

Economic Update, August 10, 2018
Submitted by Dave Keiser

Summary: Economic data and forecasts released this week suggest the U.S. economy remains solid. Gross Domestic Product (GDP) for the second quarter of 2018 was 4.1 percent, while unemployment rates remain low, and initial claims remain steady. The Department of Transportation's freight transportation services index increased to an all-time high, while both consumer and small business confidence increased. Forecasters are projecting an unemployment rate of 3.7 percent for December 2018.

Census Bureau

Thursday, [Monthly Wholesale Trade, Sales and Inventories](#): "June 2018 sales of merchant wholesalers . . . were \$506.7 billion, down 0.1 percent from the revised May level, but were up 10.2 percent from the June 2017 level. . . . Total inventories of merchant wholesalers . . . were \$632.4 billion at the end of June, up 0.1 percent from the revised May level. Total inventories were up 5.1 percent from the revised June 2017 level. . . . The June inventories/sales ratio for merchant wholesalers . . . was 1.25. The June 2017 ratio was 1.31."

Bureau of Labor Statistics

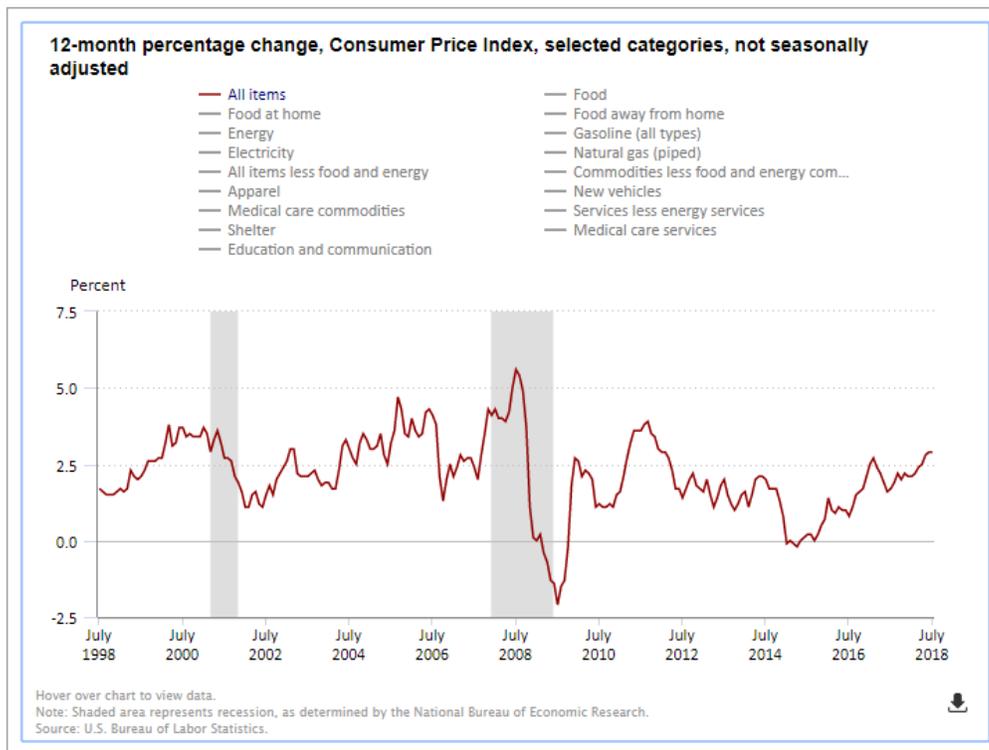
Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): "The number of job openings was little changed at 6.7 million on the last business day of June. . . . Over the month, hires and separations were little changed at 5.7 million and 5.5 million, respectively. Within separations, the quits rate was unchanged at 2.3 percent and the layoffs and discharges rate was little changed at 1.2 percent. This release includes estimates of the number and rate of job openings, hires, and separations for the nonfarm sector by industry and by four geographic regions."



Thursday, [Producer Price Index \(PPI\)](#): "The Producer Price Index for final demand was unchanged in July, seasonally adjusted. . . . Final demand prices advanced 0.3 percent in June and 0.5

percent in May. On an unadjusted basis, the final demand index increased 3.3 percent for the 12 months ended in July.”

Friday, [Consumer Price Index \(CPI\)](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in July on a seasonally adjusted basis after rising 0.1 percent in June. . . . Over the last 12 months, the all items index rose 2.9 percent before seasonal adjustment. The index for shelter rose 0.3 percent in July and accounted for nearly 60 percent of the seasonally adjusted monthly increase in the all items index. The food index rose slightly in July, with major grocery store food group indexes mixed. The energy index fell 0.5 percent, as all the major component indexes declined. The index for all items less food and energy rose 0.2 percent in July, the same increase as in May and June. Along with the shelter index, the indexes for used cars and trucks, airline fares, new vehicles, household furnishings and operations, and recreation all increased. The indexes for medical care and for apparel both declined in July.”



