

Economic Update, March 29, 2018
Submitted by Michael Mount

Summary: Indicators remained strong this week. The consumer surveys were mixed but remain strong. The national activity index not only remained positive, which is associated with above-average growth, but also increased. With inflation getting close to the Fed's target of 2 percent, the Philadelphia Fed Chief now expects a total of three interest rate increases this year, rather than his earlier prediction of two.

Census

Wednesday, Economic Indicators: The international trade goods deficit increased 0.1 percent from \$75.3 billion in January 2018 to \$75.4 billion in February. Wholesale inventories increased 1.1 percent from \$619.9 billion in January 2018 to \$626.7 billion in February. Retail inventories increased 0.4 percent from \$628.1 billion in January 2018 to \$628.1 billion in February.

Bureau of Economic Analysis

Wednesday, Gross Domestic Product: "Real gross domestic product (GDP) increased at an annual rate of 2.9 percent in the fourth quarter of 2017. . . . In the third quarter, real GDP increased 3.2 percent." Corporate profits decreased \$1.1 billion in the fourth quarter of 2017 after increasing \$90.2 billion in the third quarter. "The price index for gross domestic purchases increased 1.8 percent in 2017, compared with an increase of 1.0 percent in 2016."

Thursday, Personal Income and Outlays: "Personal income increased \$67.3 billion (0.4 percent) in February. . . . Personal outlays increased \$27.8 billion in February. Personal saving was \$497.4 billion in February and the personal saving rate, personal saving as a percentage of disposable personal income, was 3.4 percent."

Department of Labor

Thursday, Initial Claims: "In the week ending March 24, the advance figure for seasonally adjusted initial claims was 215,000, a decrease of 12,000 from the previous week's revised level. This is the lowest level for initial claims since January 27, 1973 when it was 214,000."

Federal Reserve

Monday, National Activity Index: "Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.88 in February from +0.02 in January." Values greater than zero are associated with above-average rates of economic growth.

The Conference Board

Tuesday, Consumer Confidence: The index "decreased in March, following an increase in February. The Index now stands at 127.7 (1985=100), down from 130.0 in February. The Present Situation Index decreased from 161.2 to 159.9, while the Expectations Index declined from 109.2 last month to 106.2 this month."

State Street

Tuesday, Investor Confidence: The index "increased to 111.9, up 4.8 points from February's revised reading of 107.1. Investors across all regions expressed an improved appetite for risk, with the North American ICI rising by 5.8 points to 109.8, the European ICI increasing by 1.6 points to 102.1, and the Asian ICI increasing by 1.3 points to 109.6."

Bloomberg

Thursday, [Consumer Comfort](#): The index was unchanged at 56.8. “For the past six weeks, the gauge of comfort has been within 0.8 point of its highest level since February 2001.”

University of Michigan

Thursday, [Consumer Sentiment](#): The index increased to 101.4 in March 2018 from 99.7 in February. “The consensus expectation among consumers is that interest rates will increase in the foreseeable future. . . . Overall, the data are consistent with a growth rate of 2.6% in consumption from mid-2018 to mid-2019.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 4.8 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 4.69 percent from 4.68 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 4.09 percent from 4.12 percent.”

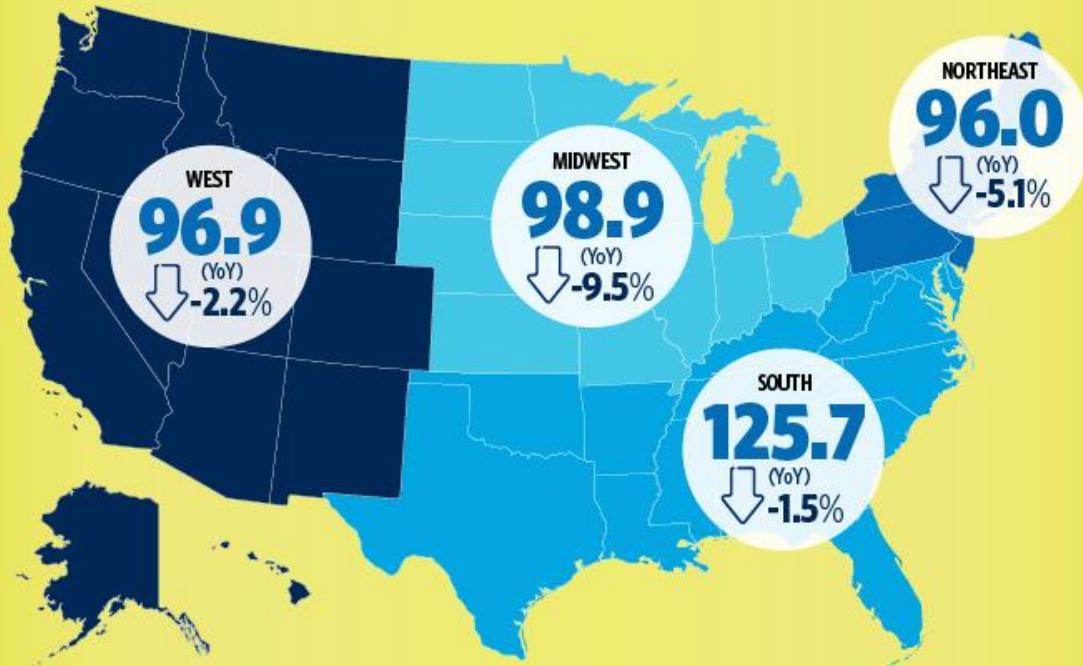
National Association of Realtors

Wednesday, [Pending Home Sales](#): There’s been a lot of home sales in the south (see infographic below). Nationwide, the index increased 3.1 percent from January to February 2018, but at 107.5, it is 4.1 percent less than February 2017. “Pending home sales snapped back in much of the country in February, but weakening affordability and not enough inventory on the market restricted overall activity compared to a year ago. . . . Lawrence Yun, NAR chief economist, says . . . ‘the expanding economy and healthy job market are generating sizeable homebuyer demand, but the minuscule number of listings on the market and its adverse effect on affordability are squeezing buyers and suppressing overall activity.’”

FEBRUARY HOUSING SNAPSHOT

PENDING HOME SALES

INDEX **107.5***  (YoY) **-4.1%**



*An index above 100 coincides with a historically high level of home sales activity.

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