

Economic Update, January 18, 2019
Submitted by Michael Mount

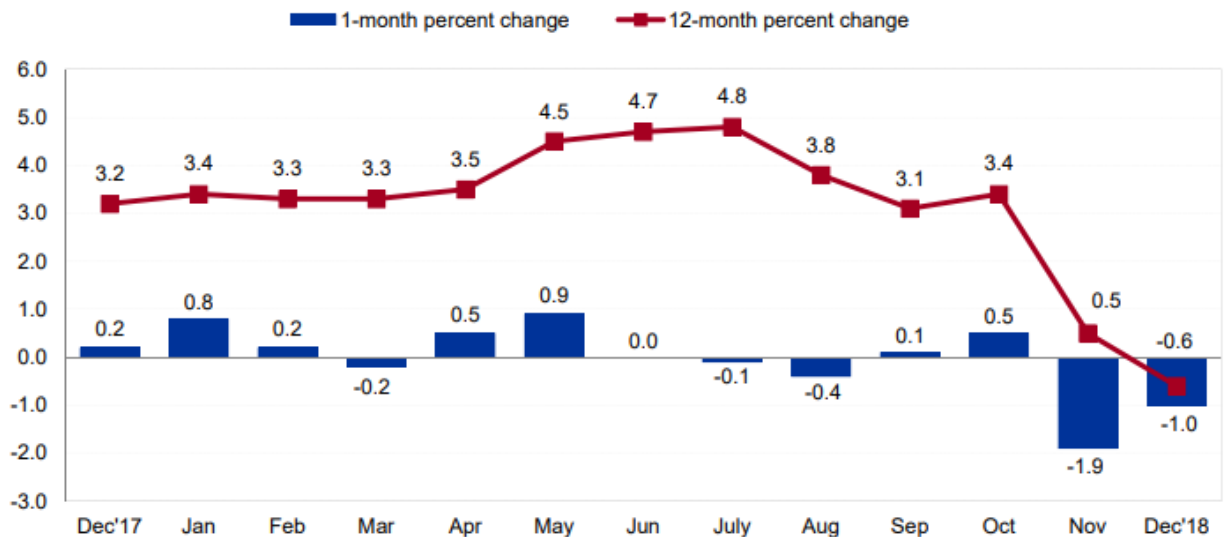
Summary: Labor market indicators stayed strong, with Tennessee’s unemployment rate unchanged at 3.6%. However, both the economic optimism and consumer sentiment surveys showed worsening attitudes about the economy’s prospects. Economists’ estimates of the probability that there will be a recession in the next 12 months are nearing 25% (the latest reading of 24.81% doesn’t show up on the chart at the bottom).

Bureau of Labor Statistics

Tuesday, [Producer Price Index](#): The index “for final demand fell 0.2 percent in December, seasonally adjusted . . . Final demand prices advanced 0.1 percent in November and 0.6 percent in October.”

Wednesday, [US Import and Export Prices](#): “Prices for US imports decreased 1.0 percent in December . . . after a 1.9-percent fall the previous month. Lower fuel prices drove the decline in December, and nonfuel prices recorded no change. US export prices fell 0.6 percent in December following a 0.8-percent drop in November.”

Chart 1. One-month and 12-month percent changes in the Import Price Index: December 2017 – December 2018



Thursday, [Weekly Earnings](#): “Median weekly earnings of the nation's 115.9 million full-time wage and salary workers were \$900 in the fourth quarter of 2018 (not seasonally adjusted) . . . This was 5.0 percent higher than a year earlier, compared with a gain of 2.2 percent in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period.”

Friday, [State Employment and Unemployment](#): “Unemployment rates were higher in December in 4 states, lower in 3 states, and stable in 43 states and the District of Columbia . . .” The national unemployment rate increased from 3.7% in November 2018 to 3.9% in December, but Tennessee’s unemployment rate remained at 3.6%.

Friday, [Union Membership](#): “The union membership rate—the percent of wage and salary workers who were members of unions—was 10.5 percent in 2018, down by 0.2 percentage point from 2017 . . . The number of wage and salary workers belonging to unions, at 14.7 million in 2018, was little changed from 2017.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending January 12, the advance figure for seasonally adjusted initial claims was 213,000, a decrease of 3,000 from the previous week's unrevised level of 216,000.”

Federal Reserve

Monday, [Consumer Expectations](#): “Median inflation expectations at the one-year horizon remained unchanged at 3.0%, while they increased by 0.1 percentage points at the three-year horizon to 3.0% in December, returning to October reading. . . .Median one-year ahead earnings growth expectations rebounded from 2.0% in November to 2.5% in December, back to its October reading. . . .Median expected household income expectations declined to 2.9%; while the median household spending growth expectations remained unchanged at 3.5% in December.”

