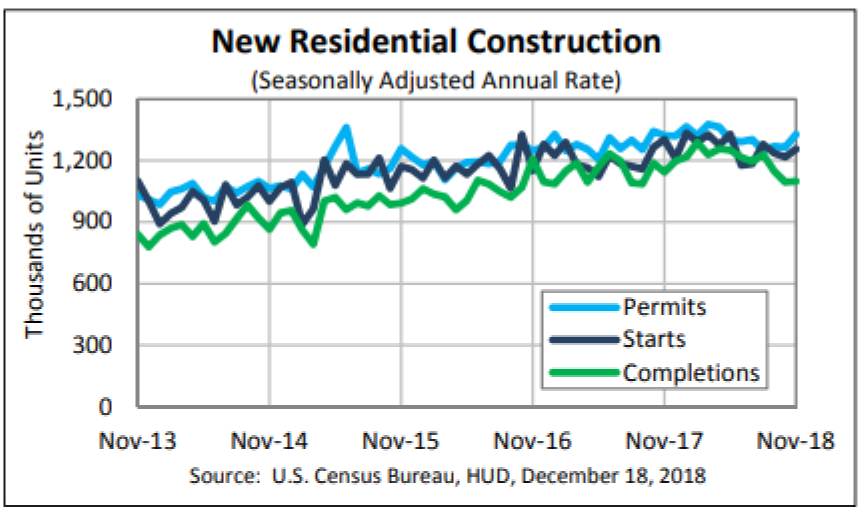
Economic Update, December 21, 2018
Submitted by Dave Keiser

Summary: Happy Winter Solstice! The shortest day of the year doesn't seem to be dampening the mood of the economy as it continues expanding. Most of this week's indicators are positive. Unemployment is still low at 3.7 percent and GDP increased 3.4 percent in the third quarter of 2018. Consumer confidence continues to break records. In addition, personal income increased, new orders and shipments were up, homes sales increased, and corporations saw their profits increase, too. The only negatives were that residential home construction was down compared to last year, and builders' confidence went down slightly. Oh, and the Federal Reserve raised its interest rate by a quarter of a point, resulting in quite a bit of market turmoil.

Census Bureau

Tuesday, New Residential Construction: "Privately-owned housing units authorized by building permits in November were at a seasonally adjusted annual rate of 1,328,000. This is 5.0 percent above the revised October rate of 1,265,000 and is 0.4 percent above the November 2017 rate of 1,323,000. . . . Privately-owned housing starts in November were at a seasonally adjusted annual rate of 1,256,000. This is 3.2 percent above the revised October estimate of 1,217,000, but is 3.6 percent below the November 2017 rate of 1,303,000. . . . Privately-owned housing completions in November were at a seasonally adjusted annual rate of 1,099,000. This is 0.4 percent above the revised October estimate of 1,095,000, but is 3.9 percent below the November 2017 rate of 1,144,000."

