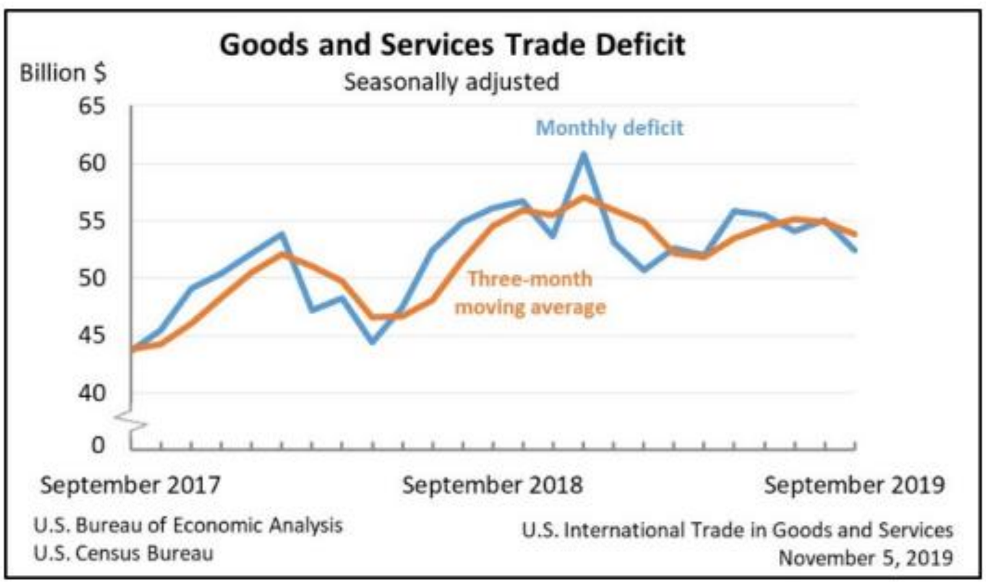
Economic Update, November 8, 2019
Submitted by Dave Keiser

Summary: Almost every indicator was negative this week. Manufacturing inventories are filling up, while there are fewer new orders and shipments. Exports and imports are both down. Job openings and labor productivity are down. Labor is getting paid more albeit also working more hours. The real estate season is slowing down, evident from a decrease in mortgage applications this past week. On the positive side, we still have record lows for unemployment, and the non-manufacturing sector saw increased economic activity. Tennessee's gross domestic product increased 1.3 percent in the second quarter of 2019.

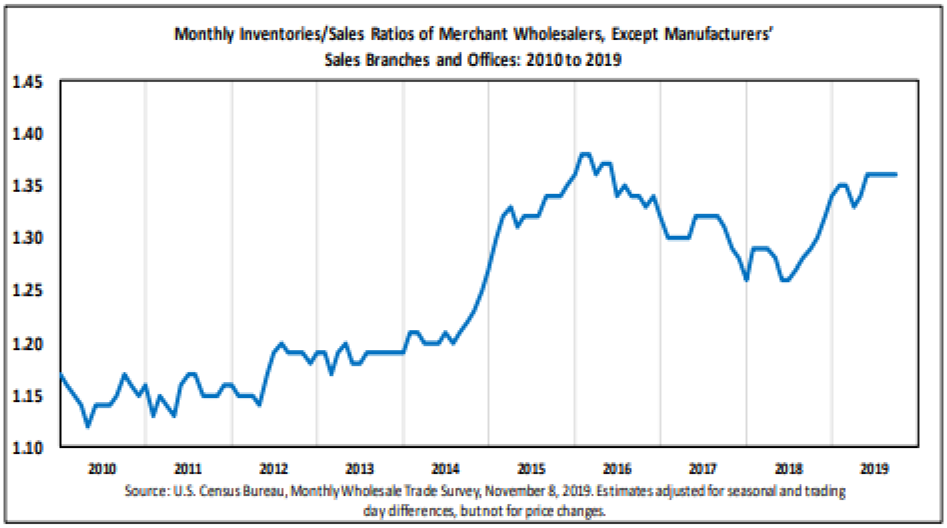
Census

Monday, Manufacturers' Shipments, Inventories, and Orders: "New orders for manufactured goods in September, down two consecutive months, decreased $2.9 billion or 0.6 percent to $496.7 billion. . . . This followed a 0.1 percent August decrease. Shipments, down three consecutive months, decreased $1.1 billion or 0.2 percent to $501.1 billion. This followed a 0.3 percent August decrease. Unfilled orders, down following two consecutive monthly increases, decreased $0.1 billion or virtually unchanged to $1,163.3 billion. This followed a 0.1 percent August increase. . . . Inventories, up nine of the last ten months, increased $2.2 billion or 0.3 percent to $697.9 billion. This followed a 0.1 percent August decrease."

