Economic Update, September 28, 2018
Submitted by Michael Mount

Summary: The Fed increased its target for the federal funds rate from 2 percent to 2.25 percent, and another increase is expected for December. Real GDP growth increased from 2.2 percent to 4.2 percent in the first quarter of 2018, but growth in state personal income decreased from 5.0 percent to 4.2 percent. Consumer confidence and consumer sentiment both look good.

Census

Wednesday, New Residential Sales: New houses sold increased from an annual rate of 608,000 in July 2018 to 629,000 in August. "The median sales price of new houses sold in August 2018 was $320,200. The average sales price was $388,400." The estimate of new houses for sale at the end of August was 318,000, a 6.1 month supply at the current sales rate.

Thursday, Durable Goods: "New orders for manufactured durable goods in August increased $11.1 billion or 4.5 percent to $259.6 billion. . . . Transportation equipment, also up two of the last three months, led the increase. . . . Shipments of manufactured durable goods in August, up three of the last four months, increased $1.9 billion or 0.8 percent to $253.1 billion. . . . Unfilled orders for manufactured durable goods in August, up nine of the last ten months, increased $10.4 billion or 0.9 percent to $1,176.5 billion."

Thursday, Economic Indicators: "The international trade deficit was $75.8 billion in August, up $3.8 billion from $72.0 billion in July." Wholesale inventories increased 0.8 percent from $636.3 billion in July 2018 to $641.5 billion in August. Retail inventories increased 0.7 percent from 638.3 billion in July to $643.0 billion in August.

Bureau of Economic Analysis

Tuesday, State Personal Income: "State personal income increased 4.2 percent, at an annual rate, in the second quarter of 2018, a deceleration from the 5.0 percent increase in the first quarter. . . . The percent change in personal income across all states ranged from 6.0 percent in Texas to 1.6 percent in Washington." Tennessee's increase was 3.4 percent.

Wednesday, US Net International Investment Position: "The U.S. net international investment position decreased to −$8,638.5 billion (preliminary) at the end of the second quarter of 2018 from −$7,747.3 billion (revised) at the end of the first quarter. . . . The $891.2 billion decrease reflected a $587.8 billion decrease in U.S. assets and a $303.4 billion increase in U.S. liabilities."

Thursday, Gross Domestic Product: "Real gross domestic product (GDP) increased at an annual rate of 4.2 percent in the second quarter of 2018. . . . In the first quarter, real GDP increased 2.2 percent. . . . Profits from current production increased $65.0 billion in the second quarter, compared with an increase of $26.7 billion in the first quarter."

Friday, Personal Income: "Personal income increased $60.3 billion (0.3 percent) in August. . . . Disposable personal income (DPI) increased $51.4 billion (0.3 percent) and personal consumption expenditures (PCE) increased $46.4 billion (0.3 percent)."

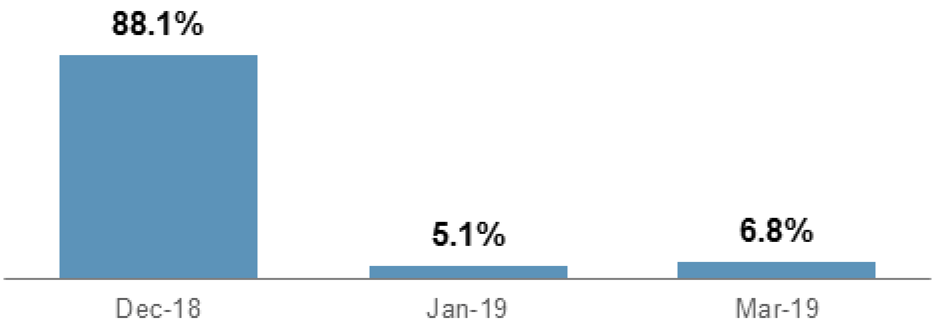
Department of Labor

Thursday, Initial Claims: "In the week ending September 22, the advance figure for seasonally adjusted initial claims was 214,000, an increase of 12,000 from the previous week's revised level." Initial claims decreased from 1,934 to 1,735 in Tennessee.

Federal Reserve

Monday, National Activity Index: The index "was unchanged at +0.18 in August." Positive values are associated with above average economic expansion compared with historical trends.

Wednesday, FOMC statement: "Information received since the Federal Open Market Committee met in August indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. . . . In view of realized and expected labor market conditions and inflation, the Committee" increased its target for the federal funds rate from 2 percent to 2.25 percent. Most economists expect the next rate increase will be in December:



Source: http://projects.wsj.com/econforecast/#qa=20180901001

Wednesday, Economic Projections: Growth in real GDP is expected to slow from 3.1 percent in 2018 to 1.8 percent in 2021. Unemployment and inflation are projected to remain steady at around 3.7 percent and 2.1 percent.

S&P CoreLogic

Tuesday, Home Price Index: The index "reported a 6.0% annual gain in July, down from 6.2% in the previous month. The 10-City Composite annual increase came in at 5.5%, down from 6.0% in the previous month. The 20-City Composite posted a 5.9% year-over-year gain, down from 6.4% in the previous month."

Federal Housing Finance Agency

Tuesday, House Price Index: "U.S. house prices rose in July, up 0.2 percent from the previous month. . . . The previously reported 0.2 percent increase in June was revised upward to 0.3 percent."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications increased 2.9 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 its highest level since April 2011, 4.97 percent from 4.88 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 4.38 percent from 4.30 percent."

The Conference Board

Tuesday, Consumer Confidence: The index "increased in September, following a large improvement in August. The Index now stands at 138.4 (1985=100), up from 134.7 in August. The Present Situation Index improved marginally from 172.8 to 173.1, while the Expectations Index surged from 109.3 last month to 115.3 this month."

University of Michigan

Friday, Consumer Sentiment: "Consumer sentiment remained at very favorable levels in September, with the Index topping 100.0 for only the third time since January 2004. . . . Consumers anticipated continued growth in the economy and expected the unemployment rate to continue to slowly decline during the year ahead. . . . The pace of growth in real personal consumption expenditures can be expected to average 2.6% during late 2018 and into the first half of 2019."