Economic Update, November 2, 2018
Submitted by Michael Mount

Summary: The latest jobs report was positive, with employers adding 250,000 jobs in October, more than was expected. The unemployment rate stayed at 3.7 percent. Wage and salary growth finally returned to where it was a decade ago (see chart below). I also included a chart showing that periods of very low unemployment tend to precede recessions (see chart at the bottom).

Census

Tuesday, Residential Vacancies and Homeownership: "The rental vacancy rate of 7.1 percent was 0.4 percentage points lower than the rate in the third quarter 2017 (7.5 percent) and not statistically different from the rate in the second quarter 2018 (6.8 percent). The homeowner vacancy rate of 1.6 percent was virtually unchanged from the rate in the third quarter 2017 and 0.1 percentage points higher than the rate in the second quarter 2018 (1.5 percent). The homeownership rate of 64.4 percent was not statistically different from the rate in the third quarter 2017 (63.9 percent) nor from the rate in the second quarter 2018 (64.3 percent)."

Thursday, Construction Spending: "Construction spending during September 2018 was estimated at a seasonally adjusted annual rate of $1,329.5 billion, nearly the same as the revised August estimate of $1,328.8 billion. The September figure is 7.2 percent above the September 2017 estimate of $1,240.4 billion."

Friday, Manufacturers' Shipments, Inventories and Others: "New orders for manufactured durable goods in September increased $2.0 billion or 0.8 percent to $262.1 billion. . . . Shipments of manufactured durable goods in September, up four of the last five months, increased $3.3 billion or 1.3 percent to $256.8 billion. . . . Inventories of manufactured durable goods in September, up twenty of the last twenty-one months, increased $2.8 billion or 0.7 percent to $410.7 billion."

Friday, International Trade: "[T]he goods and services deficit was $54.0 billion in September, up $0.7 billion from $53.3 billion in August, revised. . . . September exports were $212.6 billion, $3.1 billion more than August exports. September imports were $266.6 billion, $3.8 billion more than August imports."

Bureau of Economic Analysis

Monday, Personal Income and Outlays: "Personal income increased $35.7 billion (0.2 percent) in September. . . . Disposable personal income (DPI) increased $29.1 billion (0.2 percent) and personal consumption expenditures (PCE) increased $53.0 billion (0.4 percent)." From September 2017 to September 2018, the PCE price index, excluding food and energy, increased 2.0 percent.

Wednesday, Gross Domestic Product by Industry: "Information; real estate and rental and leasing; and professional, scientific, and technical services were the leading contributors to the increase in U.S. economic growth in the second quarter of 2018. . . . 16 of 22 industry groups contributed to the overall 4.2 percent increase in real GDP in the second quarter."

Bureau of Labor Statistics

Wednesday, Employment Cost Index: "Compensation costs for civilian workers increased 0.8 percent, seasonally adjusted, for the 3-month period ending in September 2018. . . . Wages and salaries (which make up about 70 percent of compensation costs) increased 0.9 percent and benefit costs (which make up the remaining 30 percent of compensation) increased 0.4 percent from June 2018."

Employment cost index, 1-year change

Note: Private-sector workers
Source: Labor Department

Thursday, Productivity and Costs: "Nonfarm business sector labor productivity increased 2.2 percent during the third quarter of 2018 . . . as output increased 4.1 percent and hours worked increased 1.8 percent. . . . From the third quarter of 2017 to the third quarter of 2018, productivity increased 1.3 percent, reflecting a 3.7-percent increase in output and a 2.4-percent increase in hours worked.

Friday, The Employment Situation: "Total nonfarm payroll employment rose by 250,000 in October, and the unemployment rate was unchanged at 3.7 percent. . . . Job gains occurred in health care, in manufacturing, in construction, and in transportation and warehousing." This was better than expected. Average hourly earnings increased 5 cents to $27.30 in October.

ISM

Thursday, Purchase Managers Index: "Economic activity in the manufacturing sector expanded in October, and the overall economy grew for the 114th consecutive month." The index "registered 57.7 percent, a decrease of 2.1 percentage points from the September reading of 59.8 percent." (Values greater than 50 indicate the economy is expanding).

Department of Labor

Thursday, Initial Claims: "In the week ending October 27, the advance figure for seasonally adjusted initial claims was 214,000, a decrease of 2,000 from the previous week's revised level."

ADP

Wednesday, National Employment Report: –"Private sector employment increased by 227,000 jobs from September to October. . . . Mark Zandi, chief economist of Moody's Analytics, said, 'The job market bounced back strongly last month despite being hit by back-to-back hurricanes. Testimonial to the robust employment picture is the broad-based gains in jobs across industries. The only blemish is the struggles small businesses are having filling open job positions.'"

