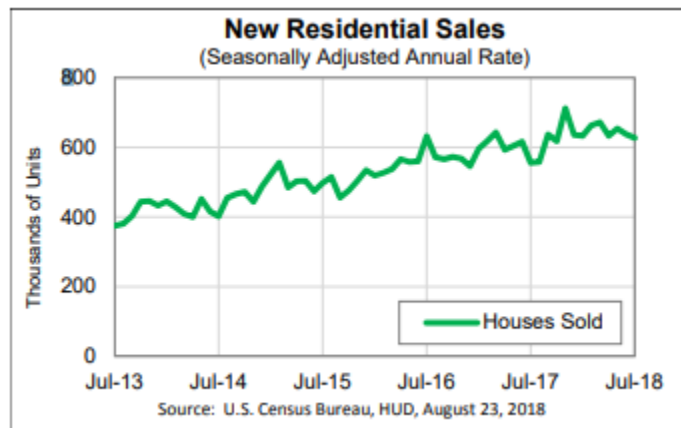


Economic Update, August 24, 2018
Submitted by Dave Keiser

Summary: Recent trends in the housing market continued this week. Home prices increased in the second quarter but at a slower pace than in recent years. Sales of new homes in July were below their June rate, and sales of existing homes were down for the fourth straight month to their slowest pace in more than two years. The recent increase in interest rates and the number of would-be buyers priced out of the market appear to be driving these trends. The early purchasing managers' survey indicates that transportation equipment drove the decrease in new orders for manufactured durable goods. Unemployment remains low and wages are moving upwards.

Census Bureau

Thursday, [New Residential Sales](#): "Sales of new single-family houses in July 2018 were at a seasonally adjusted annual rate of 627,000. . . . This is 1.7 percent below the revised June rate of 638,000, but is 12.8 percent above the July 2017 estimate of 556,000. The median sales price of new houses sold in July 2018 was \$328,700. The average sales price was \$394,300. The seasonally-adjusted estimate of new houses for sale at the end of July was 309,000. This represents a supply of 5.9 months at the current sales rate."



Friday, [Advance Report on Durable Goods Manufacturers' Shipments, Inventories, and Orders](#): "New orders for manufactured durable goods in July decreased \$4.3 billion or 1.7 percent to \$246.9 billion. . . . This decrease, down three of the last four months, followed a 0.7 percent June increase. Excluding transportation, new orders increased 0.2 percent. Excluding defense, new orders decreased 1.0 percent. Transportation equipment, also down three of the last four months, drove the decrease, \$4.6 billion or 5.3 percent to \$82.8 billion. Shipments of manufactured durable goods in July, down following two consecutive monthly increases, decreased \$0.5 billion or 0.2 percent to \$250.8 billion. This followed a 1.6 percent June increase. Transportation equipment, down three of the last four months, drove the decrease, \$1.6 billion or 1.9 percent to \$83.9 billion."

Bureau of Labor Statistics

Wednesday, [County Employment and Wages](#): "From March 2017 to March 2018, employment increased in 314 of the 349 largest U.S. counties. . . . The U.S. average weekly wage increased 3.7 percent over the year, growing to \$1,152 in the first quarter of 2018. . . . In March 2018, national employment was 144.6 million. Over the year, employment increased by 1.6 percent, or 2.3 million. In March 2018, the 349 U.S. counties with 75,000 or more jobs accounted for 73.1 percent of total U.S. employment and 79.2 percent of total wages. These 349 counties had a net job growth of 1.6 million over the year, accounting for 72.4 percent of the overall U.S. employment increase. The 5 counties with

