

Economic Update, July 5, 2019
Submitted by Michael Mount

Summary: The latest jobs report was very good, with non-farm payroll employment increasing 224,000 in June and the unemployment rate remaining low at 3.7%. The number of new jobs exceeded economists’ expectations of [165,000](#) to [170,000](#). Economic optimism improved as the US and China agreed to resume trade talks. Growth in US services improved, but growth in US manufacturing continued to slow.

US Census Bureau

Monday, [Construction Spending](#): For May 2019, “spending on private construction was at a seasonally adjusted annual rate of \$953.2 billion, 0.7 percent below the revised April estimate of \$960.3 billion. . . . The estimated seasonally adjusted annual rate of public construction spending was \$340.6 billion, 0.9 percent below the revised April estimate of \$343.7 billion.”

Wednesday, [International Trade](#): “The goods and services deficit was \$55.5 billion in May, up \$4.3 billion from \$51.2 billion in April. . . . May exports were \$210.6 billion, \$4.2 billion more than April exports. May imports were \$266.2 billion, \$8.5 billion more than April imports.”

Wednesday, [Manufactured Goods](#): “New orders for manufactured goods in May, down three of the last four months, decreased \$3.6 billion or 0.7 percent to \$493.6 billion.” Excluding defense, new orders decreased at a seasonally adjusted rate of 0.4 percent to \$478.2 billion.

Bureau of Economic Analysis

Tuesday, [Foreign Direct Investment](#): “Expenditures by foreign direct investors to acquire, establish, or expand U.S. businesses totaled \$296.4 billion (preliminary) in 2018. Expenditures were up 8.7 percent from \$272.8 billion (revised) in 2017 but were below the annual average of \$338.1 billion for 2014–2017. As in previous years, acquisitions of existing businesses accounted for a large majority of total expenditures.” Tennessee received \$1.6 billion from foreign investors in 2017, and nearly \$5.1 billion in 2018. (See tables 3.1 and 3.2 of the [full report here.](#))

Bureau of Labor Statistics

Wednesday, [Metro Area Unemployment](#): “Unemployment rates were lower in May than a year earlier in 254 of the 389 metropolitan areas, higher in 94 areas, and unchanged in 41 areas.” The statewide unemployment rate in Tennessee was 3.1 percent in May 2019. Among the state’s metropolitan areas, Nashville-Davidson-Murfreesboro-Franklin had the lowest rate at 2.4 percent, and Memphis and Clarksville were the highest at 3.8 percent. (Table compiled by staff from BLS data.)

State and Metropolitan Areas	Civilian Labor Force	Number Unemployed	Percent Unemployed
Tennessee (statewide)	3,363,323	102,712	3.1%
Non-Metropolitan Areas	377,150	12,476	3.3%
Metropolitan Areas Total	2,986,173	90,236	3.0%
Chattanooga	277,348	8,393	3.0%
Clarksville	119,546	4,532	3.8%
Cleveland	59,085	1,900	3.2%
Jackson	66,585	2,087	3.1%
Johnson City	93,956	3,265	3.5%
Kingsport-Bristol-Bristol	142,047	4,798	3.4%
Knoxville	439,421	12,781	2.9%
Memphis	650,774	24,489	3.8%
Morristown	53,372	1,847	3.5%
Nashville-Davidson–Murfreesboro– Franklin	1,084,039	26,144	2.4%

Friday, [Jobs Report](#): “Total nonfarm payroll employment increased by 224,000 in June, and the unemployment rate was little changed at 3.7 percent. . . . Notable job gains occurred in professional and business services, in health care, and in transportation and warehousing.