Challenger Gray

Thursday, Job Cut Report: "For the third time this year, one company's announcement has made up the bulk of job cuts for one month, as U.S.-based employers announced plans to cut 75,644 jobs from their payrolls in October. . . . Over half (58.2 percent) of October job cuts come from Verizon's announcement that it will offer voluntary severance packages to 44,000 managers in an effort to save $10 billion."

S&P CoreLogic

Tuesday, Case-Shiller Home Price Indices: The U.S. National index increased to 205.81 in August, 2018, an increase of 0.22 percent from July 2018 and a 5.77 percent increase from a year ago.

Mortgage Bankers Association

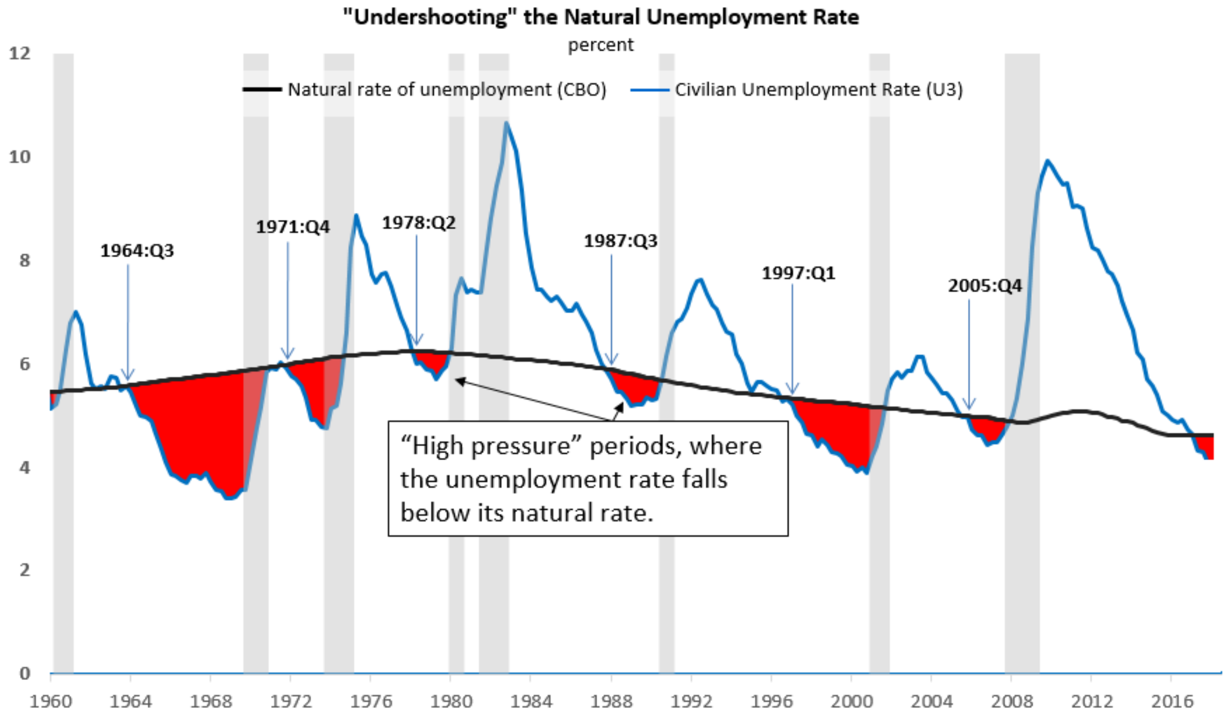
Wednesday, Mortgage Applications: "Mortgage applications decreased 2.5 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($453,100 or less) remained unchanged at 5.11 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 4.55 percent from 4.50 percent."

The Conference Board

Tuesday, Consumer Confidence: The index "increased again in October, following a modest improvement in September. The Index now stands at 137.9 (1985=100), up from 135.3 in September. The Present Situation Index–based on consumers' assessment of current business and labor market conditions–improved from 169.4 to 172.8. The Expectations Index–based on consumers' short-term outlook for income, business and labor market conditions–increased from 112.5 last month to 114.6 this month."

University of Michigan

Friday, Consumer Sentiment: The index "has been higher thus far in 2018 (98.5) than in any prior year since 2000, which was the last year of the longest expansion since the mid-1800s. Importantly, stock price declines, rising inflation and interest rates, and the negative mid-term election campaigns, have not acted to undermine consumer confidence."



Sources: Bureau of Labor Statistics; Congressional Budget Office (CBO)