

Weekly Economic Update
Submitted by Reuben Kyle

Summary: It was a strange week for economic news: Wednesday the ADP jobs report was of an increase of 263,000 jobs, and today the BLS reports only 98,000 new jobs. The Bloomberg [Economic Calendar](#) contends that the difference is the Category 3 storm that hit the Northeast. That said, the BLS data do not look particularly bad, in fact, the unemployment rate fell to 4.5%, the lowest level since April 2007. The two purchasing managers' indexes fell slightly from February but all remain in the expansion range. Motor vehicle sales fell in March to the lowest level in a year but otherwise most numbers were up for the latest month.

Census Bureau

Monday, [Construction Spending](#): In February 2017, construction spending increased by 0.8% from January and by 3.0% above February 2016. Private construction spending was also 0.8% higher than in the previous month with residential spending up by 1.8% while nonresidential spending was down by 0.3%. Public construction spending rose by 0.6% with educational construction 0.5% higher and highway spending increasing by 1.3%.

Tuesday, [U.S. International Trade in Goods and Services](#): The U.S. Balance of Trade deficit in goods and services declined in February 2017 by \$4.6 billion as exports increased by \$0.4 billion and imports fell by \$4.3 billion from January. The deficit in goods decreased by \$4.3 billion and while the surplus in services increased by less than \$0.1 billion.

Tuesday, [Manufacturers' Shipments, Inventories, and Orders](#): In February 2017, new orders, shipments, unfilled orders, and inventories all increased from January. New orders for manufactured durables rose by 1.8% and for nondurables by 0.2%. Shipments of manufactured durables increased by 0.3% and for nondurables by 0.2%. Unfilled orders were up by \$0.1 billion and inventories of durables increased by 0.2% and nondurables inventories added 0.1%.

Friday, [Monthly Wholesale Trade, Sales and Inventories](#): Sales of merchant wholesalers increased by 0.6% in February 2017 compared with January and by 9.9% compared with February 2016. Inventories increased by 0.4% and the inventory/sales ratio was 1.28, unchanged from January but down from 1.36 in February 2016.

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): In February 2017, unemployment rates declined from a year earlier in 274 of 388 Metropolitan Statistical Areas (MSAs), rose in 88, and were unchanged in 28 MSAs. Ames, Iowa had the lowest unemployment rate at 2.1% and El Centro, California had the highest rate at 18.4%. Year-over-year, 323 MSAs had gains in total nonfarm employment while 64 areas saw declines, and employment was unchanged in one MSA. Unemployment rates fell in all 10 Tennessee MSAs from January to February. Total nonfarm employment was higher in nine of the 10 from January to February.

Friday, [Employment Situation](#): In March 2017, the economy added 98,000 jobs and the unemployment rate fell to 4.5%. The [Household Survey](#) showed the labor force increasing by 145,000 while the Labor Force Participation Rate was unchanged at 63.0%. The number of unemployed fell by 326,000, or 0.2%, while the number of employed persons increased by 472,000. Except for adult men over 20 years, the unemployment rate for every demographic group fell and that for the adult men was unchanged. The [Establishment Survey](#) found that private employment increased by 89,000 while 9,000 jobs were added in the government sector. Construction gained 6,000 jobs and motor vehicles and parts added 3,000. Retail trade lost 29,700 jobs but professional and business services added 56,000. Average weekly hours worked was unchanged at 34.3. The Diffusion Index for Total Private industries

was 58.0% and for Manufacturing it was 52.6%. In other words, more 4-digit SIC industries added jobs than lost jobs.

ADP.com

Wednesday, [ADP Employment Report](#): The private sector added 263,000 jobs in March 2017. Construction employment increased by 49,000, manufacturing by 30,000, professional and business services added 57,000, and trade, transportation, and utilities gained 34,000 jobs.

