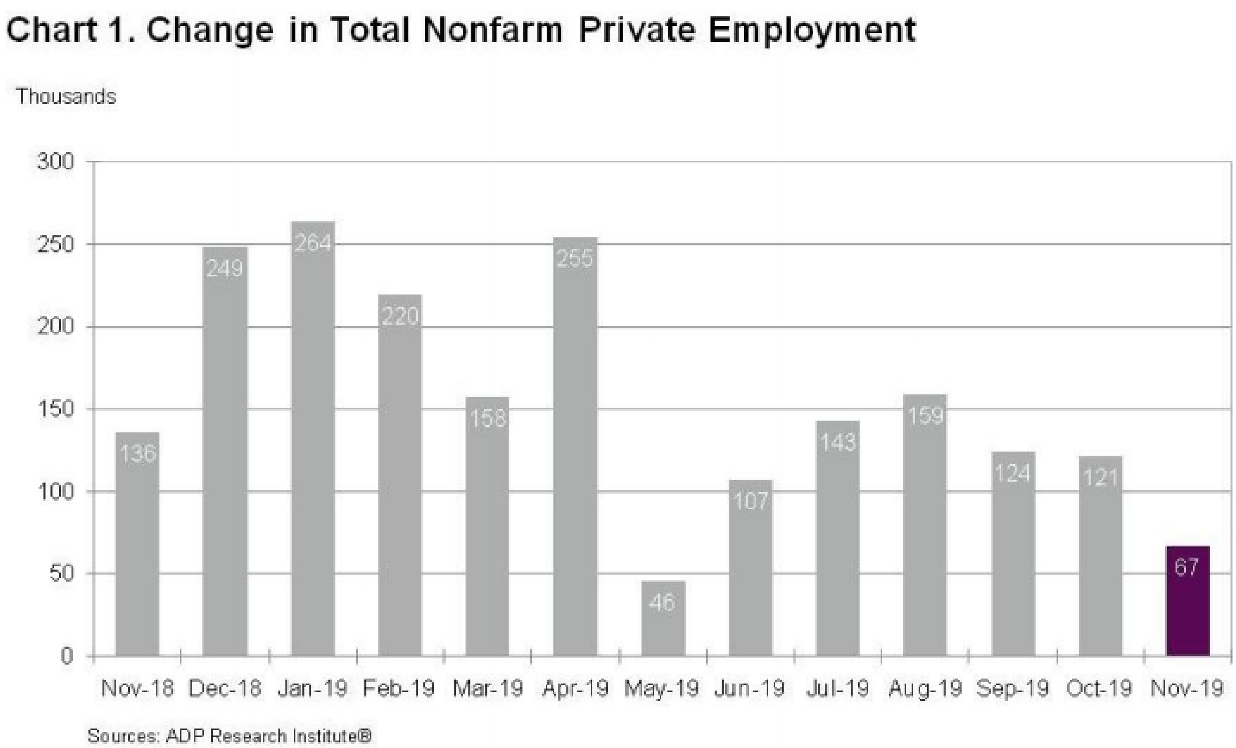



ADP.com

Wednesday, [ADP Employment Report](): "Private sector employment increased by 67,000 jobs from October to November . . ."

"'In November, the labor market showed signs of slowing,' said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute.  'The goods producers still struggled; whereas, the service providers remained in positive territory driven by healthcare and professional services.  Job creation slowed across all company sizes; however, the pattern remained largely the same, as small companies continued to face more pressure than their larger competitors.'

"Mark Zandi, chief economist of Moody's Analytics, said, 'The job market is losing its shine. Manufacturers, commodity producers, and retailers are shedding jobs.  Job openings are declining and if job growth slows any further unemployment will increase.'"




Challenger

Thursday, Job-Cut Report: "Job cuts announced by U.S.-based employers fell to 44,569 in November, 11.3% lower than the 50,275 cuts announced in October . . . Last month's total is 16% lower than the 53,073 cuts announced in the same month last year. Employers have announced plans to cut 559,713 jobs from their payrolls, 13.1% higher than the 494,775 cuts announced through November last year. It is the highest January-November total since 2015, when 574,888 cuts were announced. Job cuts announced in 2019 have already surpassed the full-year total in 2018, when 538,659 cuts were announced."

Mortgage Bankers Association

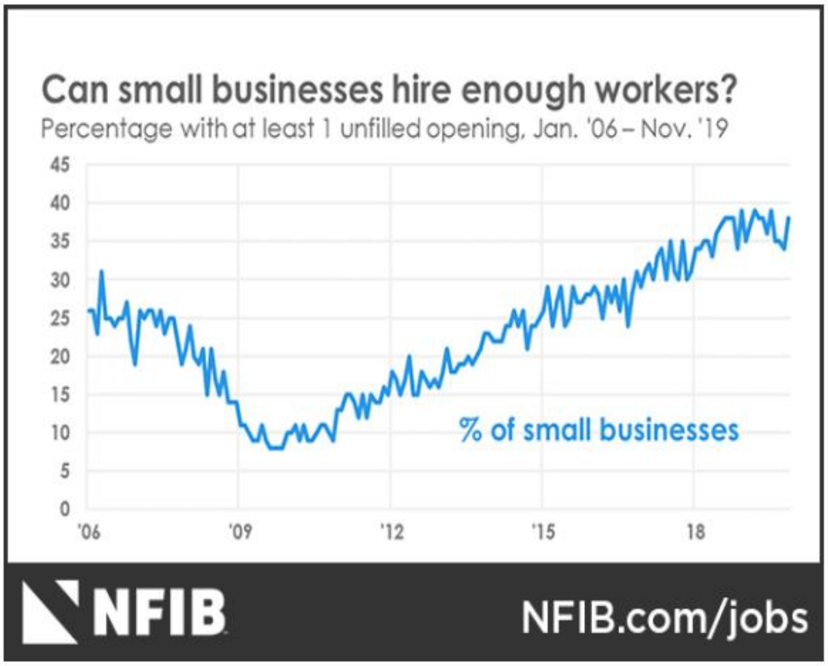
Wednesday, Mortgage Applications: "Mortgage applications decreased 9.2 percent from one week earlier . . . 'U.S. Treasury rates stayed flat last week, as uncertainty surrounding the U.K. elections offset positive domestic news on consumer spending," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. 'Despite the 30-year fixed rate remaining unchanged at 3.97 percent, mortgage applications fell last week, driven down by a 16 percent drop in refinances. Purchase applications were up slightly but declined 24 percent from a year ago. This week's year-over-year comparisons were distorted by Thanksgiving being a week later this year.'"

"The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($484,350 or less) remained unchanged at 3.97 percent . . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.37 percent from 3.38 percent . . ."

NFIB

Thursday, Jobs Report: "Thirty percent of small business owners reported raising compensation and 26% plan to do so in the coming months, the highest level since December 1989 . . . Owners are adding an average addition of 0.29 workers per firm in November, which is the highest level since May.

However, finding qualified workers has remained the top issue with 26% of owners reporting it as their No. 1 problem."




University of Michigan

Friday, Consumer Sentiment Index: "Consumer sentiment rose to the upper end of the favorable range it has traveled since the start of 2017. The Sentiment Index has averaged 97.0 in the past three years, the highest sustained level since the all-time record in the Clinton administration. Nearly all of the early December gain was among upper income households, who also reported near record gains in household wealth, largely due to increased stock prices. Indeed, among households with incomes in the top third of the distribution, their overall assessment of their current finances was the third highest in the past twenty years. These gains were aided by declining inflation expectations, with long term inflation expectations returning to an all-time low."