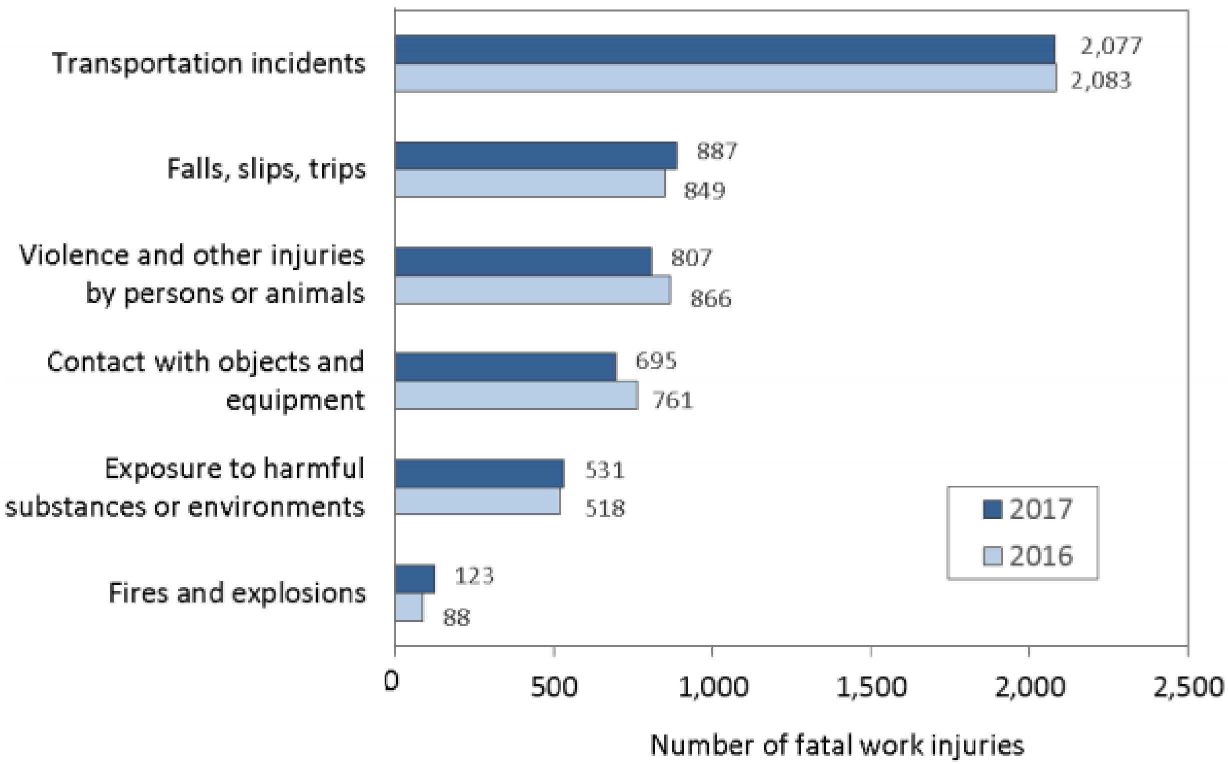


Friday, Advance Report on Durable Goods: "New orders for manufactured durable goods in November increased $1.9 billion or 0.8 percent to $250.8 billion. . . . Shipments of manufactured durable goods in November, up three of the last four months, increased $1.8 billion or 0.7 percent to $256.7 billion. . . . Unfilled orders for manufactured durable goods in November, down two consecutive months, decreased $1.7 billion or 0.1 percent to $1,181.7 billion."

Bureau of Labor Statistics

Tuesday, Census of Fatal Occupational Injuries: "There were a total of 5,147 fatal work injuries recorded in the United States in 2017, down slightly from the 5,190 fatal injuries reported in 2016. . . . Fatal falls were at their highest level in the 26-year history of the Census of Fatal Occupational Injuries (CFOI) accounting for 887 (17 percent) worker deaths. Transportation incidents remained the most frequent fatal event in 2017 with 2,077 (40 percent) occupational fatalities. Violence and other injuries by persons or animals decreased 7 percent in 2017 with homicides and suicides decreasing by 8 percent and 5 percent, respectively."

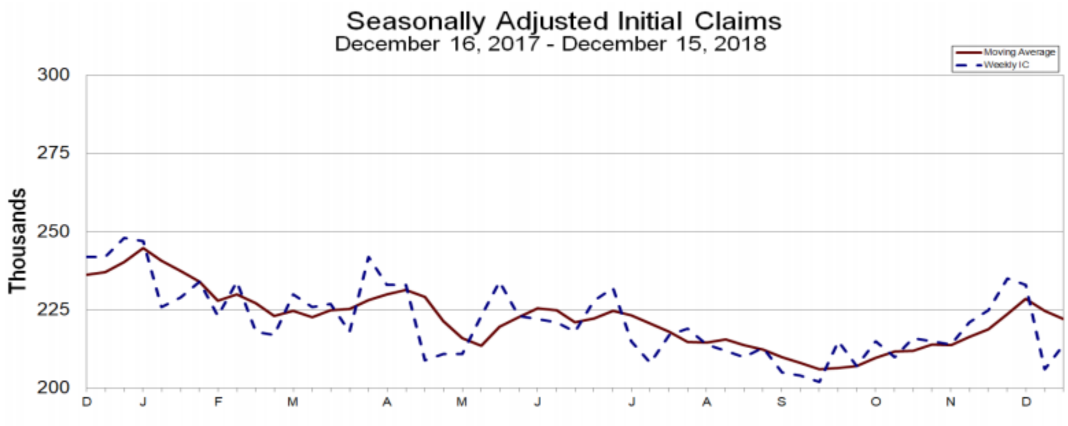
Chart 2. Fatal occupational injuries by major event, 2016-17



Friday, State Employment and Unemployment: "Unemployment rates were lower in November in 6 states, higher in 2 states, and stable in 42 states and the District of Columbia. . . . Eighteen states had jobless rate decreases from a year earlier and 32 states and the District had little or no change. The national unemployment rate remained unchanged from October at 3.7 percent but was 0.4 percentage point lower than in November 2017."

