Economic Update, December 1, 2017
Submitted by Michael Mount

Summary: The news remained good this week; however, international trade and inventories numbers suggest a slowdown in economic growth for the next few months. Confidence is up, but that might just be the (Thanksgiving) turkey talking.

Census Bureau

Monday, New Residential Sales: Sales of new single-family houses in October 2017 were at a seasonally adjusted annual rate of 685,000. This is 6.2 percent above the revised September rate of 645,000 and is 18.7 percent above the October 2016 estimate of 577,000. The median sales price of new houses sold in October 2017 was $312,800. The average sales price was $400,200. The seasonally-adjusted estimate of new houses for sale at the end of October was 282,000. This represents a supply of 4.9 months at the current sales rate.

Tuesday, Economic Indicators Report: The international trade deficit was $68.3 billion in October, up $4.2 billion from $64.1 billion in September. Wholesale inventories for October, adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of $605.7 billion, down 0.4 percent from September 2017, and were up 4.0 percent from October 2016. Retail inventories for October were estimated at an end-of-month level of $618.0 billion, down 0.1 percent from September 2017, and were up 2.6 percent from October 2016.

U.S. Department of Labor

Thursday, Initial Claims: In the week ending November 25, the advance figure for seasonally adjusted initial claims was 238,000, a decrease of 2,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 239,000 to 240,000. The 4-week moving average was 242,250, an increase of 2,250 from the previous week's revised average. The previous week's average was revised up by 250 from 239,750 to 240,000.

Standard & Poor's

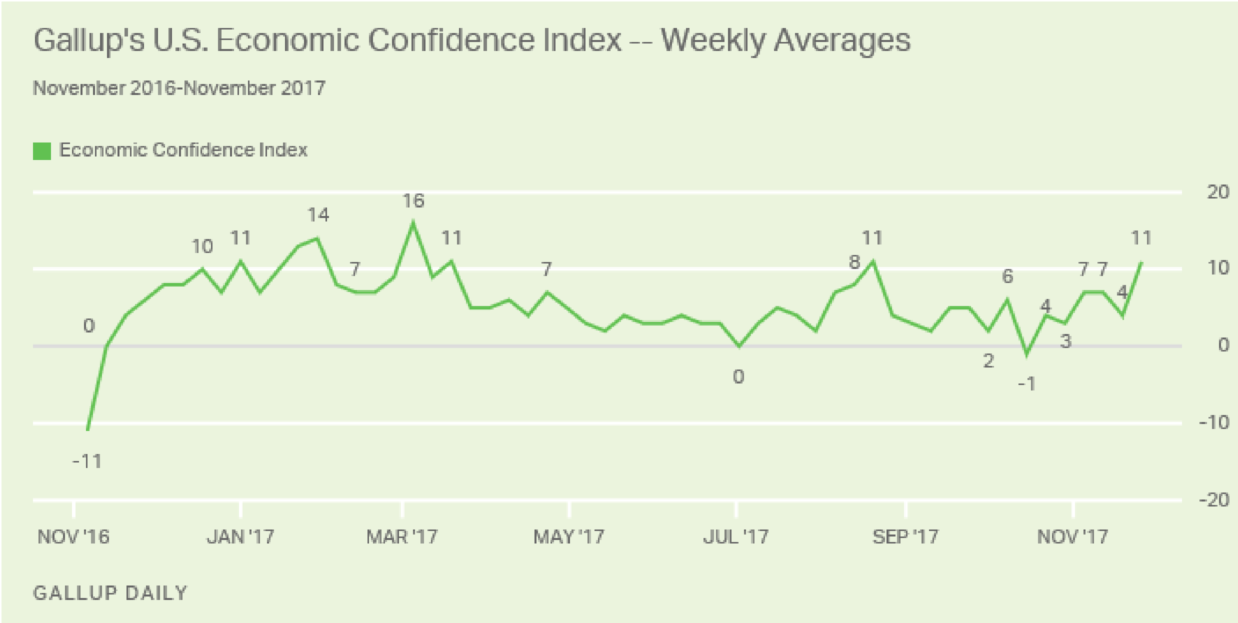
Tuesday, Corelogic Case-Shiller House Price Index: The index reported a 6.2 percent annual gain in September, up from 5.9 percent in the previous month. The 10-City Composite annual increase came in at 5.7 percent, up from 5.2 percent the previous month. The 20-City Composite posted a 6.2 percent year-over-year gain, up from 5.8 percent the previous month.

Federal Housing Finance Agency (FHFA)

Tuesday, FHFA House Price Index: U.S. house prices rose 1.4 percent in the third quarter of 2017. House prices rose 6.5 percent from the third quarter of 2016 to the third quarter of 2017. The index for September was up 0.3 percent from August. "With relatively favorable economic conditions and a continued shortage of housing supply, price increases in the third quarter were generally robust and widespread," said Andrew Leventis, Deputy Chief Economist. "At some point, declining housing affordability should temper appreciation rates in some of the nation's fastest appreciating markets, but our third quarter results show few signs of that."

Gallup.com

Tuesday, U.S. Economic Confidence Index: Americans' confidence in the economy spiked last week, with the index averaging +11 for the week ending Nov. 26—an increase of seven points from the previous reading of +4. Part of the gain may have been related to Thanksgiving glee, as Gallup typically sees a slight uptick in economic confidence on the holiday, but last week's gain was more than twice as large as the average.



The Conference Board

Tuesday, Consumer Confidence Index: The index, which had improved in October, increased further in November. The Index now stands at 129.5 (1985=100), up from 126.2 in October. The Present Situation Index increased from 152.0 to 153.9, while the Expectations Index rose from 109.0 last month to 113.3. "Consumer confidence increased for a fifth consecutive month and remains at a 17-year high (Nov. 2000, 132.6)," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved moderately, while their expectations regarding the short-term outlook improved more so, driven primarily by optimism of further improvements in the labor market. Consumers are entering the holiday season in very high spirits and foresee the economy expanding at a healthy pace into the early months of 2018."