Chart 1. Unemployment rate, seasonally adjusted, June 2017 – June 2019

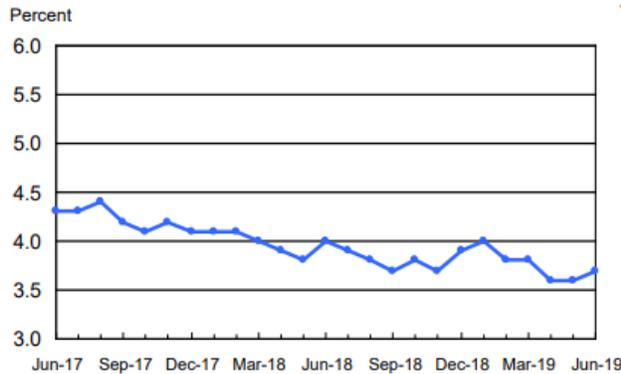
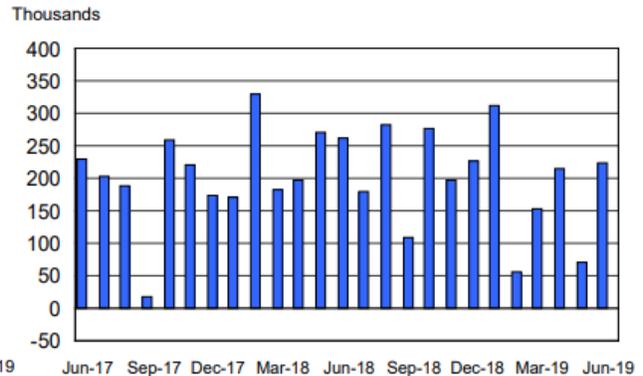


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, June 2017 – June 2019



Source: Bureau of Labor Statistics.

Department of Labor

Wednesday, [Initial Claims](#): “In the week ending June 29, the advance figure for seasonally adjusted initial claims was 221,000, a decrease of 8,000 from the previous week’s revised level.”

Institute for Supply Management

Monday, [Purchase Managers Index](#): The index “registered 51.7 percent, a decrease of 0.4 percentage point from the May reading of 52.1 percent. . . . Comments from the panel reflect continued expanding business strength, but at soft levels.” ISM Manufacturing Business Survey Committee Chair Timothy Fiore said “Respondents expressed concern about U.S.-China trade turbulence, potential Mexico trade actions and the global economy. Overall, sentiment this month is evenly mixed.”

IHS Markit

Monday, [Manufacturing Purchasing Managers Index \(PMI\)](#): “June data signaled a further near-stagnation of operating conditions across the U.S manufacturing sector.” The index “posted 50.6 in June, broadly in line with 50.5 in May, to signal only a marginal improvement in the health of the U.S manufacturing sector.”

Wednesday, [Services Business Activity Index](#): “June survey data indicated a marginal increase in business activity across the U.S service sector.” The index “registered 51.5 in June, up slightly from 50.9 in May.” However, “Uncertainty regarding future new order growth dampened business confidence further as expectations hit a three-year low.”

Investor’s Business Daily

Tuesday, [Economic Optimism](#): The index “jumped 3.4 points to 56.6 into strongly optimistic territory at the start of July. A resurgent Dow Jones and rising hopes for a China trade deal fueled a bounce after trade fears had dragged down sentiment.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 0.1 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$484,350 or less) increased to 4.07 percent from 4.06 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 3.42 percent from 3.40 percent.”

Challenger, Gray & Christmas

Wednesday, [Job Cuts](#): “Employers announced 41,977 cuts in June, down 28% from the 58,577 cuts announced in May. Despite the monthly drop, June’s cuts are 13% higher than the 37,202 cuts announced in June of last year.” Vice President Andrew Challenger said, “Job cuts are trending higher overall. In addition to Retail, we’ve seen significant cuts in the Industrial Manufacturing and Automotive sectors in recent months.” The report notes “this is the eleventh consecutive month job cuts are higher than the corresponding month the year prior.”

ADP

Wednesday, [Employment](#): “Private sector employment increased by 102,000 jobs from May to June,” according to the company’s payroll data. Ahu Yildirmaz, Vice President and co-head of the ADP Research Institute, commented: “While large businesses continue to do well, small businesses are struggling as they compete with the ongoing tight labor market. The goods producing sector continues to show weakness. Among services, leisure and hospitality’s weakness could be a reflection of consumer confidence.”

