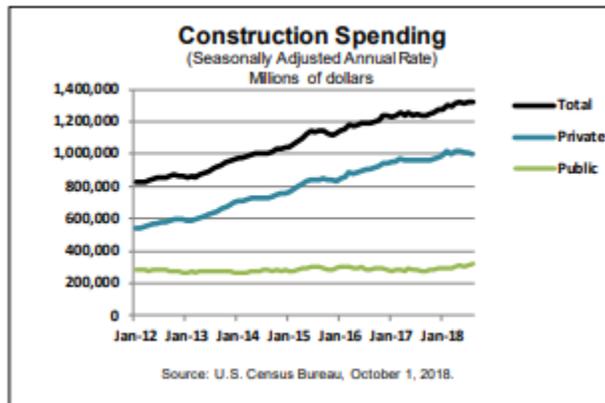


Economic Update, October 5, 2018
Submitted by Dave Keiser

Summary: The economic news this week is generally positive. Unemployment is at all-time lows, manufacturing is expanding, construction spending continues to increase, shipments and new orders are up, consumers are confident, and consumption increased. While service sector growth in September was at its weakest since January, according to IHS Markit, the sector's growth for the third quarter was strong overall.

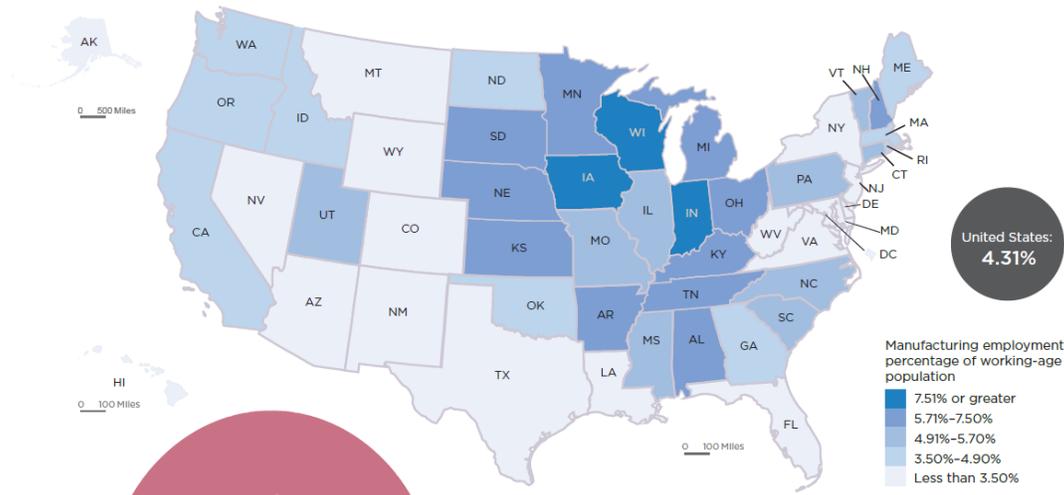
Census Bureau

Monday, [Construction Spending](#): "Construction spending during August 2018 was estimated at a seasonally adjusted annual rate of \$1,318.5 billion, 0.1 percent above the revised July estimate of \$1,317.4 billion. The August figure is 6.5 percent above the August 2017 estimate of \$1,237.5 billion. During the first eight months of this year, construction spending amounted to \$862.0 billion, 5.3 percent above the \$818.7 billion for the same period in 2017."



Monday, [Manufacturing Data from the U.S. Census Bureau](#): "Manufacturing plays a major role in our economy, with 11.6 million employees producing goods that we consume domestically or export abroad." Manufacturing is the fifth-largest sector in the U.S. in terms of employment, and nearly 6 in 10 U.S. export dollars come from manufacturers. Within the manufacturing sector, transportation equipment manufacturing employs the most people and is the largest based on value of shipments.

