

Economic Update, January 22, 2016

Submitted by Reuben Kyle

Summary: Lots of ups and downs in the economic news, along with the financial markets. Some declines in building construction but sharp increases in existing home sales. Initial claims rose, while the Leading Economic Index fell. Early returns on January manufacturing are positive and consumer confidence holds up in the face of volatile stock market. So, pick your own outlook for the week.

Census Bureau

Wednesday, [New Residential Construction](#): In December 2015, building permits issued fell 3.9% from the previous month but permits for single family houses were up 1.8%. Housing starts were also down, by 2.5%, from November and starts for single-family houses were also lower by 3.3%. Housing completions rose 5.6% from November and single-family completions were up 8.8%. "An estimated 965,700 housing units were completed in 2015. This is 9.3% ($\pm 3.8\%$) above the 2014 figure of 883,800."

Bureau of Labor Statistics

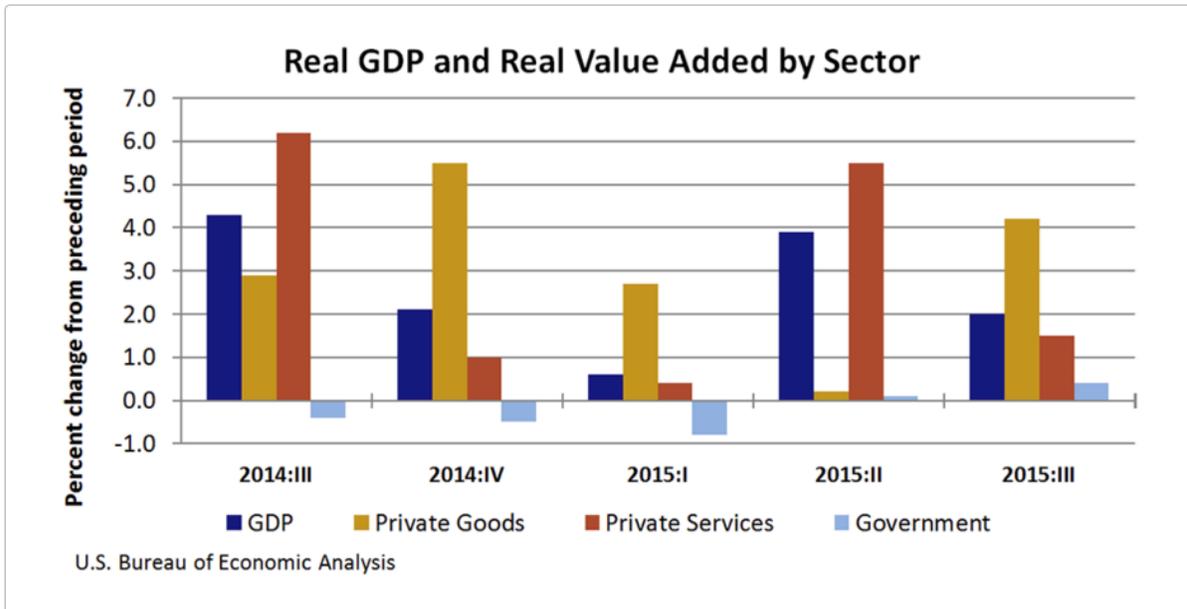
Wednesday, [Consumer Price Index](#) (CPI): The December 2015 CPI fell 0.1% and for the calendar year 2015 the index was up 0.7%. For the month, food and energy were both down. Food was 0.2% lower than in November, and energy was 2.4% lower lead by gasoline, which declined 9.0%. Excluding food and energy, the index increased 0.1% for the month and 2.1% for the year. Over the year, the areas pushing the index up were Shelter (3.2%), Medical Care Services (2.9%), and Transportation Services (2.6%).

