

Economic Update, April 1, 2016

Submitted by Reuben Kyle

Summary: There is no April Fool today! On the first Friday in April, the big economic news is the BLS jobs report of 215,000 increase in employment in March. The unemployment rate ticked up a tenth of a percent, but that was due to a large increase in the labor force. There was other good news too in the ISM manufacturing index, which increased for the first time in six months. And the rest of the economic news was largely positive.

Dr. Ratajczak's [Weekly Commentary](#)

Monday: This week's lesson concerns the relationship between profits and "their ability to predict recessions." Last week we got the report that corporate profits fell in the 4th quarter of 2015, and that might be a predictor that the economy would contract. (Lower profits means less corporate investment = recession.) But Dr. R says that the drop in profit was due to two isolated situations: an unusual increase in "business transfers," which he says he can't explain but was likely a one-time phenomenon, and the substantial decline in profits in the oil industry. He doesn't believe that those two factors will recur and thus doesn't anticipate a recession. He dissects the prospects for GDP growth and gives his current forecast of 1.5% for the first quarter of 2016. He is sticking with his forecast of 193,000 jobs in this week's jobs report though he says that initial claims are consistent with 200,000. Still no sign of inflation in his view.

Census Bureau

Monday, [An Aging World](#): This short article presents some interesting factoids plus a map illustrating world human aging from 2015 to 2050. Currently, the US population aged 65 and older constitutes 14.9% of the population, and that will rise to 22.1% in 2050. Japan has the largest share of people 65 and older and will continue to do so in 2050.

Friday, [Construction Spending](#): Construction spending on an annual, season-adjusted basis in February 2016 was \$1,144 billion, 0.5% below the previous month but 10.3% higher than a year earlier. Private construction was down 0.1% from January and public construction was 1.7% below January's. Both education and highway construction spending were lower than in the prior month.

Bureau of Labor Statistics

Wednesday, [Occupational Employment and Wages](#): This report is from May 2015 but has a lot of information on many occupations that is certainly still current. The headline concerns health occupations, which employed 12 million people or about 9% of total national employment when this research was done. More than 2.7 million of those are nurses. Health care workers also are among the highest paid, including some physicians and dentists but also nurse anesthetists, podiatrists, and pharmacists. Of course, there are some low paid health-care workers, as well, including home health aides. There is simply too much here to do justice in a brief summary.

Friday, [Employment Situation](#): In March 2016, non-farm employment increased by 215,000, while the unemployment rate was basically unchanged at 5.0%. From the Household Survey, there was a big jump, 396,000, in the labor force, and the labor force participation rate increased 0.1% to 63.0%. Unemployment rates inched up slightly in every demographic group; that is no surprise as many people entered the labor force during the month. One measure of that influence is the drop in the number of people identified as "discouraged," which fell from 738,000 in March 2015 to 585,000. From the Establishment Survey, private employment increased by 195,000, and government employment went up

by 20,000. Construction added 37,000 jobs, but manufacturing lost 29,000 with motor vehicles and parts dropping 1,500. Retail employment increased by 47,700, and health care and social services added 44,000. Average weekly hours worked was unchanged at 34.4. The total private diffusion index was 58.4%, though the manufacturing diffusion index was 37.3% indicating the loss in employment noted above.

ADP.com

Wednesday, [Employment Report](#): Private-sector employment increased by 200,000 in March 2016 with construction adding 17,000 new jobs, manufacturing gaining 3,000, and trade/transportation/utilities employment increasing by 42,000.

Gallup.com

Thursday, [Good Jobs Rate](#): This measure was 44.4% in March 2016. "This is down nominally from the February rate (44.6%) but higher than the rate in any March since Gallup began measuring it in 2010. The current rate is 0.3 percentage points higher than in March 2015, suggesting an underlying increase in full-time work beyond seasonal changes in employment."

Bureau of Economic Analysis

Monday, [Personal Income and Outlays](#): Personal income and disposable personal income (DPI) both increased 0.2% in February 2016. Personal consumption expenditures increased 0.1% for the month, while inflation-adjusted disposable personal income increased 0.3%, and real personal consumption expenditures increased 0.2%. For all of 2015, personal income increased 4.4%, DPI increased 3.7%, and personal consumption expenditures increased 3.4%. Adjusted for inflation, DPI increased 3.4%, and personal consumption expenditures increased 3.1%.

US Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending March 26, 2016, rose by 11,000 to 276,000, and the four-week moving average increased by 3,500 to 263,250. In the previous week, ending March 19, no state reported an increase of 1,000 or more initial claims while three states reported decreases of 1,000 or more; Tennessee reported an increase of 144 new claims.

Autodata.com

Friday, Motor Vehicle Sales: Sorry, I can't wait for the full report today but will send it next week. The [headlines](#) are very strong for March 2016. "Ford, Nissan, and Fiat Chrysler each reported big US sales gains in March as the auto industry appeared to be headed for its best month in more than a decade. . . . Even General Motors, which has been cutting back on sales to rental car companies, saw a slight sales increase and said its retail sales to individual buyers rose 6%. . . . Nissan sales were up 13%, hitting a record for any month in its history. At Fiat Chrysler and Ford, sales were up 8%, while they grew 0.9% at General Motors." We will know more when the complete data are available to us peons, but the big jump for Nissan is likely to be mainly in trucks, which are no longer assembled in Smyrna. The *Times* article cites a forecast for 17.9 million vehicles sold in 2016, up 1.5% from a record 17.5 million in 2015.