U.S. Department of Labor

Thursday, [Initial Claims](#) for unemployment insurance fell by 25,000 to 234,000 in the week ending April 1, 2017 and the four-week moving average dropped by 4,500 to 250,000. The four-week moving average of the number of insured unemployed was 2,023,000, the lowest level since June 17, 2000. For the week ending March 27, five states reported increases of 1,000 or more initial claims and five states reported decreases of 1,000 or more.

Board of Governors of the Federal Reserve

Wednesday, [Federal Open Market Committee \(FOMC\) Meeting Minutes](#): These are the minutes of the meeting held March 14 and 15, 2017. As reported following the meeting itself, the committee voted nine in favor and one dissenting to increase the target range for the federal funds rate by .25 percentage points to $\frac{3}{4}\%$ to 1 percent. The one dissenting voter preferred to defer another increase in the rate for further information on economic conditions.

Autodata.com

Monday, [Motor Vehicle Sales](#): In March 2017, the seasonally-adjusted, annual rate of sales of light vehicles in the U.S. was 16.62 million, compared with 17.58 million in February. This rate was the lowest for more than a year; in March 2016, the rate was 16.67 million. Car sales by both General Motors and Nissan dropped substantially compared with March 2016, General Motors by 4.5% and Nissan by 15.4%. Volkswagen posted a 2.7% increase in year-over-year sales. This month's gain marked [the fourth consecutive month](#) of increased year-over-year sales for Volkswagen. Year-to-date Volkswagen sales are up by 10.1% while GM's sales are 15.8% lower and Nissan's are 12.7% below those of the same period in 2016.

Institute for Supply Management

Monday, [March 2017 Manufacturing ISM Report on Business](#): The manufacturing index dropped 0.5 percentage points from 57.7% to 57.2% but at that level the manufacturing economy grew for the 94th consecutive month. The survey covers 18 manufacturing industry sector, of which 17 reported expanding and none reported contracting. Below are a few of respondents' comments:

- "Business conditions continue to improve." (Chemical Products)
- "Business outlook is positive." (Computer & Electronic Products)
- "Regional business is strong. Hiring qualified team members has improved." (Fabricated Metal Products)
- "We had a lot of storm orders, so it really pushed our sales up this month." (Miscellaneous Manufacturing)"

Wednesday, [March 2017 Non-Manufacturing ISM Report on Business](#): The Non-Manufacturing Index (NMI) was 55.2% in March down from 57.6% in February, indicating that the non-manufacturing sector expanded for the 87th consecutive month. Of the 18 non-manufacturing industry sectors surveyed 15 reported expanding and three reported contracting. The table below give the details from both the manufacturing and non-manufacturing surveys.

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
 COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS*
 MARCH 2017

	Non-Manufacturing						Manufacturing		
Index	Series Index Mar	Series Index Feb	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Mar	Series Index Feb	Percent Point Change
NMI®/PMI®	55.2	57.6	-2.4	Growing	Slower	87	57.2	57.7	-0.5
Business Activity/Production	58.9	63.6	-4.7	Growing	Slower	92	57.6	62.9	-5.3
New Orders	58.9	61.2	-2.3	Growing	Slower	92	64.5	65.1	-0.6
Employment	51.6	55.2	-3.6	Growing	Slower	37	58.9	54.2	+4.7
Supplier Deliveries	51.5	50.5	+1.0	Slowing	Faster	15	55.9	54.8	+1.1
Inventories	48.5	52.0	-3.5	Contracting	From Growing	1	49.0	51.5	-2.5
Prices	53.5	57.7	-4.2	Increasing	Slower	12	70.5	68.0	+2.5
Backlog of Orders	53.0	54.0	-1.0	Growing	Slower	2	57.5	57.0	+0.5
New Export Orders	62.5	57.0	+5.5	Growing	Faster	2	59.0	55.0	+4.0
Imports	56.5	51.0	+5.5	Growing	Faster	3	53.5	54.0	-0.5
Inventory Sentiment	65.0	64.5	+0.5	Too High	Faster	238	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	47.0	47.5	-0.5
Overall Economy				Growing	Slower	92			
Non-Manufacturing Sector				Growing	Slower	87			

* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

** Number of months moving in current direction.

Markit Economics

Monday, [Purchasing Managers' Index \(PMI\) Manufacturing Index](#): In March 2017, this index slowed to 53.3 from 54.2 in February and the lowest level since September 2016. Markit Economics Chief Economist, Chris Williamson, observed: "The post-election resurgence of the manufacturing sector seen late last year is showing signs of losing steam. Output growth slowed to a six-month low in March, optimism about the outlook has waned and hiring has slowed accordingly...." "While the survey data suggest that the goods producing sector enjoyed a relatively good first quarter on the whole, the loss of momentum seen in February and March bodes ill for the second quarter....The survey data have acted as a reliable advance guide to official data in the past, and in March indicate a slowing of output growth to an annualised rate of around 2%. The survey's employment index is meanwhile consistent with official manufacturing payroll numbers falling slightly. ...If the activity numbers send a dovish signal to policymakers, the survey's price indices favour the hawks. Inflationary pressures have risen to a two and a half year high, despite the oil price easing during the month."

Wednesday, [PMI Services Index](#): The March 2017 index was 52.8 down from 53.8 in February. Despite the drop the results indicate continued expansion of the services sector for the past 13 months.

Chief Economist Williamson stated: “The March PMI numbers add to the picture of a relatively modest opening quarter to 2017 for the US economy. The surveys of manufacturing and services are running at levels consistent with GDP expanding by 1.7% in the first quarter.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading stands at 50.2 compared with 49.7 the previous week. “At 50.2, the index is near the best levels of the 7-1/2 year expansion.”

Gallup.com

Monday, [Consumer Spending Measure](#): March 2017 average daily spending by American consumers was \$100 down just slightly from \$101 in February. However, this March average was the highest average for March since 2008.

Tuesday, [Economic Confidence Index](#): The March 2017 index was +9 up slightly from the +8 in February. “Americans remained about as upbeat about the economy in March as they were in February, with Gallup's U.S. Economic Confidence Index averaging +9 for the third month of 2017. Weekly readings of the index, however, show that confidence was strongest in early March after massive gains in the Dow Jones industrial average in February. More recent index scores in March have been slightly positive, but are much lower than the high scores from early March.”

Wednesday, [Job Creation Index](#): The job creation index rose from +35 in February to +37 in March 2017. “This is the third month in a row the index has hit a new record high after remaining relatively flat for much of 2016.”

Thursday, [Good Jobs Rate](#): The March 2017 rate was 45.1%, up from 44.4% in February. “Although down from its peak of 47.1% in July of 2016, it is currently higher than the 44.4% recorded in March of 2016. The GGJ is at its highest point since November 2016 (45.7%).”

The Wall Street Journal

Thursday, [Economic Forecasting Survey](#): In March 2017, 76 forecasting individuals and organizations were surveyed and 59 responded. The average prediction of 4th quarter 2016 GDP growth was 1.9% and the forecast for the 1st quarter of 2017 is also 1.9%. (The actual Q4 2016 growth rate was 2.1%, reported last week.) Forecasts for Q2 and Q3 2017 are 2.5%. The average forecast of the Consumer Price Index as of June 2017, is 2.4% and that number is expected to prevail through the calendar year 2017. Oil prices are forecast to be \$54.70 by December 2017. (As I write the price is \$51.70.) The average forecast of the unemployment rate as of June 2017 is 4.6%, falling to 4.5% by December and 4.4% by June 2018. Nonfarm payrolls are expected to increase by an average 186,800 jobs per month in 2017. The forecast of the Fed Funds rate as of December 2017 is 1.40%. with another increase in the target predicted in June by 70% of respondents. Yields on 10-year Treasury notes is forecast to 2.69% by June 2017 and 2.94% by December. The rate of increases in housing prices is projected to be 3.9% by year's end. Housing starts by January 2018 are forecast to be 1.33 million. Finally, the respondents put the probability of a recession in the next 12 months at 14.4% with more than 60% of respondents seeing that their GDP growth forecast as too low.