Economic Update, June 21, 2019
Submitted by Michael Mount

Summary: The Federal Reserve decided to keep interest rates the same, for now, but hinted toward future cuts. Manufacturers and service providers reported very slow output growth in June. Economic indicators point to slower growth in real GDP, somewhere around 2 percent per year. Housing data was mixed, with existing home sales and new residential construction increasing while the home builder index and mortgage applications decreased.

Bureau of Economic Analysis

Thursday, International Transactions: "The U.S. current-account deficit decreased to $130.4 billion in the first quarter of 2019 from $143.9 billion in the fourth quarter of 2018. . . . The deficit was 2.5 percent of current-dollar gross domestic product in the first quarter, down from 2.8 percent in the fourth quarter."

Bureau of Labor Statistics

Tuesday, Employee Compensation: "Employer costs for employee compensation for civilian workers averaged $36.77 per hour worked in March 2019. . . . Wages and salaries cost employers $25.22 while benefit costs were $11.55."

Wednesday, Time Use Survey: "In 2018, 89 percent of full-time employed persons worked on an average weekday, compared with 31 percent on an average weekend day. . . . Full-time employed persons averaged 8.5 hours of work time on weekdays they worked, and 5.4 hours on weekend days they worked."

Department of Labor

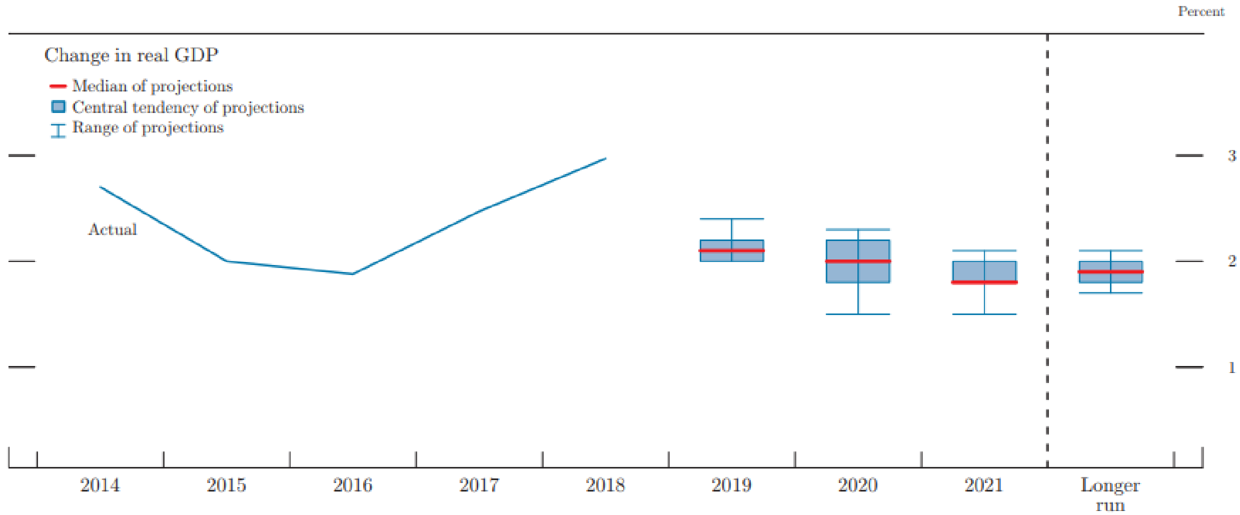
Thursday, Initial Claims: "In the week ending June 15, the advance figure for seasonally adjusted initial claims was 216,000, a decrease of 6,000 from the previous week's unrevised level of 222,000."

Federal Reserve

Wednesday, FOMC Statement: The "labor market remains strong and economic activity is rising at a moderate rate. . . . On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2 percent. . . . The Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent."

Wednesday, Economic Projections: Federal Reserve Board members project real GDP growth to slow from 2.1 percent in 2019 to 2.0 percent in 2020 (see chart below). Unemployment is expected to increase from 3.6 percent to 3.7 percent.

Figure 1. Medians, central tendencies, and ranges of economic projections, 2019–21 and over the longer run



Source: Federal Reserve.