Tuesday, U.S. International Trade in Good and Services: "September exports were $206.0 billion, $1.8 billion less than August exports. September imports were $258.4 billion, $4.4 billion less than August imports. The September decrease in the goods and services deficit reflected a decrease in the goods deficit of $2.7 billion to $71.7 billion and a decrease in the services surplus of $0.1 billion to $19.3 billion. Year-to-date, the goods and services deficit increased $24.8 billion, or 5.4 percent, from the same period in 2018. Exports decreased $7.0 billion or 0.4 percent. Imports increased $17.8 billion or 0.8 percent. The average goods and services deficit decreased $1.0 billion to $53.8 billion for the three months ending in September."

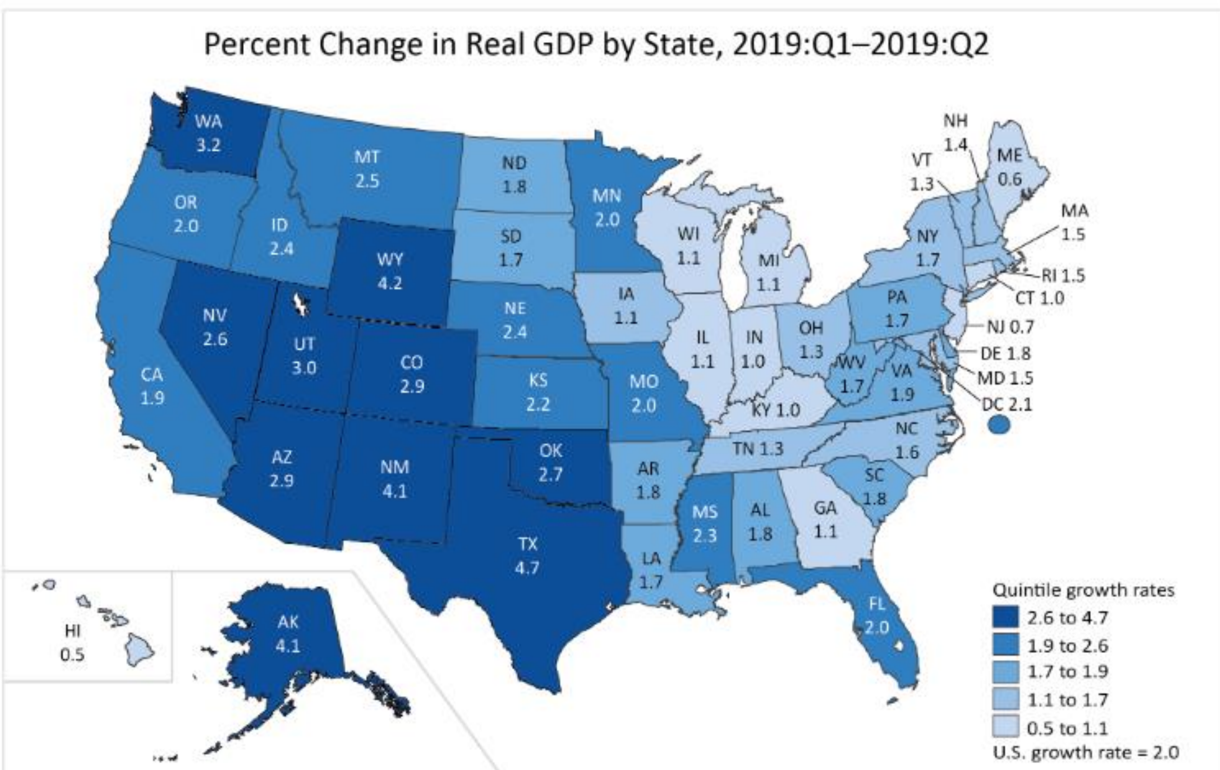


Friday, Wholesale Trade: "September 2018 sales of merchant wholesalers . . . were $498.6 billion, virtually unchanged from the revised August level, but were down 0.6 percent from the September 2018 level. . . . Total inventories of merchant wholesalers . . . were $676.7 billion at the end of September, down 0.4 percent from the revised August level. . . . The September inventories/sales ratio for merchant wholesalers . . . was 1.36. The September 2018 ratio was 1.29."