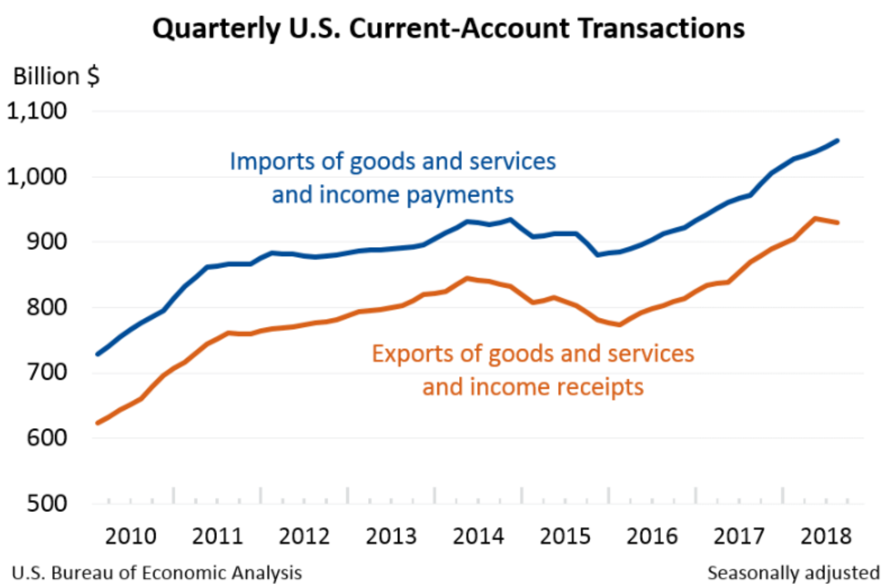
Department of Labor

Thursday, Initial Claims: "In the week ending December 15, the advance figure for seasonally adjusted initial claims was 214,000, an increase of 8,000 from the previous week's unrevised level of 206,000. The 4-week moving average was 222,000, a decrease of 2,750 from the previous week's unrevised average of 224,750."