Markit

Friday, PMI Composite: "Manufacturers indicated only a fractional rise in production volumes in June, with the pace of expansion the slowest since the current phase of recovery began in mid-2016. Service providers also experienced the weakest business activity performance for around three years."

US Census

Tuesday, New Residential Construction: "Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 1,294,000. This is 0.3 percent above the revised April rate of 1,290,000, but is 0.5 percent below the May 2018 rate of 1,301,000."

National Association of Home Builders

Monday, Housing Market Index: The national index decreased from 66 to 64, and the southern regional index remained unchanged at 68.

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 3.4 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($484,350 or less) increased to 4.14 percent from 4.12 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.50 percent from 3.53 percent."

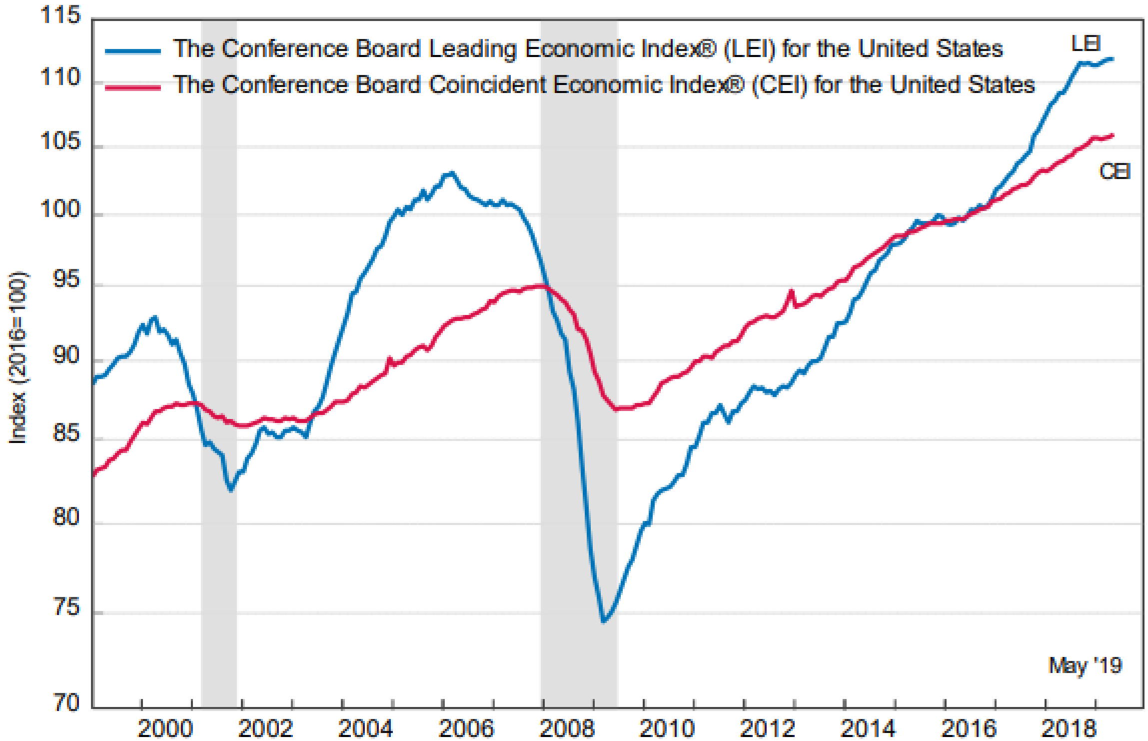
National Association of Realtors

Friday, Existing Home Sales: "Existing-home sales rebounded in May, recording an increase in sales for the first time in two months."

The Conference Board

Thursday, Leading Index: "The US LEI was unchanged in May, following three consecutive increases," said Ataman Ozyildirim, Director of Economic Research at The Conference Board. "Positive contributions from financial conditions and consumers' outlook offset the weakness in stock prices and the manufacturing sector. The yield spread's contribution to the LEI was neither positive nor negative.

While the economic expansion is now entering its eleventh year, the longest in US history, the LEI clearly points to a moderation in growth towards 2 percent by year end."



Source: The Conference Board.