

Economic Update, June 15, 2018
Submitted by Dave Keiser

Summary: Almost all the indicators released this week are positive. For example, retail and food sales are up, manufacturing shipments are up, real earnings are up, and the unemployment rate is down. Consumer sentiment also continues to increase, but that may flatten out as import and export prices increase and those increases eventually get passed on to the consumer. On a negative note, Tennessee led the nation in unemployment claims this past week. It also bears watching, as The Wall Street Journal reported [last night](#) and [this morning](#), that China has indicated it will respond to U.S. tariffs on Chinese goods with its own tariffs on American goods, though it is not yet clear when either set of tariffs would go into effect.

Census Bureau

Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for May 2018 . . . were \$502.0 billion, an increase of 0.8 percent from the previous month, and 5.9 percent above May 2017. Total sales for the March 2018 through May 2018 period were up 5.2 percent from the same period a year ago. The March 2018 to April 2018 percent change was revised from up 0.2 percent to up 0.4 percent.”

Thursday, [Manufacturing and Trade, Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for April . . . was estimated at \$1,425.9 billion, up 0.4 percent from March 2018 and was up 6.7 percent from April 2017. Manufacturers’ and trade inventories . . . were estimated at an end-of-month level of \$1,930.0 billion, up 0.3 percent from March 2018 and were up 4.4 percent from April 2017.”

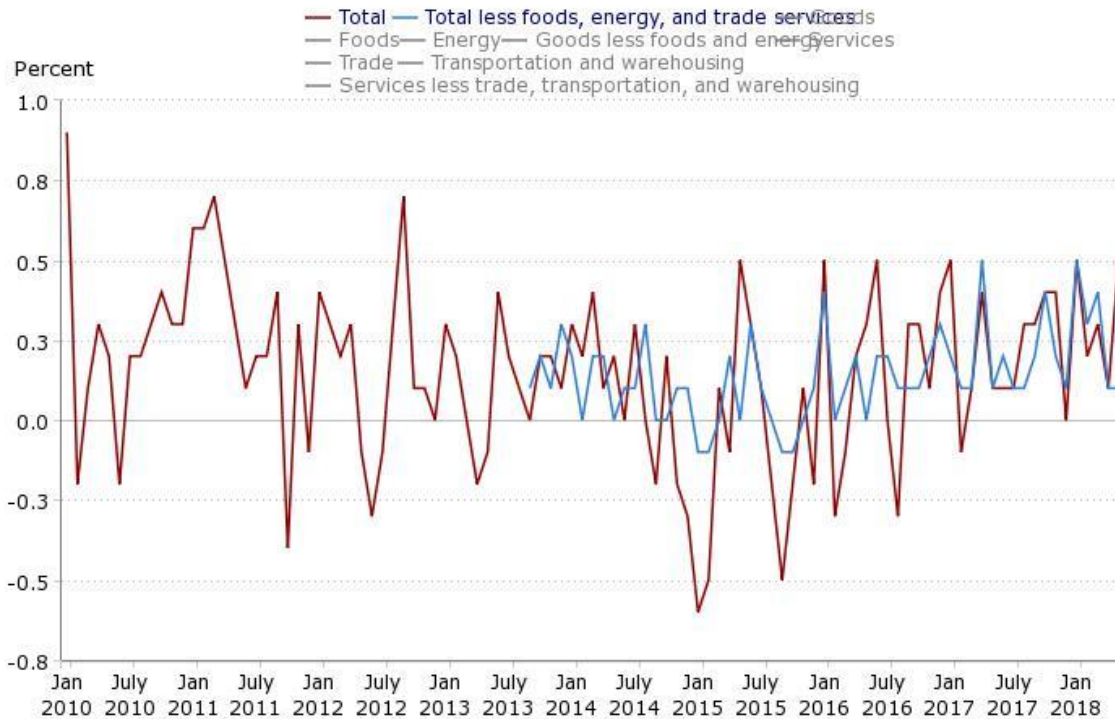
Bureau of Labor Statistics

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.1 percent from April to May, seasonally adjusted. . . . This result stems from a 0.3-percent increase in average hourly earnings being offset by a 0.2-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U). Real average weekly earnings increased 0.1 percent over the month due to the increase in real average hourly earnings combined with the unchanged average workweek. Real average hourly earnings were unchanged, seasonally adjusted, from May 2017 to May 2018. Combined with a 0.3-percent increase in the average workweek, real average weekly earnings increased by 0.3 percent over this period.”

Tuesday, [Consumer Price Index \(CPI\)](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in May on a seasonally adjusted basis after rising 0.2 percent in April. . . . Over the last 12 months, the all items index rose 2.8 percent before seasonal adjustment. The indexes for gasoline and shelter were the largest factors in the seasonally adjusted increase in the all items index, as they were in April. The gasoline index increased 1.7 percent, more than offsetting declines in some of the other energy component indexes and led to a 0.9-percent rise in the energy index. . . . The food index was unchanged over the month. The index for all items less food and energy rose 0.2 percent in May. The shelter index rose 0.3 percent in May.”