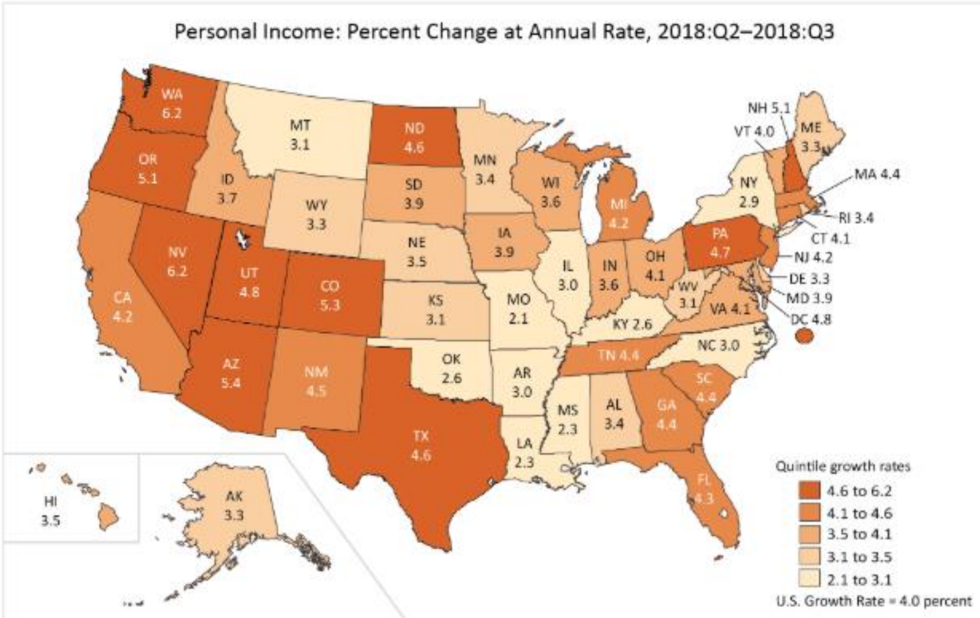


Bureau of Economic Analysis

Wednesday, [U.S. International Transactions:](#) "The U.S. current-account deficit increased to $124.8 billion (preliminary) in the third quarter of 2018 from $101.2 billion (revised) in the second quarter of 2018. . . . The deficit was 2.4 percent of current-dollar gross domestic product (GDP) in the third quarter, up from 2.0 percent in the second quarter. . . Exports of goods and services and income receipts decreased $6.2 billion in the third quarter to $930.3 billion."

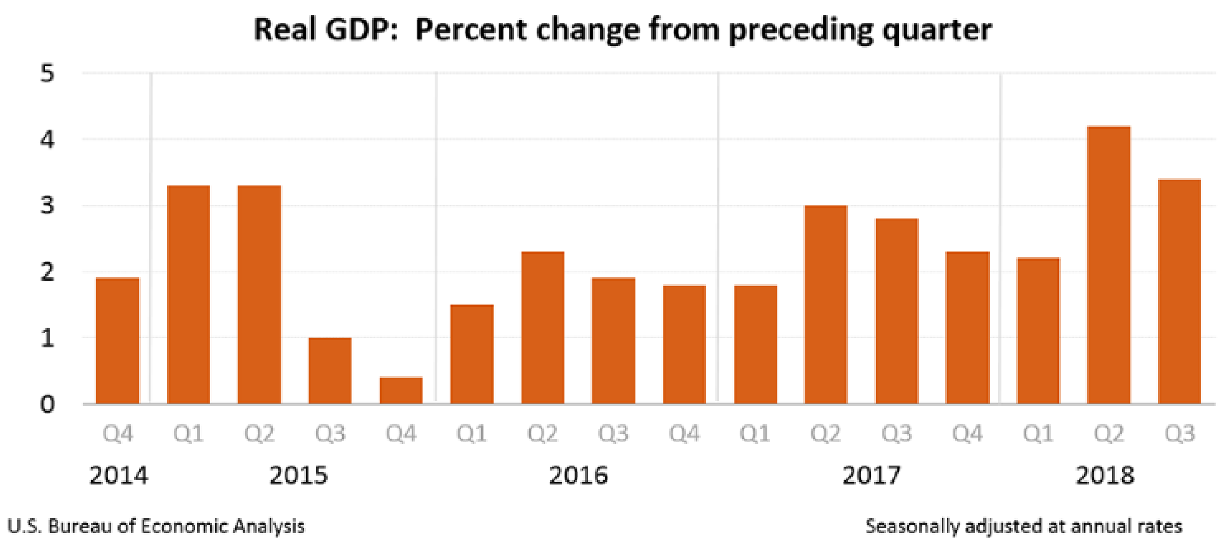


Thursday, [State Personal Income](#): "State personal income increased 4.0 percent at an annual rate in the third quarter of 2018, an acceleration from the 3.4 percent increase in the second quarter. . . . Personal income increased in all states and the District of Columbia. The percent change in personal income across all states ranged from 6.2 percent in Nevada and Washington to 2.1 percent in Missouri." The percent increase in Tennessee was 4.4 percent.



U.S. Bureau of Economic Analysis

Friday, Gross Domestic Product: "Real gross domestic product (GDP) increased at an annual rate of 3.4 percent in the third quarter of 2018. . . . In the second quarter, real GDP increased 4.2 percent."



Friday, Corporate Profits: "Profits from current production . . . increased $78.2 billion in the third quarter, compared with an increase of $65.0 billion in the second quarter."

Friday, Personal Income and Outlays: "Personal income increased $40.2 billion (0.2 percent) in November. . . . Disposable personal income (DPI) increased $37.8 billion (0.2 percent) and personal consumption expenditures (PCE) increased $54.4 billion (0.4 percent). . . . The increase in personal income in November primarily reflected increases in wages and salaries and in farm proprietors' income that were partially offset by decreases in personal dividend income and social security benefits. Farm proprietors' income increased $14.9 billion in November, which included subsidy payments associated with the Department of Agriculture's Market Facilitation Program."

