

Economic Update, July 14, 2017
Submitted by Reuben Kyle

Summary: It was another week of slowing economic measures, but there was nothing to indicate serious problems. Labor markets continue to look strong, and industrial production was up for the fifth month in a row. It is just a reminder that even an expanding economy experiences periods of faster and slower growth.

Census Bureau

Tuesday, [Monthly Wholesale Trade, Sales and Inventories](#): In May 2017, sales of wholesalers were down by 0.5% from April but 6.2% higher than in May 2016. Inventories rose by 0.4% from the previous month and by 1.9% from May 2016. The inventory/sales ratio was 1.29 compared with 1.28 in April and 1.34 in May 2016.

Friday, [Advance Monthly Sales for Retail and Food Services](#): In June 2017, retail and food services sales were down by 0.2% over May sales but up 2.8% from June 2016. Retail sales alone fell by 0.1% for the month. Non-store retail sales rose 9.2% over June 2016.

Friday, [Manufacturing and Trade, Inventories and Sales](#): In May 2017, combined distributive trade sales and manufacturers' shipments fell by 0.2% from April but were up by 5.1% from May 2016. Inventories increased by 0.3% from April and by 2.4% year-over-year. The inventory/sales ratio was 1.38, up from 1.37 in April but lower than the 1.41 a year earlier.

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): May 2017 job openings fell by 301,000 to 5.7 million, the number of hires rose by 400,000 to 5.5 million, and separations increased by 250,000 to 5.3 million. The quit rate was 2.2% compared with 2.1% in April.

Wednesday, [Multifactor Productivity Trends in Manufacturing](#): In 2015, The BLS reports that manufacturing multifactor productivity declined by 2.8% as output increased by 1.2% while combined inputs increased by 4.1%. To have a better idea of how to interpret this measure, take a look at the table at this [link](#).

Thursday, [Producer Price Index \(PPI\)](#): In June 2017, the PPI for Final Demand rose by 0.1% following no change in May and a 0.5% increase in April. Over the previous 12-month period, the index is up by 2.0%. Excluding food, energy, and trade services, the index is up by 2.0% year-over-year. The final demand for goods increased by 0.1% for the month while the final demand for services rose by 0.2%. The final demand for energy fell by 0.5%, holding down the total index.

Friday, [Consumer Price Index \(CPI\)](#): The June 2017 CPI was unchanged from May, rising by 1.6% over the previous 12 months. A decline of 1.6% in the energy index prompted the drop in the total index. Excluding food and energy, the CPI was up by 1.7%. The gasoline index dropped 2.8%.

Friday, [Real Earnings](#): With no change in the CPI and a 0.2% increase in average hourly earnings, real average hourly earnings increased by 0.2% in June 2017. From June 2016 to June 2017, real average hourly earnings increased by 0.8%. For production and nonsupervisory employees, real average hourly earnings also increased by 0.2% in June and by 0.9% for the previous 12 months.

Bureau of Economic Analysis

Wednesday, [New Foreign Direct Investment in the U.S. 2014-2016](#): "Expenditures by foreign direct investors to acquire, establish, or expand U.S. businesses totaled \$373.4 billion in 2016. Spending was down 15 percent from \$439.6 billion in 2015, but was above the annual average of \$350.0 billion for 2014-2015, and was well above the annual average of \$226.0 billion for 2006-2008. As in previous years, expenditures to acquire existing businesses accounted for a large majority of the total." In Tennessee, first-year expenditures totaled \$2.25 billion, of which \$2.19 billion involved the acquisition

of U.S. businesses. Those businesses employed 1,900 people and the investors plan to expand employment to 4,200.

U.S. Department of Labor

Thursday, [Initial Claims](#) for Unemployment Insurance fell by 3,000 in the week ending July 8, 2017, to 247,000, and the four-week moving average increased by 2,250 to 245,750. In the week ending July 1, seven states, including Tennessee, reported increases of 1,000 or more in new claims, and two states reported decreases of 1,000 or more. Tennessee reported an increase of 1,136 initial claims with the comment: "Layoffs in the administrative, support, waste management and remediation service, retail trade, professional, scientific and technical service, manufacturing, and accommodation and food service industries."

U.S. Department of Transportation

Wednesday, [May 2017 Freight Transportation Services Index](#): The May 2017 index was 126.8, up by 2.2% from April. This index reading is a record since the index was initiated in 2000. "The May increase in the Freight TSI was broad based with gains in most modes, especially water and pipeline, while air freight and trucking were stable."

Board of Governors of the Federal Reserve

Monday, Labor Market Conditions Index: The index reading for June 2017 is 1.5, down from 3.3 in May and the lowest level of 2017. The reading for June 2016 was 1.3. Remember that this index is recalculated every month as the component measures are updated.

Wednesday, [Beige Book](#): The latest Beige Book report covers the month of June 2017, and the summary states that economic activity expanded across the country in a "slight to moderate" pace. Surveys by the Atlanta Federal Reserve Bank, headquarters for the Sixth District, indicate that its economy grew at a "modest pace" from mid-May through June. A tightening labor market is described by some as a "major barrier to growth." Wage pressure is stable for most but "there were also continued reports of rising starting salaries for lower-skill entry-level positions and ongoing upward wage pressure for some high-skill, low-supply positions." Survey respondents expect unit costs to rise at 2.0% over the coming year. Retail trade and leisure and hospitality providers report "softer" than expected sales in May. Home sales were up compared with the same period in 2016. New orders and production levels are reported as rising by manufacturers and just under half of firms anticipate higher production levels in the next six months. All transportation modes, including trucking, experienced higher volumes. District agriculture was aided by rain and "soybean planting in Louisiana, Mississippi, and Tennessee was ahead of their five-year averages." From the Eight District in St. Louis reports that economic activity was "slightly improved" since the last survey. Employment has been relatively stable but manufacturers in Memphis report have difficulties finding experienced and qualified employees. There has been modest wage growth. Regarding retail activity, May sales tax collections in Tennessee—remember this District only covers west Tennessee—were up. "Residential real estate activity has declined modestly since the previous report." Commercial real estate activity was flat, but commercial construction was strong. "Several Memphis contractors indicated that they are optimistic about their future prospective projects." Conditions for District agriculture improved at the end of June as flooding receded.

Friday, [Industrial Production](#): In June 2017, industrial production increased by 0.4%, the fifth consecutive monthly increase. Construction production fell by 0.1% but manufacturing production increased by 0.2%. Capacity utilization rose from 76.4% to 76.6% in June. The latest measure is 3.3 percentage points below the long-term average of 79.9%, but it has risen by one full percentage point since June 2016.

The University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-month index reading for July 2017 is 93.1 compared with 95.1 for the final June reading and 90.0 in July 2016. “Confidence in future economic prospects continued to slide in early July, with the Expectations Index now 10.1 Index points below its January 2017 peak. In contrast, consumers' assessments of current economic conditions regained the March 2017 peak, the highest level since the July 2005 survey.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 47.0, down from 48.5 the previous week. “In the least upbeat reading since January, consumer comfort fell a sharp 1.5 points in the July 9 week to 47.0.”

The New York Times

Tuesday, [“E-Commerce as a Jobs Engine? One Economist’s Unorthodox View”](#) Here is an interesting story about an assessment of the decline in traditional retail jobs and the rise in jobs in “fulfillment centers and distribution warehouses.” Not only are the new e-commerce related jobs more than replacing the old retail jobs but they pay more, according to one economist.