

Economic Update, July 22, 2016

Submitted by Reuben Kyle

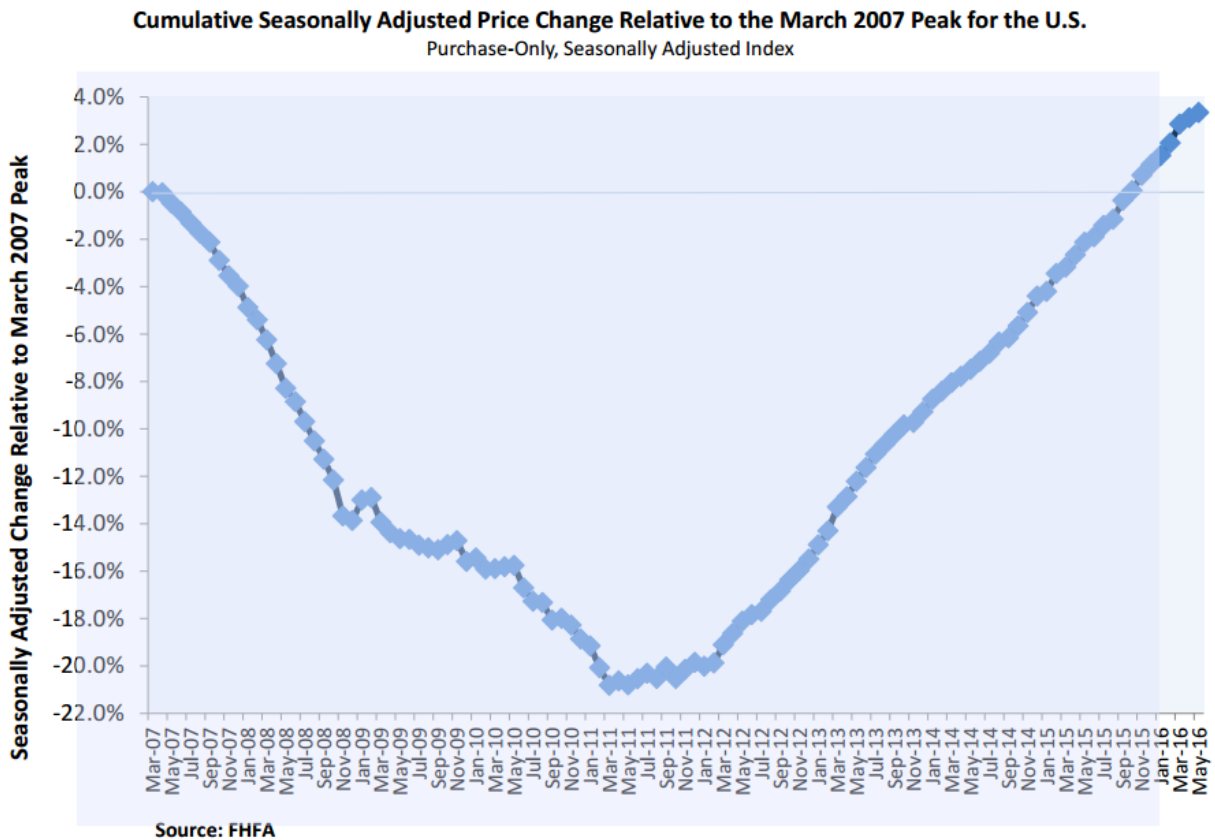
Summary: The economic news this week was pretty good. Construction and real estate were up, as was manufacturing. Initial claims remain at very low levels and were down again for the week. Tennessee's unemployment rate in June was 4.1%, well below the national average. The Leading Economic Indicators were also up for June. I will be out next week but will return for the first week of August.

Census Bureau

Tuesday, [New Residential Construction](#): In June 2016, the number of building permits issued was 1.5% higher than in May but 13.6% lower than in June 2015. Housing permits were 4.8% above the number in May though 2.0% below that number a year earlier. Housing completions were 12.3% more than in May and 18.7% higher than in June 2015. In every case, the numbers for single-family houses were higher in June than in May.

Federal Housing Finance Agency

Thursday, [FHFA House Price Index](#): In May 2016, this price index increased 0.2% from April. Over the period May 2015 through May 2016, the index increased 5.6%. In the East South Central region, which includes Tennessee, the index rose 4.4% over that May-to-May period. Below is a chart showing the rate of change in the index from March 2007, the previous peak, to May 2016.