Bureau of Economic Analysis

Thursday, [Gross Domestic Product by State, Second Quarter 2019](): "Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the second quarter of 2019. . . . The percent change in real GDP in the second quarter ranged from 4.7 percent in Texas to 0.5 percent in Hawaii." The U.S. growth rate was 2.0 percent; Tennessee's was 1.3 percent.



U.S. Bureau of Economic Analysis

Bureau of Labor Statistics

Tuesday, Job Openings and Labor Turnover Survey: "The number of job openings edged down to 7.0 million (-277,000). . . . Over the month, hires and separations were little changed at 5.9 million and 5.8 million. . . . Within separations, the quits rate and the layoffs and discharges rate were little changed at 2.3 percent and 1.3 percent."

Chart 1. Job openings rate, seasonally adjusted, September 2016 - September 2019

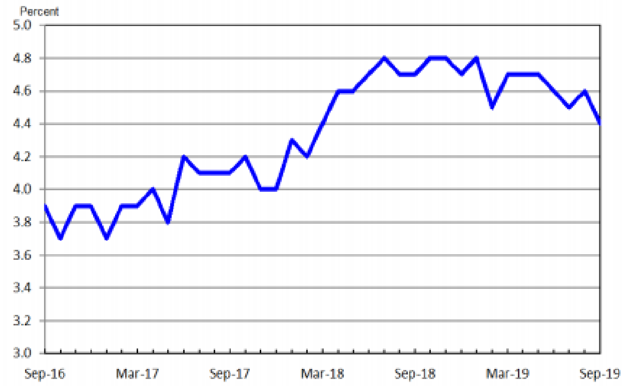
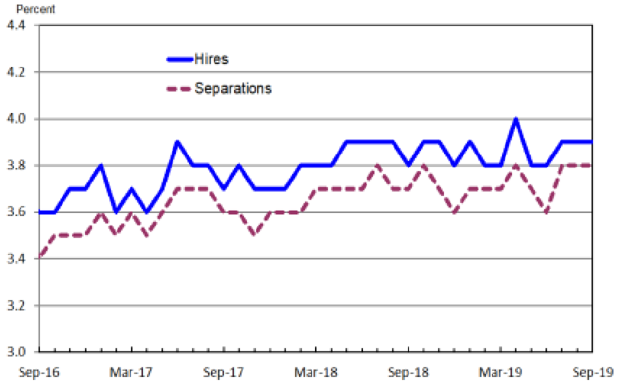


Chart 2. Hires and total separations rates, seasonally adjusted, September 2016 - September 2019



Wednesday, Productivity and Costs: "Nonfarm business sector labor productivity decreased 0.3 percent in the third quarter of 2019 . . . as output increased 2.1 percent and hours worked increased 2.4 percent. . . . Unit labor costs in the nonfarm business sector increased 3.6 percent in the third quarter of 2019, reflecting a 3.3-percent increase in compensation per hour and a 0.3-percent decline in productivity. Unit labor costs increased 3.1 percent over the last four quarters."

Chart 1. Labor productivity, nonfarm business, 2015Q1 – 2019Q3

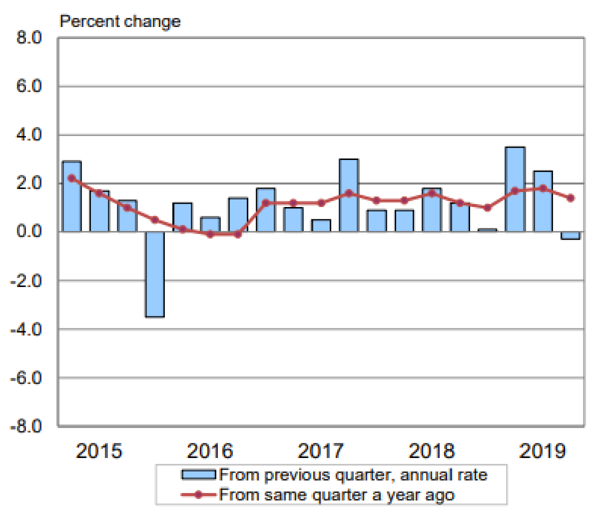
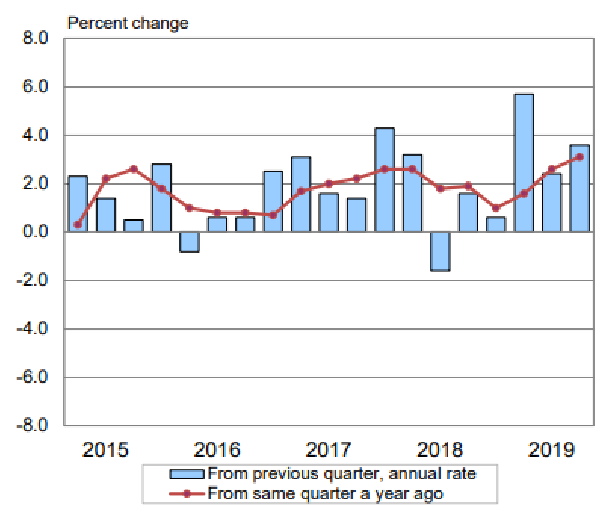