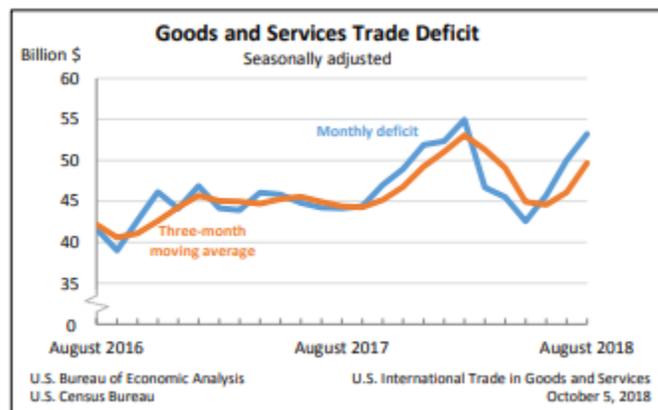
Manufacturing Employment as a Percentage of Total Working-Age Population by State¹



Source: U.S. Census Bureau. 2018. "Manufacturing in America." October 1.

Thursday, [Manufacturers' Shipments, Inventories, and Orders](#): "New orders for manufactured goods in August, up three of the last four months, increased \$11.5 billion or 2.3 percent to \$510.5 billion. . . . This followed a 0.5 percent July decrease. Shipments, up fifteen of the last sixteen months, increased \$2.3 billion or 0.5 percent to \$504.0 billion. This followed a virtually unchanged July increase. Unfilled orders, up nine of the last ten months, increased \$10.4 billion or 0.9 percent to \$1,176.5 billion. This followed a 0.1 percent July increase. The unfilled orders-to-shipments ratio was 6.68, down from 6.72 in July. Inventories, down following twenty-one consecutive monthly increases, decreased \$0.5 billion or 0.1 percent to \$675.6 billion. This followed a 0.9 percent July increase. The inventories-to-shipments ratio was 1.34, down from 1.35 in July."

Friday, [U.S. International Trade in Goods and Services](#): "August exports were \$209.4 billion, \$1.7 billion less than July exports. August imports were \$262.7 billion, \$1.5 billion more than July imports. The August increase in the goods and services deficit reflected an increase in the goods deficit of \$3.6 billion to \$76.7 billion and an increase in the services surplus of \$0.4 billion to \$23.5 billion. Year-to-date, the goods and services deficit increased \$31.0 billion, or 8.6 percent, from the same period in 2017. Exports increased \$129.6 billion or 8.4 percent. Imports increased \$160.6 billion or 8.4 percent."

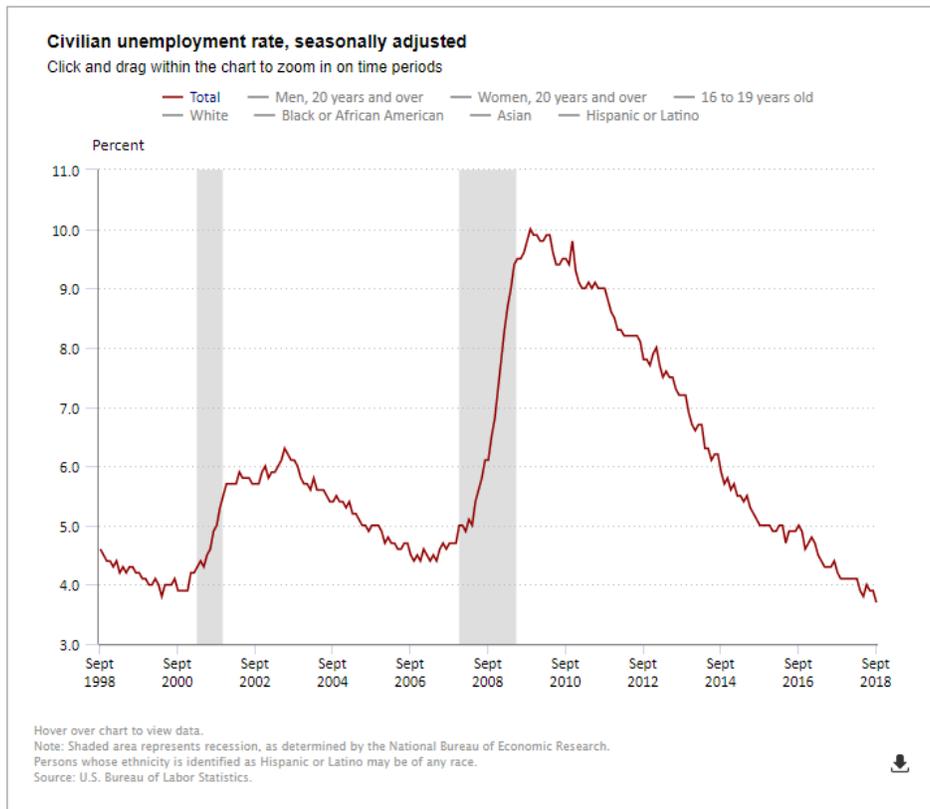


Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment—August 2018](#):