Wednesday, [Producer Price Index \(PPI\)](#): “The Producer Price Index for final demand rose 0.5 percent in May, seasonally adjusted. . . . Final demand prices advanced 0.1 percent in April and 0.3 percent in March. On an unadjusted basis, the final demand index moved up 3.1 percent for the 12 months ended in May, the largest 12-month increase since climbing 3.1 percent in January 2012. In May, 60 percent of the rise in the index for final demand is attributable to a 1.0-percent advance in prices for final demand goods. . . . Prices for final demand less foods, energy, and trade services edged up 0.1 percent in May, the same as in April. For the 12 months ended in May, the index for final demand less foods, energy, and trade services climbed 2.6 percent.”

PPI for final demand, 1-month percent change, seasonally adjusted



Hover over chart to view data.
 Source: U.S. Bureau of Labor Statistics.
 All data are subject to revision 4 months after originally published.

Thursday, [U.S. Import and Export Price Indexes](#): “All Imports: Import prices increased 0.6 percent in May, continuing the upward trend that began in August 2017. . . . The price index for overall imports increased 4.3 percent for the year ended in May, the largest 12-month advance since the index rose 4.7 percent in February 2017. The May over-the-year advance was largely driven by higher fuel prices although nonfuel prices also increased over the past year. . . . All Exports: Prices for U.S. exports rose 0.6 percent for the second consecutive month in May, led by higher prices for both agricultural and nonagricultural exports. Export prices have not recorded a monthly decline since the index edged down 0.1 percent in June 2017. The price index for overall exports advanced 4.9 percent between May 2017 and May 2018, the largest 12-month increase since the index rose 6.3 percent in October 2011.”

Friday, [State Employment and Unemployment](#): “Unemployment rates were lower in May in 14 states and stable in 36 states and the District of Columbia. . . . Eleven states had jobless rate decreases from a year earlier and 39 states and the District had little or no change. The national unemployment

rate edged down from April to 3.8 percent and was 0.5 percentage point lower than in May 2017.” In Tennessee, 53,400 jobs were added to the state’s economy from May 2017 to May 2018.

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending June 9, the advance figure for seasonally adjusted initial claims was 218,000, a decrease of 4,000 from the previous week's unrevised level of 222,000. The 4-week moving average was 224,250, a decrease of 1,250 from the previous week's unrevised average of 225,500. . . . The largest increases in initial claims for the week ending June 2 were in Tennessee (+1,587), Illinois (+1,567), Ohio (+698), Arkansas (+387), and New Mexico (+353), while the largest decreases were in Michigan (-3,638), California (-1,938), New Jersey (-1,678), New York (-1,454), and Pennsylvania (-953).”

Bureau of Transportation Statistics

Wednesday, [April 2018 Freight Transportation Services Index](#): “The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, fell 0.1 percent in April from March, falling after reaching an all-time high in March. The April 2018 index level (134.3) was 41.7 percent above the April 2009 low during the most recent recession. . . . The April decrease in the Freight TSI was driven by decreases in air freight and trucking, while water and pipeline increased and rail carloads were stable.”

Board of Governors of the Federal Reserve

Wednesday, [Federal Reserve issues FOMC statement](#): “Information received since the Federal Open Market Committee met in May indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Job gains have been strong, on average, in recent months, and the unemployment rate has declined. Recent data suggest that growth of household spending has picked up, while business fixed investment has continued to grow strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.”

Wednesday, [FOMC Forecasts](#): These forecasts are provided by all members of the Federal Reserve Board and the Presidents of each of the 12 banks. The median forecasts for the reported measures are:

- Change in real GDP: For 2018, GDP was projected to grow by 2.8 percent in the June projection, a slight increase from the March projection of 2.7 percent. Projections for 2019 and 2020 were unchanged from March to June at 2.4 percent and 2.0 percent respectively.
- Unemployment rate: For 2018, the unemployment rate was projected to be 3.6 percent in the June projection, a decrease from 3.8 percent in the March projection. Projections for 2019 and 2020 both decreased to 3.5 percent in the June projections from 3.6 percent in March.
- Personal Consumption Expenditures (PCE) inflation: For 2018 and 2019, projections increased to 2.1 percent in the June projection from 1.9 percent and 2.0 percent respectively in March. The projection for 2020 remained unchanged at 2.1 percent.
- Core PCE inflation: For 2018, the projection increased to 2.0 percent in the June projection from 1.9 percent in March. Projections for 2019 and 2020 remained unchanged from June to March at 2.1 percent.
- Projected appropriate policy path for the Federal Funds Rate: For 2018, the projection increased to 2.4 percent in the June projection from 2.1 percent in March. The 2019 projection also increased to 3.1 percent in June from 2.9 percent in March. But the projection for 2020 remained unchanged at 3.4 percent.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 55.8, up from the previous 54.8. “U.S. consumer confidence advanced to a five-week high as resilient job growth boosted Americans’ views of the economy. . . . A better-than-expected May jobs report that showed an unemployment rate at 3.8 percent, matching the lowest level since 1969, underscores Americans’ brighter views of the national economy. A steady retreat in gasoline prices from a more than three-year high at the end of last month may also be bolstering attitudes.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-month index for June is 99.3, compared with the final figure of 98.0 in May. “Consumer sentiment rose slightly in early June due to consumers’ more favorable assessments of their current financial situation and more favorable views of current buying conditions for household durables.”