National Association of Home Builders

Monday, [Housing Market Index](#): In July 2016, this index of builders' confidence was 59 compared with 60 in June. "For the past six months, builder confidence has remained in a relatively narrow positive range that is consistent with the ongoing gradual housing recovery that is underway," said NAHB Chairman Ed Brady, a home builder and developer from Bloomington, Ill. "However, we are still hearing reports from our members of scattered softness in some markets due largely to regulatory constraints and shortages of lots and labor." Chief NAHB Economist Robert Dietz said, "Job creation is solid, mortgage rates are at historic lows and household formations are rising. These factors should help to bring more buyers into the market as the year progresses."

National Association of Realtors

Thursday, [Existing Home Sales](#): In June 2016, the seasonally adjusted, annual sales rate of existing homes was 5.57 million, an increase of 1.1% from May. The report attributes this jump in sales to the largest share of first-time buyers in "nearly four years." Lawrence Yun, chief NAR economist, said, "Existing sales rose again last month as more traditional buyers and fewer investors were able to close on a home despite many competitive areas with unrelenting supply and demand imbalances." "Sustained job growth as well as this year's descent in mortgage rates is undoubtedly driving the appetite for home purchases." He warned that limited supplies of homes available may prevent a continuation of this trend. By their measure, housing prices increased 4.8% from June 2015 through June 2016.

Bureau of Labor Statistics

Tuesday, [Usual Weekly Earnings of Wage and Salary Workers](#): In the 2nd quarter of 2016, the median weekly earnings of the 111.2 million wage-and-salary workers was \$824, or 2.9% higher than in the same period in 2015, while the Consumer Price Index was up 1.1% over Q2 in 2015. The median weekly wage for women was \$744 compared with \$909 for men. "The women's-to-men's earnings ratio varied by race and ethnicity. White women earned 80.7% as much as their male counterparts compared with Black women (91.8%), Asian women (79.1%), and Hispanic women (89.1%)." There are many different demographic groupings in these data.

Friday, [Employee Benefits in the US](#): In March 2016, the civilian participation rate in employer-sponsored plans for major benefits are shown in the table below for all civilians, private industry, and state and local government. ("Take-up rate: The percentage of workers with access to a plan who participate in the plan.") "The share of single coverage medical care premiums paid by employees averaged 19% for civilian workers, 21% for private industry workers, and 13% for state and local government workers."

Table A. Selected employer-sponsored benefits: Access, participation and take-up rates¹, March 2016
(All workers = 100 percent)

Benefit	Civilian			Private industry			State and local government		
	Access	Participation	Take-up rates	Access	Participation	Take-up rates	Access	Participation	Take-up rates
Retirement	69	54	78	66	49	75	90	81	90
Medical care	70	52	75	67	49	73	88	73	83
Life insurance	59	57	98	55	54	98	80	78	98

¹ For definitions of major plans, key provisions, and related terms, see the "Glossary of Employee Benefit Terms" at www.bls.gov/ncs/ebs/glossary20152016.htm and the technical note.

Friday, [Regional and State Employment and Unemployment](#), June 2016: Recall that this report now gives only "statistically significant" changes in unemployment rates and employment. So in June, six states had higher unemployment rates, one had a lower rate, and 43 states plus the District of Columbia were unchanged. South Dakota had the lowest unemployment rate at 2.7%, and Alaska had the highest rate at 6.7%. [Tennessee](#)'s unemployment rate was 4.1% in June, unchanged from May, and is now below the national rate of 4.9%. Total nonfarm employment increased in 18 states, fell in three states and the District of Columbia, and was not significantly changed in 29 states. Tennessee added 11,200 jobs in June with 1,400 new jobs in construction, 3,000 in leisure and hospitality, and 800 in manufacturing.