“Unemployment rates were lower in August than a year earlier in 340 of the 388 metropolitan areas, higher in 35 areas, and unchanged in 13 areas. . . . Fifty-seven areas had jobless rates of less than 3.0 percent and two areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 60 metropolitan areas and was essentially unchanged in 328 areas. The national unemployment rate in August was 3.9 percent, not seasonally adjusted, down from 4.5 percent a year earlier.”

Friday, [Employment Situation](#): “The unemployment rate declined to 3.7 percent in September, and total nonfarm payroll employment increased by 134,000. . . . Job gains occurred in professional and business services, in health care, and in transportation and warehousing.”



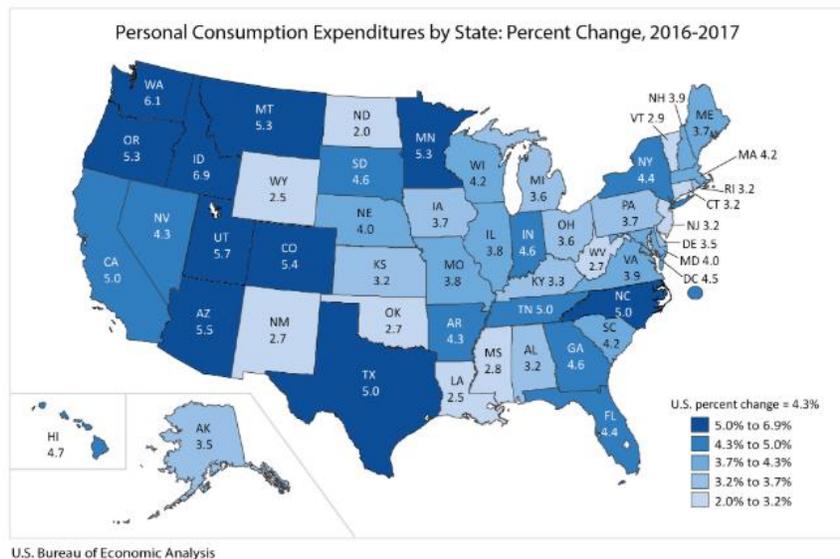
ADP.com

Wednesday, [ADP Employment Report](#): Private sector employment increased by 230,000 in September 2018. Construction gained 34,000 jobs, manufacturing was up by 7,000 jobs, education and health services added 44,000 jobs, professional and business services added 70,000 jobs, and trade, transportation, and utilities added 30,000 jobs. In contrast, information services lost 3,000 jobs. Mark Zandi, chief economist of Moody’s Analytics, said, “The job market continues to power forward. Employment gains are broad-based across industries and company sizes. At the current pace of job creation, unemployment will fall into the low 3%’s by this time next year.”

Bureau of Economic Analysis

Wednesday, [Personal Consumption Expenditures by State, 2017](#): “State personal consumption expenditures (PCE) increased on average 4.3 percent in 2017, an acceleration from the 3.8 percent increase in 2016. . . . The percent change in PCE across all states ranged from 6.9 percent in Idaho to 2.0

percent in North Dakota. After Idaho, the states with the fastest growth in PCE were Washington, Utah, and Arizona. Idaho and Utah were also among the fastest growing states in 2016. After North Dakota, the states with the slowest PCE growth were Wyoming, Louisiana, and Oklahoma.”



U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending September 29, the advance figure for seasonally adjusted initial claims was 207,000, a decrease of 8,000 from the previous week’s revised level. . . . The 4-week moving average was 207,000, an increase of 500 from the previous week’s revised average.”