IBD/TIPP

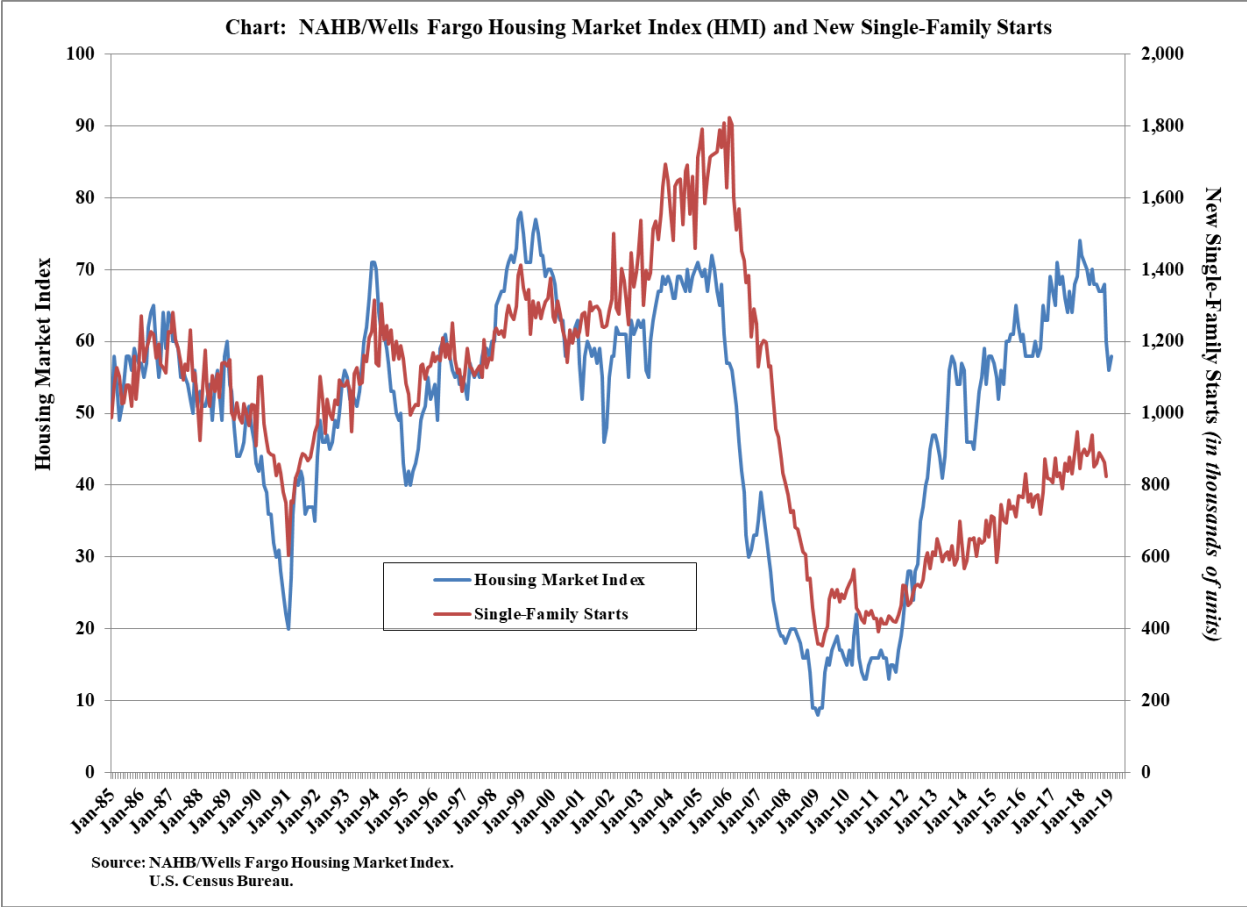
Tuesday, [Economic Optimism](#): The index “slipped three-tenths of a point to 52.3 in early January, the lowest since December 2017.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 13.5 percent from one week earlier . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$484,350 or less) remain unchanged at 4.74 percent . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to its lowest level since April 2018, 4.13 percent, from 4.16 percent . . .”

NAHB

Wednesday, [Housing Market Index](#): The index increased to 58 in January 2019 after falling to 56 in December 2018 from 60 in November 2018. See chart below.

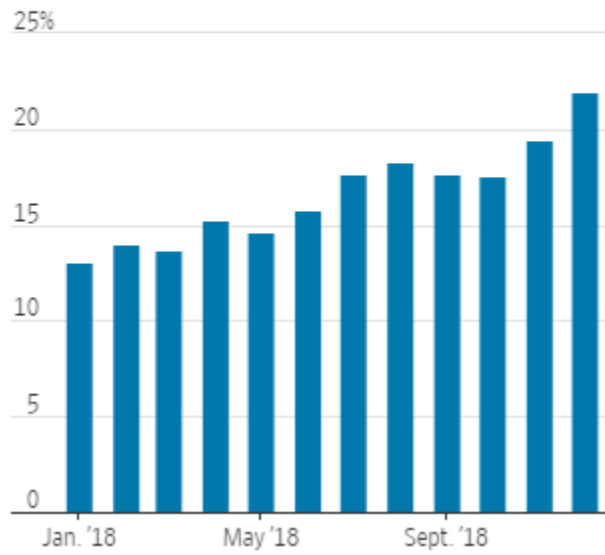


University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment declined in early January . . . The decline was primarily focused on prospects for the domestic economy, with the year-ahead outlook for the national economy judged the worst since mid 2014.”

Worry Lines

Economists' forecast of recession odds over the next 12 months



Source: Wall Street Journal economic forecasting survey.