Mortgage Bankers Association

Wednesday, Mortgage Applications: Mortgage loan applications decreased 3.1 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 34 percent compared with the previous week. The Refinance Index decreased 8 percent from the previous week to its lowest level since January 2017. The seasonally adjusted Purchase Index increased 2 percent from one week earlier to its highest level since September 2017. The unadjusted Purchase Index decreased 32 percent compared with the previous week and was 6 percent higher than the same week one year ago.

Bureau of Economic Analysis

Wednesday, Gross Domestic Product (GDP): The increase in real GDP in the third quarter reflected positive contributions from PCE, private inventory investment, nonresidential fixed investment, and exports that were partly offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased. The acceleration in real GDP in the third quarter reflected an acceleration in private inventory investment, a downturn in imports, and smaller decreases in state and local government spending and in residential fixed investment that were partly offset by decelerations in PCE, in nonresidential fixed investment, and in exports.

Wednesday, [Corporate Profits](): Profits from current production increased $91.6 billion in the third quarter, compared with an increase of $14.4 billion in the second quarter. Profits of domestic financial corporations increased $60.6 billion in the third quarter, in contrast to a decrease of $33.8 billion in the second quarter. Profits of domestic nonfinancial corporations increased $12.5 billion, compared with an increase of $59.1 billion. Rest-of-the-world profits increased $18.6 billion, in contrast to a decrease of $10.8 billion. In the third quarter, receipts increased $23.1 billion, and payments increased $4.6 billion.

Thursday, Personal Income and Outlays: Personal income increased $65.1 billion (0.4 percent) in October. Disposable personal income (DPI) increased $66.1 billion (0.5 percent) and personal consumption expenditures (PCE) increased $34.4 billion (0.3 percent).

Federal Reserve

Tuesday, Minutes: Overall, Federal Reserve Bank directors noted that economic activity continued to expand at a solid pace. Several directors reported continued strength in residential real estate activity and growth in spending on commercial construction projects. Many directors had also observed continued expansion in the manufacturing sector and noted planned production increases. While disruptions continued for residents of areas affected by recent hurricanes, directors generally did not expect these disruptions to have a lasting impact on economic growth at the national level. Most directors reported continued labor-market tightening, and several directors noted that hiring remained difficult for certain higher-skill occupations. Some directors reported wage increases in certain sectors, but wage pressures varied across sectors and Districts. While readings of core inflation had softened recently, these declines were viewed as transitory by some directors.

Institute for Supply Management (ISM)

Friday, Manufacturing Index: Economic activity in the manufacturing sector expanded in November, and the overall economy grew for the 102nd consecutive month. The index decreased from 58.7% in October to 58.2% (readings greater than 50% indicate economic expansion).

"Continuing to see more orders for the next six to 12 months." (Chemical Products)

"Strong sales through third and now fourth quarters. Backlog increasing, and capacity at suppliers tightening." (Machinery)

"Business has leveled out but remains strong heading into the end of the year." (Computer & Electronic Products)

"We are just coming off a record sales year. We expect to continue in 2018 robust activity." (Miscellaneous Manufacturing)

"We are seeing steady, consistent demand for end of year. We usually see a slowdown, which we haven't seen yet." (Fabricated Metal Products)

"Overall industry demand remains strong. Continue to have a healthy backlog of orders. Local economy is also strong, with a fairly tight labor market." (Transportation Equipment)

"Business is strong. Employment is tight. Supplier deliveries have lengthened. A few suppliers are still blaming Hurricane Harvey for the lead times." (Food, Beverage & Tobacco Products)

"Strong season demand for products and continued requirements for uptime." (Nonmetallic Mineral Products)

"Currently, we have not experienced the typical seasonal slowdown toward the end of Q4. Could be that there is a lot of optimism in the American economy." (Plastics & Rubber Products)

IHS Markit Economics

Last Friday, Friday, Purchasing Managers' Index (PMI) Composite Flash: November data pointed to another solid increase in U.S. private sector output, supported by sustained growth in both manufacturing and services activity. At 54.6, the index was above the 50.0 no-change threshold, but it eased from 55.2 in October. As a result, the latest reading signaled the slowest expansion of private sector output since July.

Bureau of Labor Statistics

Wednesday, Occupational Requirements in the U.S.: About thirty percent of workers had jobs that required between 4 hours to 1 month of preparation time to successfully perform a job. Occupations with this short preparation time requirement include 89.0 percent of fast food cooks and 77.0 percent of amusement and recreation attendants. Occupations with a high percentage of jobs that required preparation time of over 10 years include architectural and engineering managers (57.1 percent) and chief executives (56.9 percent). Occupations with a high percentage of jobs that required 4 to 10 years of preparation time are nurse practitioners (85.8 percent), lawyers (76.2 percent), and electricians (49.6 percent), while those occupations that typically required 2 to 4 years are elementary school teachers (59.9 percent), industrial machinery mechanics (48.0 percent), and food service managers (39.3 percent).

Thursday, Metropolitan Area Employment and Unemployment: Unemployment rates were lower in October than a year earlier in 341 of the 388 metropolitan areas, higher in 33 areas, and unchanged in 14 areas. Seventy-four areas had jobless rates of less than 3.0 percent and two areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 307 metropolitan areas, decreased in 74 areas, and was unchanged in 7 areas. The national unemployment rate in October was 3.9 percent, not seasonally adjusted, down from 4.7 percent a year earlier.