Chart 2. Unit labor costs, nonfarm business, 2015Q1 – 2019Q3



Thursday, Employer-Reported Workplace Injuries and Illnesses: "There were 2.8 million nonfatal workplace injuries and illnesses reported by private industry employers in 2018, unchanged from 2017."

Chart 1. Incidence rates of total recordable cases, private industry, 2009-18

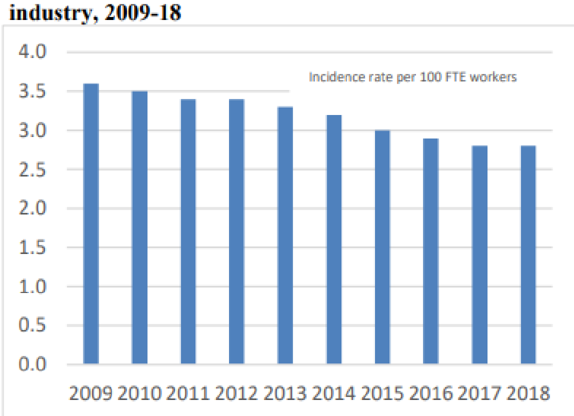
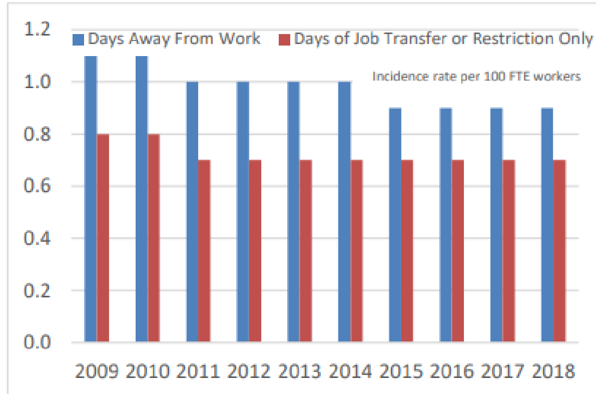


Chart 2. Incidence rates of days away from work cases and job transfer or restriction only cases, private industry, 2009-18



Department of Labor

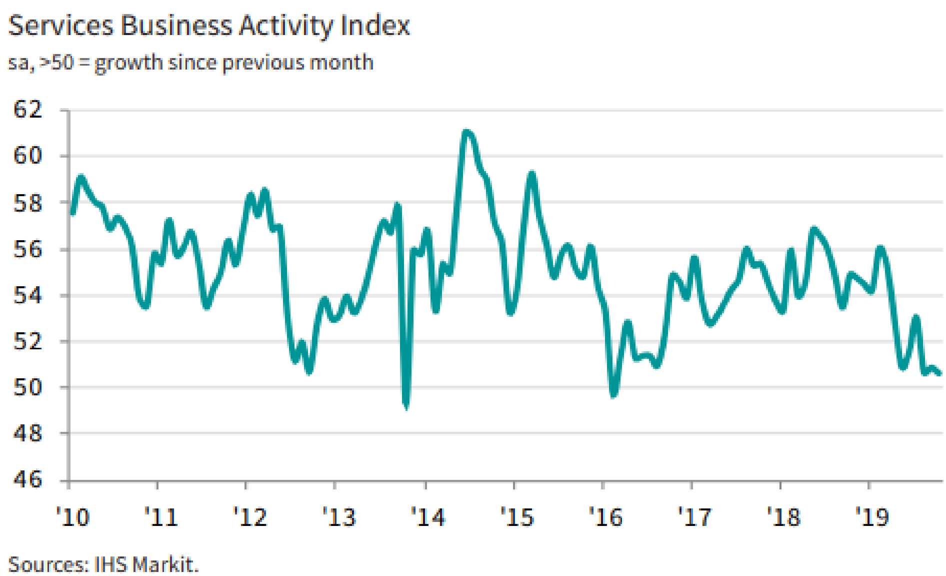
Thursday, Initial Claims: "In the week ending November 2, the advance figure for seasonally adjusted initial claims was 211,000, a decrease of 8,000 from the previous week's revised level. . . . The 4-week moving average was 215,250, an increase of 250 from the previous week's revised average."