US Department of Labor

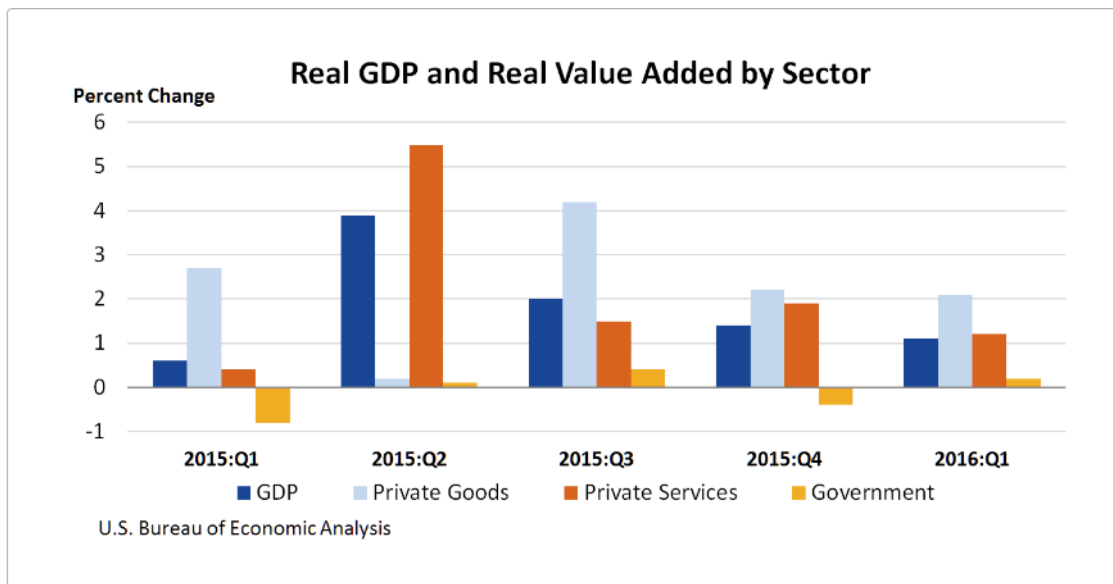
Thursday, [Initial Claims](#): In the week ending July 16, 2016, new claims for unemployment insurance fell by 1,000 to 253,000, and the four-week moving average dropped by 1,250 to 257,750. For the previous week ending July 9, twelve states reported increases of 1,000 or more new claims and five states reported decreases of 1,000 or more. Tennessee reported an increase of 535 initial claims.

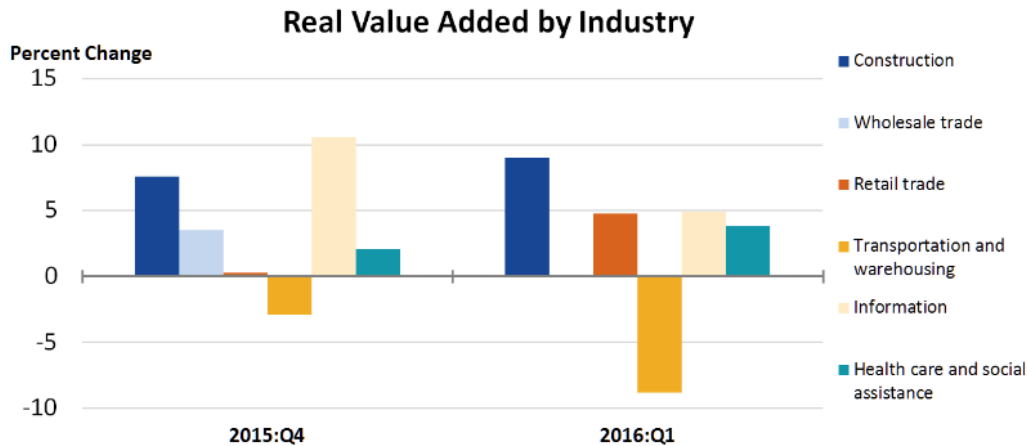
Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index is 42.9, down from 44.7 the previous week.

Bureau of Economic Analysis

Thursday, [Gross Domestic Product by Industry](#), 1st Quarter 2016: If you recall, 1st quarter GDP grew 1.1%. The chart below shows GDP growth by sector for the past five quarters. Relative to Q1 2015, this year's 1st quarter doesn't look so bad; it is clear how the economy slowed over the course of 2015. It remains to be seen how we will do the rest of this year, though we get Q2 GDP growth estimates next week. Actually, I'm including two charts, the second giving more detail by sector for Q1 2015 and Q1 2016. For the Tennessee economy, transportation and warehousing is important, so that contraction hurt us.





U.S. Bureau of Economic Analysis

The Conference Board

Thursday, [Leading Economic Indicators \(LEI\)](#): The June 2016 LEI was 123.7 (2010 = 100) up 0.3% from May after a 0.2% decline from April to May and a 0.5% increase from March to April. Ataman Ozyildirim, director of business cycles and growth research at the Conference Board, offered the following comments. “Improvements in initial claims for unemployment insurance, building permits, and financial indicators were the primary drivers. While the LEI continues to point to moderating economic growth in the US through the end of 2016, the expansion still appears resilient enough to weather volatility in financial markets and a moderating outlook in labor markets.” The Coincident Economic Index increased 0.3%.

Markit Economics

Friday, [Purchasing Managers' Index \(PMI\) Manufacturing Index Flash](#): In the preliminary July 2016 report, the index is 52.9, compared with 51.3 in June, and that is the largest increase in this index since November 2015. According to Chris Williamson, chief Markit economist, “July saw manufacturers battle against a strong dollar, the ongoing energy sector downturn, and political uncertainty ahead of the presidential election, yet still achieved the best growth seen since last year.” He also noted an increase in hiring.