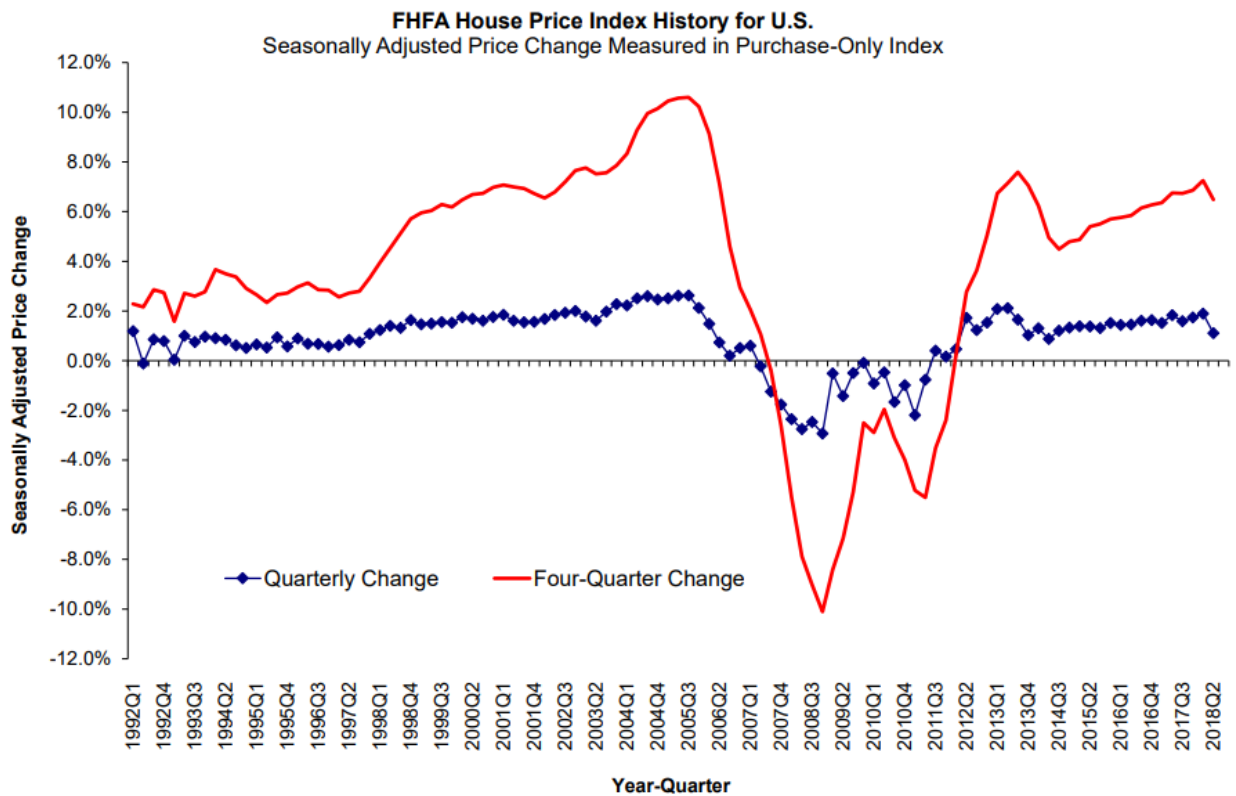
the largest increases in employment levels had a combined over-the-year employment gain of 237,600 jobs, which was 10.5 percent of the overall job increase for the U.S.” Williamson County ranked 13th among large counties nationwide for percent change in employment, while Rutherford County ranked 25th. Davidson County ranked 19th for percent change in average weekly wages.

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending August 18, the advance figure for seasonally adjusted initial claims was 210,000, a decrease of 2,000 from the previous week’s unrevised level of 212,000. The 4-week moving average was 213,750, a decrease of 1,750 from the previous week’s unrevised average of 215,500.” Tennessee had 305 fewer claims over the same period.

Federal Housing Finance Agency (FHFA)

Thursday, [FHFA House Price Index](#): “U.S. house prices rose 1.1 percent in the second quarter of 2018. . . . House prices rose 6.5 percent from the second quarter of 2017 to the second quarter of 2018. FHFA’s seasonally adjusted monthly index for June was up 0.2 percent from May. . . . ‘Home prices rose in the second quarter but at a slower pace than we have seen for the past four years,’ said Dr. William Doerner, Supervisory Economist. ‘Mortgage rates have increased by more than half a percentage point over the first six months of the year. Rates are still inexpensive from a historical standpoint, but their bump-up appears to have gently pressed the brakes on house price increases.’”



National Association of Realtors

Wednesday, [Existing Home Sales](#): “Existing-home sales subsided for the fourth straight month in July to their slowest pace in over two years. . . . The West was the only major region with an increase in sales last month. . . . Lawrence Yun, NAR chief economist, says the continuous solid gains in home prices have now steadily reduced demand. ‘Led by a notable decrease in closings in the Northeast,

existing home sales trailed off again last month, sliding to their slowest pace since February 2016 at 5.21 million,' he said. 'Too many would-be buyers are either being priced out, or are deciding to postpone their search until more homes in their price range come onto the market.'"

Market Economics

Thursday, [Purchasing Managers' Index \(PMI\) Composite](#): The index decreased from 55.7 in July to 55.0 in August, signaling the weakest rise in private sector business activity since April. "August data indicated that business activity growth in the U.S. private sector eased further from the three-year peak seen in May. A loss of momentum was recorded in both the manufacturing and service sectors during the latest survey period. Payroll numbers meanwhile increased at the slowest pace since June 2017. . . . That said, the latest reading was still well above the 50.0 no-change value and broadly in line with its post-crisis average (55.2)." On a positive note, the report says that "inflationary pressures moderated in August, reflecting the least marked rise in average cost burdens since the start of 2018."

IHS Markit Composite PMI and U.S. GDP



Sources: IHS Markit, U.S. Bureau of Economic Analysis.