Wednesday, [Real Earnings](#): Even though there was no change in average hourly earnings in December 2015, the decline of 0.1% in the CPI resulted in a 0.1% increase in real average earnings. In the case of Production and Nonsupervisory Workers, real average hourly earnings increased 0.3% for the month. From December 2014 to December 2015, real average hourly earnings increased 1.8%, and for Production and Nonsupervisory Workers, they increased 2.1%. This seeming paradox of flat average-earnings and higher real-earnings is not without parallel in US economic history. In the last quarter of the 19th century, there was a similar period. That period was also one of great economic change and political turmoil. For a brief time in Tennessee, as well as a number of other states, the anxiety over falling farm prices lead to the rise of the Farmers' Alliance as a political force. The Alliance was able to elect a governor and a majority of the legislature. But they held sway for only one two-year term.

Friday, [Usual Weekly Earnings of Wage and Salary Workers](#): In the 4th quarter of 2015, median weekly earnings were \$825 for the 109.9 million full-time wage-and-salary workers in the US. That breaks down to \$729 for women and \$907 for men, and the median for all was up 3.3% from Q4 2014. "The women's-to-men's earnings ratio varied by race and ethnicity. White women earned 80.0% as much as their male counterparts compared with 92.1% for black women, 80.1% for Asian women, and 83.9% for Hispanic women." The numbers by education level are also interesting. "By educational attainment, full-time workers age 25 and over without a high school diploma had median weekly earnings of \$502 compared with \$690 for high school graduates (no college) and \$1,245 for those holding at least a bachelor's degree. Among college graduates with advanced degrees (professional or master's degree and above), the highest earning 10% of male workers made \$3,878 or more per week compared with \$2,486 or more for their female counterparts."

Bureau of Economic Analysis

Thursday, [Gross Domestic Product by Industry](#): The chart below shows GDP by sector for the period Q3 2014 through Q3 2015. For the first time in quite a while, government added to GDP rather than subtracting from it.



U.S Department of Labor

Thursday, [Initial Claims](#): For week ending January 16, 2016, initial claims for unemployment insurance increased by 10,000 to 293,000, and the four-week moving average was up by 6,500 to 285,000. Twenty-four states including Tennessee plus Puerto Rico reported increases of 1,000 or more new claims, and three states reported decreases of 1,000 or more. Tennessee reported an increase of 5,751 with no comment provided.

The Conference Board

Friday, [Leading Economic Indicators](#) (LEI): In December 2015, the LEI dropped 0.2% to 123.7 (2010 = 100). The Coincident Economic Index increased 0.1% to 113.0 (2010=100). "The US LEI fell slightly in December, led by a drop in housing permits and weak new orders in manufacturing," said Ataman Ozyildirim, director of business cycles and growth research at The Conference Board. "However, the index continues to suggest moderate growth in the near term despite the economy losing some momentum at the end of 2015. While the LEI's growth rate has been on the decline, it's too early to interpret this as a substantial rise in the risk of recession."

National Association of Home Builders

Tuesday, [Housing Market Index](#): The January 2016 index was unchanged from December at 60. "January's HMI reading is right in line with our forecast of modest growth for housing," said NAHB Chief Economist David Crowe. "The economic outlook remains promising as consumers regain confidence and home values increase, which will help the housing market move forward."

National Association of Realtors

Friday, [Existing Home Sales](#): In December 2015, the seasonally adjusted, annual existing home sales rate was 5.46 million, up 14.7% from the 4.76 million in November. Compared with December 2014 sales are up 7.7%. The median sales price for all types of housing was \$224,100, which is 7.6% higher than in December 2014. According the Lawrence Yun, chief NAR economist, sales in 2016 will “struggle” to match the increase of 2015. “In addition to insufficient supply levels, the overall pace of sales this year will be constricted by tepid economic expansion, rising mortgage rates and decreasing demand for buying in oil-producing metro areas.”

Markit Economics

Friday, [Purchasing Managers’ Index \(PMI\) Manufacturing Index Flash](#): The preliminary January 2016 index is 52.7, up from 51.2 in December. Chris Williamson, chief Markit economist, said, “The US manufacturing sector found a new lease on life at the start of the year with growth of factory output and orders both picking up after the slowdown seen late last year.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): This week the index was 44.0, down from 44.9 the previous week. “Public optimism for the economy’s future jumped to its highest in 11 months in the latest Bloomberg consumer survey, capping a year-end recovery in views of current economic conditions—but with a threat of winter headwinds.”