

Economic Update, March 16, 2018
Submitted by Michael Mount

Summary: Unemployment remains low (especially in the Nashville area), but real earnings (nationally) have not increased lately. I added a chart to the end that puts the increasing 10-Year Treasury yield in long-term perspective.

Census

Wednesday, [Sales for Retail and Food Services](#): Monthly sales of retail and food services were \$492.0 billion in February 2018, a decrease of 0.1 percent from January 2018 but 4.0 percent greater than February 2017.

Wednesday, [Manufacturing and Trade Inventories and Sales](#): Monthly manufacturing and trade inventories were \$1,917.0 billion for January 2018, an increase of 0.6 percent from December 2017 and 3.7 percent from January 2017. Sales were \$1,426.0 billion, down 0.2 percent from December 2017 but up 5.7 percent from January 2017.

Friday, [New Residential Construction](#): For February 2018, authorized building permits for new residential construction were at an annualized rate 1,298,000, a 5.7 percent decrease from January 2018 but 6.5 percent more than February 2017. Housing starts decreased 7.0 percent from January 2018 to an annualized rate of 1,236,000 in February 2018, and housing completions increased 7.8 percent.

Bureau of Labor Statistics

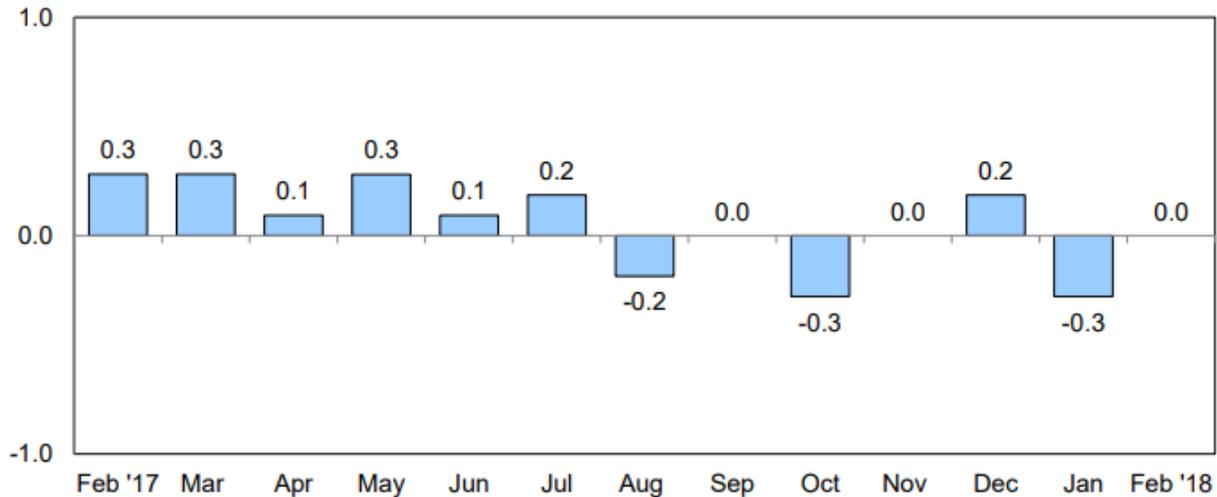
Monday, [State Employment and Unemployment](#): “The national unemployment rate was unchanged from December at 4.1 percent but was 0.7 percentage point lower than in January 2017. . . . Sixteen states had unemployment rate changes from January 2017, all of which were decreases. The largest decline occurred in Alabama (-1.8 percentage points), followed by Louisiana and Tennessee (-1.2 points each).” Tennessee’s unemployment rate decreased from 4.5 percent in January 2017 to 3.3 percent in January 2018.

Tuesday, [Consumer Price Index](#): “Over the last 12 months, the all items index rose 2.2 percent before seasonal adjustment.” From January 2018 to February 2018, shelter, apparel, motor vehicle insurance, and food away from home contributed to the increase. Prices of food at home decreased.

Tuesday, [Real Earnings](#): Increases in wages have failed to keep up with price increases since August of 2017 (see chart below). “Real average hourly earnings for all employees were unchanged from January to February, seasonally adjusted. . . . This result stems from a 0.1-percent increase in average hourly earnings offset by a 0.2-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U).”

Chart 1: Over-the-month percentage change in real average hourly earnings for all employees, seasonally adjusted, February 2017 – February 2018

Percent Change



Wednesday, [Producer Price Index](#): “On an unadjusted basis, the final demand index increased 2.8 percent for the 12 months ended in February. In February, the rise in final demand prices is attributable to a 0.3-percent advance in the index for final demand services. In contrast, prices for final demand goods edged down 0.1 percent.”

Thursday, [U.S. Import and Export Prices](#): “U.S. import prices increased 0.4 percent in February . . . after rising 0.8 percent in January. In February, higher nonfuel prices more than offset declining prices for imported fuel. Prices for U.S. exports rose 0.2 percent in February following a 0.8-percent advance the previous month.”

Friday, [Job Openings and Labor Turnover Survey](#): “The number of job openings increased to 6.3 million on the last business day of January. . . . Over the month, hires and separations were little changed at 5.6 million and 5.4 million, respectively. Within separations, the quits rate and the layoffs and discharges rate were little changed at 2.2 percent and 1.2 percent, respectively.”

Friday, [Metropolitan Area Employment and Unemployment](#): “The national unemployment rate in January was 4.5 percent, not seasonally adjusted, down from 5.1 percent a year earlier. . . . Of the 51 metropolitan areas with a 2010 Census population of 1 million or more, Nashville-Davidson—Murfreesboro—Franklin, TN, had the lowest unemployment rate in January, 2.8 percent.” The other metropolitan areas in the state range from 3.5 percent (Knoxville) to 4.4 percent (Morristown).

Department of Labor

Thursday, [Initial Claims](#): “In the week ending March 10, the advance figure for seasonally adjusted initial claims was 226,000, a decrease of 4,000 from the previous week's revised level. The previous week's level was revised down by 1,000 from 231,000 to 230,000. The 4-week moving average was 221,500, a decrease of 750 from the previous week's revised average. The previous week's average was revised down by 250 from 222,500 to 222,250.”

NFIB

Tuesday, [Small Business Optimism Index](#): The index increased to 107.6 in February 2018 from 106.9 in January 2018. Small business owners increased capital outlays and compensation. The small

business sector is “willing to invest more and hire more if workers can be found to fill their open positions.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 0.9 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 January 2014, 4.69 percent, from 4.65 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 4.07 percent from 4.11 percent.”

Bloomberg

Friday, [Consumer Comfort Index](#): “Consumer sentiment in March unexpectedly jumped to a 14-year high. . . . Current conditions gauge, which measures Americans’ perceptions of their finances, advanced to 122.8, highest in data back to 1946, from 114.9. Expectations measure decreased to 88.6 from 90.”

University of Michigan

Friday, [Survey of Consumers](#): “Importantly, near term inflation expectations jumped to their highest level in several years, and interest rates were expected to increase by the largest proportion since 2004. These trends have prompted consumers to more favorably cite buying as well as borrowing in advance of those expected increases. While income gains are still anticipated, the March survey found that the size of the expected income increase returned to the lows recorded in the past year.”