Institute for Supply Management

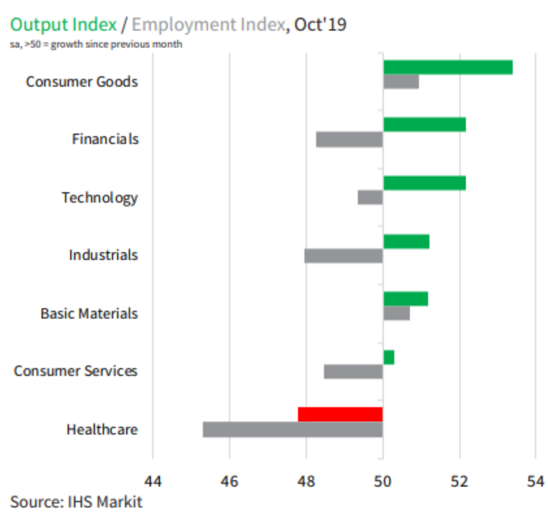
Tuesday, Non-manufacturing Sector: "Economic activity in the non-manufacturing sector grew in October for the 117th consecutive month." The index registered "54.7 percent, which is 2.1 percentage points above the September reading of 52.6 percent. This represents continued growth in the non-manufacturing sector, at a faster rate."

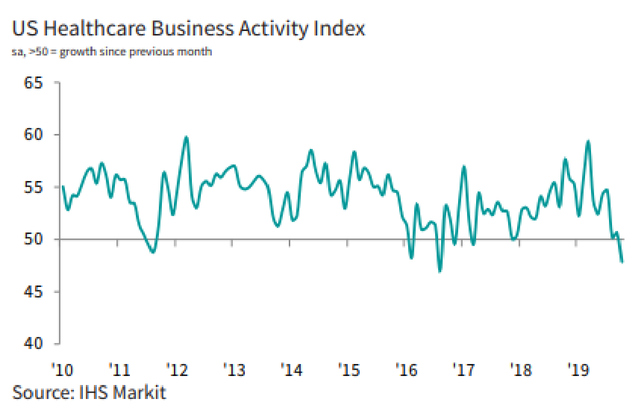
IHS Markit

Tuesday, PMI Services: "U.S. service providers reported a further slowdown in business activity growth in October, as new business stagnated and export demand dropped further. The marginal expansion was the weakest since early-2016 and resulted in the sharpest decrease in workforce numbers since December 2009. Nonetheless, firms noted a slightly more upbeat outlook for the year ahead." The "index registered 50.6 in October, dropping slightly from 50.9 in September and downwardly revised from the flash figure of 51.0."



Friday, [US Sector PMI](): "Healthcare firms noted the fastest contraction in business activity in over three years in October. . . . Although the decrease was only modest overall, it was the first such decline since March 2017, with healthcare the only monitored sub-sector registering a downturn in output. At the other end of the spectrum, consumer goods manufacturers reported the fastest expansion in production during October. The rate of growth accelerated to a solid pace that was the fastest in eight months."





The Conference Board

Monday, [Employment Trends Index (ETI)](): The index "decreased in October, following an increase in September. The index now stands at 110.11, down from 110.87 (a downward revision) in September. The decrease marks a 0.4 percent decline in the ETI over the past 12 months. . . . 'The index suggests that job growth may slow down a little in the coming months,' said Gad Levanon, Head of The Conference Board Labor Market Institute. 'Leading indicators of employment are sending a slightly gloomier message than Friday's stronger-than-expected jobs report. Still, with solid growth in consumer and government spending, and housing, the economy is likely to continue generating new jobs at a healthy rate, despite low business confidence.'"

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) decreased to 3.98 percent from 4.05 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.38 percent from 3.40 percent."

Federal Reserve

Thursday, Consumer Credit: "Consumer credit increased at a seasonally adjusted annual rate of 5 percent during the third quarter. Revolving credit increased at an annual rate of 2-1/4 percent, while non-revolving credit increased at an annual rate of 6 percent. In September, consumer credit increased at an annual rate of 2-3/4 percent."

University of Michigan

Friday, Consumer Sentiment: "The early November reading on consumer sentiment was nearly identical to last month's and the average 2019 level (95.6). Consumers did voice a slightly more positive outlook for the economy, which was offset by a slightly less favorable outlook for their own personal finances."