Institute for Supply Management (ISM)

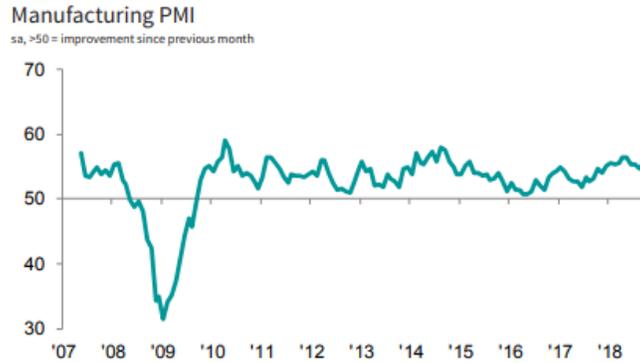
Monday, [September 2018 Manufacturing ISM Report on Business](#): “Economic activity in the manufacturing sector expanded in September, and the overall economy grew for the 113th consecutive month. . . . ‘Export orders expanded, but four major industries are no longer contributing. Price pressure continues, but the index softened for the fourth straight month and dropped below 70 for the first time since December 2017. Demand remains robust, but employment resources and supply chains continue to struggle, but to a lesser degree. Respondents are again overwhelmingly concerned about tariff-related activity, including how reciprocal tariffs will impact company revenue and current manufacturing locations,’ says [Chair of the Institute for Supply Management Manufacturing Business Survey Committee Timothy R.] Fiore.”

Wednesday, [September 2018 Non-Manufacturing ISM Report on Business](#): “Economic activity in the non-manufacturing sector grew in September for the 104th consecutive month.” According to the index, “17 non-manufacturing industries reported growth. The non-manufacturing sector has had two consecutive months of strong growth since the ‘cooling off’ in July. Overall, respondents remain positive about business conditions and the current and future economy. Concerns remain about capacity, logistics and the uncertainty with global trade.”

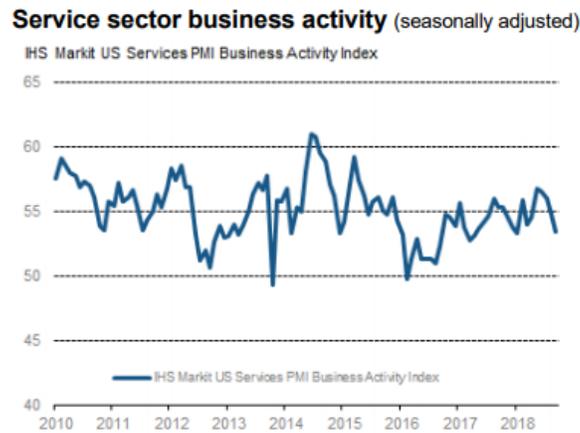
IHS Markit Economics

Monday, [U.S. Manufacturing Purchasing Managers’ Index \(PMI\)](#): “September data indicated a strong improvement in operating conditions across the U.S. manufacturing sector. The overall performance was driven by sharper rises in output and new orders, though new business from abroad continued to expand at only a marginal pace. A faster increase in new orders contributed to greater capacity pressures, with backlogs accumulating at the joint-fastest rate since September 2015. Meanwhile, input prices continued to increase sharply. Components shortages and increased demand

for inputs reportedly pushed purchase costs higher. Firms were able to partly pass greater costs onto clients through a solid rise in charges.”



Wednesday, [U.S. Services PMI](#): The index “registered 53.5 in September, down from 54.8 in August. The latest figure indicated the weakest growth since January, with the rate of expansion softening for the fourth month running. Nonetheless, the average for the third quarter of 2018 was strong overall. Anecdotal evidence cited greater demand, however, some clients were apprehensive due to reports of a sluggish housing market.”



Source: IHS Markit.

University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment remained at very favorable levels in September, with the Index topping 100.0 for only the third time since January 2004. Most of the September gain was among households with incomes in the bottom third, whose index value of 96.3 was the highest since November 2000. In contrast, the Sentiment Index among households with incomes in the top third lost a total of 8.1% during the past seven months since reaching its cyclical peak of 111.9 in February 2018. This divergence across income subgroups has been observed in past economic cycles and indicates that the expansion has now benefitted nearly all population subgroups.”