The Wall Street Journal

Tuesday, [Economic Forecasting Survey](#): In the March 2016 survey, 78 economic forecasters were queried, and 61 responded to 47 measures of economic activity. The average forecast for the 1st quarter 2016 GDP growth rate was 2.1% and 2.3% for all of 2016. Growth in consumer prices, as measured by the CPI, is forecast to be 1.1% in June 2016 and 1.8% by December 2016. Oil prices are forecast to be \$37.27 by June of this year and \$42.61 by the end of the year. The unemployment rate is forecast to edge down to 4.8% in June and 4.6% in December 2016. Seventy-six percent of the respondents predict that the next increase in the fed funds rate will be in June of this year to reach .92% by the end of the year. The average forecast for that rate is not above two percent—probably still below “normal”—until June 2018. Housing prices are forecast to moderate in the coming year but continue to increase faster than the rate of inflation. Housing starts are forecast to be 1.34 million by the beginning of 2017, and that compares with 1.1 million in 2015. Asked to predict the probability of a recession in the next 12 months, 20% of respondents indicated one would occur. That probability is down slightly from the 21% in the last survey.

National Association of Realtors

Monday, [Pending Home Sales](#): In February 2016, this index increased 3.5% to 109.1 from 105.4 in January and 108.3 in February 2015. Lawrence Yun “NAR chief economist, says pending sales made promising strides in February, rising to the highest index reading since last July (109.8). ‘After some volatility this winter, the latest data is encouraging in that a decent number of buyers signed contracts last month, lured by mortgage rates dipping to their lowest levels in nearly a year and a modest, seasonal uptick in inventory.’”

Standard & Poor's

Tuesday, [S&P/Case-Shiller House Price Index](#): In January 2016, the Case-Shiller House Price Index rose, year over year, by 5.4% nationally. “After seasonal adjustment, the National Index, the 10-City Composite, and the 20-City Composite rose 0.5%, 0.8%, and 0.7%, respectively, from the prior month. . . . Before seasonal adjustment, . . . all remained unchanged in January.” “Home prices continue to climb at more than twice the rate of inflation,” says David M. Blitzer, managing director and chairman of the index committee at S&P Dow Jones Indices. “The low inventory of homes for sale—currently about a five month supply—means that would-be sellers seeking to trade up are having a hard time finding a new, larger home.”

Institute for Supply Management

Friday, [Report on Business March 2016 Manufacturing Index](#): In March 2016, the index rose from 49.5% to 51.8%, the first increase in six months. Eighteen industry sectors are surveyed, and 12 reported expanding in March, while five reported contracting. Below are a few comments from respondents.

- "Unemployment rate is low in our county, making it hard to find workers. We are understaffed and running lots of overtime." (Plastics & Rubber Products)
- "Business in telecom is booming. Fiber plant is at capacity." (Chemical Products)
- "Current trends remain steady. No issues with delivery or costs." (Computer & Electronic Products)
- "Capital equipment sales are steady." (Fabricated Metal Products)

- "Requests for proposals for new equipment [are] very strong." (Machinery)
- "Government is spending again. Have received delivery orders." (Transportation Equipment)

Markit Economics

Friday, [Purchasing Managers' Index \(PMI\) Manufacturing Index](#): This index was 51.5 in March 2016 compared with 51.3 in February and 51.4 in the "Flash" released recently. Tim Moore, senior Markit economist, offered the following comment. "March's survey highlights sustained weakness across the US manufacturing sector, meaning that overall growth through the first quarter slowed to its lowest since late-2012. Subdued client spending patterns within the energy sector, ongoing pressure from the strong dollar, and general uncertainty about the business outlook were cited as factors weighing on new order flows in March."

The Conference Board

Tuesday, [Consumer Confidence Index](#): In March 2016, this index measured 96.2 up from 94.0 the previous month (1985=100). Lynn Franco, director of economic indicators at The Conference Board, said, "Consumer confidence increased in March, after declining in February. . . . Consumers' assessment of current conditions posted a moderate decline, while expectations regarding the short term turned more favorable as last month's turmoil in the financial markets appears to have abated. On balance, consumers do not foresee the economy gaining any significant momentum in the near-term, nor do they see it worsening."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The index fell to 42.8, its lowest level in 2016. "[O]n its 0-100 scale, the index has lost 1.8 points from its 2016 high in late January. It had held in a tight band from 43.6 to 44.6 from Dec. 27 through last week, one of the flattest periods on record in its 30-year history."

University of Michigan

Friday, [Consumer Sentiment Index](#): The final March 2016 index is 91.0 compared with 91.7 in February and 93.0 in March 2015. "Consumer confidence inched upward in late March due to more favorable economic expectations, but the gain still left the Sentiment Index slightly below last month's level. Despite the recent small monthly variations, the overall level of confidence has remained largely unchanged during the past nine months . . ."