Friday, [Real Earnings](#): “Real average hourly earnings for all employees were unchanged from June to July, seasonally adjusted. . . . This result stems from a 0.3-percent increase in average hourly earnings combined with a 0.2-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U). Real average weekly earnings decreased 0.2 percent over the month due to no change in real average hourly earnings combined with a 0.3-percent decrease in the average workweek. Real average hourly earnings decreased 0.2 percent, seasonally adjusted, from July 2017 to July 2018. Combining the change in real average hourly earnings with the 0.3-percent increase in the average workweek resulted in a 0.1-percent increase in real average weekly earnings over this period.”

U.S. Department of Transportation

Wednesday, [June 2018 Freight Transportation Index](#): “The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, rose 0.4 percent in June from May, rising for the second consecutive month to reaching a new all-time high. The

June 2018 index level (136.5) was 44.0 percent above the April 2009 low during the most recent recession.”

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending August 4, the advance figure for seasonally adjusted initial claims was 213,000, a decrease of 6,000 from the previous week's revised level. . . . The 4-week moving average was 214,250, a decrease of 500 from the previous week's revised average.” Tennessee reported a slight decrease of 39 initial claims from the previous week.

The Conference Board

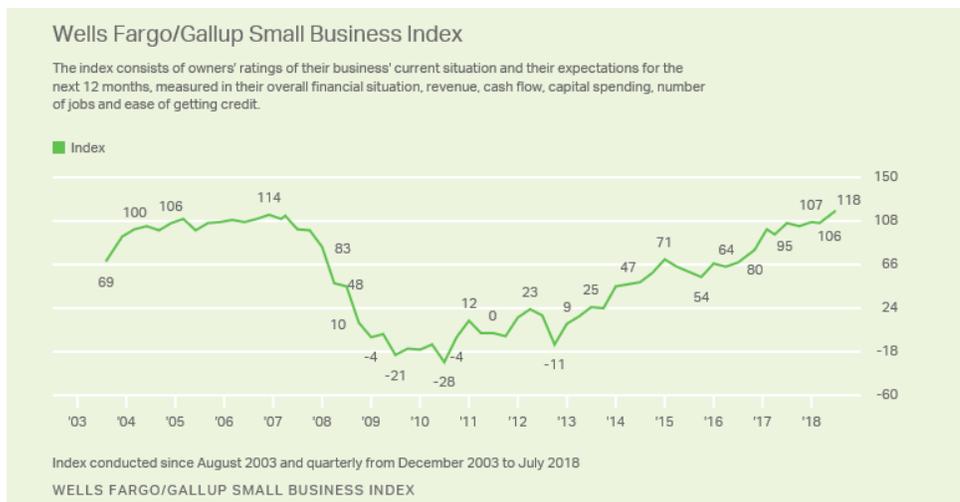
Monday, [Employment Trends Index \(ETI\)](#): The index “increased in July, after increasing in June. The index now stands at 109.89, up from 108.72 . . . in June. The change represents a 5.4 percent gain in the ETI compared to a year ago. ‘The growth in the Employment Trends Index remains strong, supported by positive contributions from all of its components,’ said Gad Levanon, Chief Economist, North America, at The Conference Board. ‘We expect economic activity to remain strong in the coming months, and the rapid expansion of employment should continue despite the very tight labor market.’”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 59.3—its highest since February 2001—up from 58.6 the week before. “Confidence continues to strengthen amid a tight labor market and robust economic growth. . . . Sentiment is strongly correlated to U.S. stocks, which have rallied back to near-record levels, according to the report. Still, sentiment remains below late-2000 levels, the last time unemployment was this low, on tepid wage growth and lower labor force participation, responses through Aug. 5 showed.”

Gallup.com

Tuesday, [U.S. Small Business Index](#): “U.S. small-business owners are more optimistic now than at any point in the 15-year history of the Wells Fargo/Gallup Small Business Index. In the latest quarterly survey, which measures small-business owners' attitudes about a wide variety of factors affecting their businesses, the overall index score is +118. This is higher than prior 2018 measures—with Quarter 2, 2018, at +106 and Quarter 1 at +107. The index now sits just above the record-high +114 from 2006.”



The Wall Street Journal

Friday, [Economic Forecasting Survey](#): Respondents in the August 2018 survey, reported GDP growth forecasts of 3.1 percent on average for the third quarter of 2018, 2.9 for the fourth quarter and 3.0 percent for the year. Actual GDP growth for the second quarter 2018 was 4.1 percent, and for

calendar 2017 it was 2.3 percent. Respondents forecast an increase of 2.5 percent on average for the Consumer Price Index for December 2018. The actual increase in the index for June 2018 was 0.1 percent. The average forecast for December 2018 oil prices is \$69.91, a decrease from the June 2018 actual which was \$74.15. The average forecast for unemployment in December 2018 is 3.7 percent, and the average monthly increase in non-farm employment is predicted to be almost 167,000 for 2018. The average forecasted rate for the change in home prices for January 2019 is 4.5 percent down more than one percentage point from the previous the January 2018 forecast. Housing starts are projected at 1.38 million annually in January 2019, compared to 1.30 million the beginning of this year. The average predicted probability of a recession in the next 12 months is approximately 18 percent.