

Economic Update, March 31, 2017  
Submitted by Reuben Kyle

Summary: The biggest economic news story of the week is the continuing high level of consumer confidence. This week we got three measures for the month of March and two of the three were at very high levels while the third had retreated only slightly from its recent high. The latest GDP growth rate for the 4<sup>th</sup> quarter of 2016 was 2.1%, up slightly from the earlier estimates of 1.9%. Housing market data looks strong, though the concern for limited housing inventory continues to be a problem.

Census Bureau

Tuesday, [Advance Economic Indicator Report \(International Trade, Retail and Wholesale Trade\)](#): In February 2017, the deficit in U.S. international trade in goods fell by \$4.1 billion as exports declined by \$0.1 billion but imports dropped by \$4.2 billion. Wholesale inventories increased by 0.4% from January and by 3.2% from February 2016. Retail inventories added 0.4% for the month and by 3.9% year-over-year.

Bureau of Labor Statistics

Thursday, [Multifactor Productivity Trends](#): In 2016, the multifactor productivity declined by 0.2% as an index of real output increased by 1.7% while an index of combined inputs of labor and capital increased by 1.9%. The table below shows productivity measures for periods beginning in 1987 through 2016.

Table A. Productivity, output, and inputs in the private nonfarm business and private business sectors for selected periods, 1987-2016

Compound annual growth rates

	1987- 2016	1987- 1990	1990- 1995	1995- 2000	2000- 2007	2007- 2016	2014- 2015	2015- 2016
Private nonfarm business <sup>1</sup>								
Productivity								
Multifactor Productivity <sup>2</sup>	0.9	0.6	0.5	1.4	1.4	0.4	0.6	-0.2
Labor productivity <sup>3</sup>	1.9	1.5	1.6	2.8	2.7	1.2	0.9	0.2
Output per unit of capital services	-0.4	-0.5	-0.4	-0.8	-0.4	-0.2	0.6	-0.6

Friday, [Occupational Employment and Wages](#): “The Occupational Employment Statistics (OES) program provides estimates for over 800 occupations in the nation, states, and nearly 600 metropolitan and nonmetropolitan areas. National data are available by industry for more than 430 industry classifications and by ownership across all industries, schools, and hospitals.” The report summary begins with information on “construction and extraction occupations,” healthcare, and production occupations among others. All had a wide range of jobs and pay scales. The largest occupations included retail salespersons, food preparers, and general office clerks. All of these occupations pay “below average wages” but registered nurses and general operations managers were also among the largest occupations and pay above average wages. “The public sector made up 15 percent of employment and had a different occupational mix from the private sector.” Lots of interesting information here.

## Bureau of Economic Analysis

Tuesday, [State Quarterly Personal Income](#): In calendar 2016, average state personal income—the sum of net earnings by place of residence, property income, and personal current transfer receipts—“increased by 3.6% from 2015. Growth rates ranged from a -1.7% in Wyoming to 5.9% in Nevada and in Tennessee the rate was 3.9%. Per capita personal income in the U.S. was \$48,571 while in Tennessee it was \$43,380, ranking 37<sup>th</sup> among the states and 88% of the national figure.

Thursday, [Gross Domestic Product, 4<sup>th</sup> Quarter and Annual 2016](#): In the 4th quarter of 2016, U.S. Gross Domestic Product (GDP) increased, at an annual rate of 2.1%, an upward revision from the 1.9% reported in the “second” estimate. The revision was due to increased personal consumption expenditures from the earlier estimates. For the year of 2016, real GDP grew by 1.6% compared with the 2.6% rate in 2015. “The deceleration in real GDP from 2015 to 2016 reflected downturns in private inventory investment and in nonresidential fixed investment and decelerations in PCE, in residential fixed investment, and in state and local government spending that were partly offset by a deceleration in imports and accelerations in federal government spending and in exports. “

Friday, [Personal Income and Outlays, February 2017](#): Personal Income, real Disposable Personal Income (DPI), and Personal Consumption Expenditures (PCE) all increased in the month of February. Current dollar Personal Income increased by 0.4%, Disposable Personal Income was up by 0.3%, while real DPI rose by 0.2%, and current dollar Personal Consumption Expenditures was up by 0.1%. The Personal Consumption Expenditure Price Index—the Fed’s preferred measure of inflation—increased by 2.1%, from February 2016. That measure was the first time this inflation measure exceeded the Fed target in “nearly five years,” according to the Wall Street Journal>

## U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending March 25, 2017 fell by 3,000 to 258,000 while the four-week moving average rose by 7,750 to 254,250. The four-week moving average of the number of unemployed persons was 2,030,750, the lowest level since June 24, 2000. In the week ending March 18, four states reported increases of 1,000 or more initial claims and two states reported decreases of 1,000 or more. Tennessee reported an increase of 393 new claims.

## The Conference Board

Tuesday, [Consumer Confidence Index](#): In March 2017, this index is 125.6 (1985=100) compared with 116.1 in February. Lynn Franco, Director of Economic Indicators at The Conference Board stated: “Consumer confidence increased sharply in March to its highest level since December 2000 (Index, 128.6),...Consumers’ assessment of current business and labor market conditions improved considerably. Consumers also expressed much greater optimism regarding the short-term outlook for business, jobs and personal income prospects. Thus, consumers feel current economic conditions have improved over the recent period, and their renewed optimism suggests the possibility of some upside to the prospects for economic growth in the coming months.”

## Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 49.7 down from 51.3 the previous week.

## University of Michigan

Friday, [Consumer Sentiment Index](#): The final index for March 2017 was 96.9 up from 96.3 in February. “The continued strength in consumer sentiment has been due to optimistic views on three critical components: higher incomes and wealth, more favorable job prospects, and low inflation expectations.”

National Association of Realtors

Wednesday, [Pending Home Sales](#): In February 2017, the Pending Home Sales Index jumped 5.5% to 112.3 from 106.4 in January. "Last month's index reading is 2.6 percent above a year ago, is the highest since last April (113.6) and the second highest since May 2006 (112.5)." Lawrence Yun, Chief NAR Economist, observed: ""The country's healthy labor market is translating to greater job security, but affordability is not improving because home prices in some areas are still outpacing incomes by three times or more because of tight supply. How much new and existing inventory there is on the market this spring will determine if sales can reach their full potential and finally start reversing the nation's low homeownership rate."

Standard & Poor's

Tuesday, [S&P CoreLogic Case-Shiller House Price Index](#): In January 2017, the National Home Price Index increased by an annual rate of 5.9%, up from 5.7% in December. This latest rate was the highest in 31 months. Month-over-month the index was up by 0.2%. David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices is quoted: ""Housing and home prices continue on a generally positive upward trend,...The recent action by the Federal Reserve raising the target for the Fed funds rate by a quarter percentage point is expected to add less than a quarter percentage point to mortgage rates in the near future. Given the market's current strength and the economy, the small increase in interest rates isn't expected to dampen home buying. If we see three or four additional increases this year, rising mortgage rates could become concern." The graph below shows the three—10-city, 20-city, and national home price indices—monthly year-over-year percentage changes since 1988.