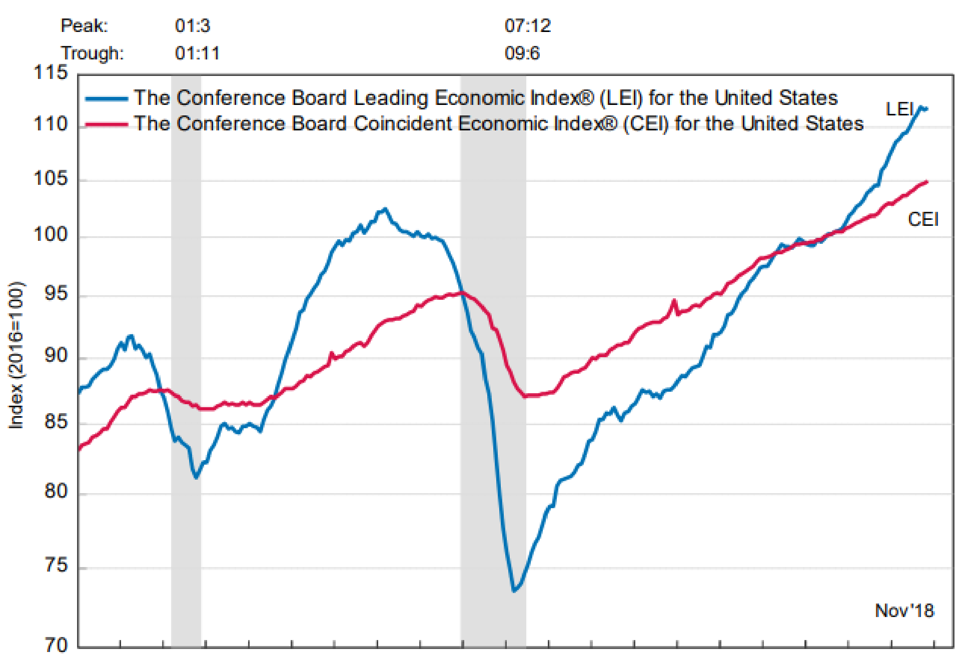
Federal Reserve

Wednesday, Federal Open Market Committee Statement: "Information received since the Federal Open Market Committee met in November indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has remained low. Household spending has continued to grow strongly, while growth of business fixed investment has moderated from its rapid pace earlier in the year. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance."

Conference Board

Thursday, Leading Indicators: The index "increased 0.2 percent in November to 111.8 (2016 = 100), following a 0.3 percent decline in October, and a 0.6 percent increase in September. 'The LEI increased slightly in November, but its overall pace of improvement has slowed in the last two months,' said Ataman Ozyildirim, Director of Economic Research at The Conference Board. 'Despite the recent volatility in stock prices, the strengths among the leading indicators have been widespread. Solid GDP growth at about 2.8 percent should continue in early 2019, but the LEI suggests the economy is likely to moderate further in the second half of 2019.'"

The Conference Board Leading Economic Index® (LEI) for the U.S. Increased in November



Latest LEI Trough March 2009, Latest CEI Trough June 2009
Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.
Source: The Conference Board

National Association of Realtors

Wednesday, Existing Home Sales: "Existing-home sales increased in November . . . marking two consecutive months of increases. Three of four major U.S. regions saw gains in sales activity last month. . . . Lawrence Yun, NAR's chief economist, says two consecutive months of increases is a welcomed sign for the market. 'The market conditions in November were mixed, with good signs of stabilizing home sales compared to recent months, though down significantly from one year ago. Rising inventory is clearly taming home price appreciation.'"

Federal Housing Finance Agency

Thursday, Foreclosure Prevention Report: Today's report "shows that Fannie Mae and Freddie Mac completed 63,193 foreclosure prevention actions in the third quarter of 2018, bringing the total number of foreclosure prevention actions to 4,242,774 since September 2008. The report also shows that nearly 25 percent of loan modifications in the third quarter reduced borrowers' monthly payments by more than 20 percent. Additionally, the . . . serious delinquency rate dropped to 0.79 percent at the end of the third quarter."

National Association of Home Builders

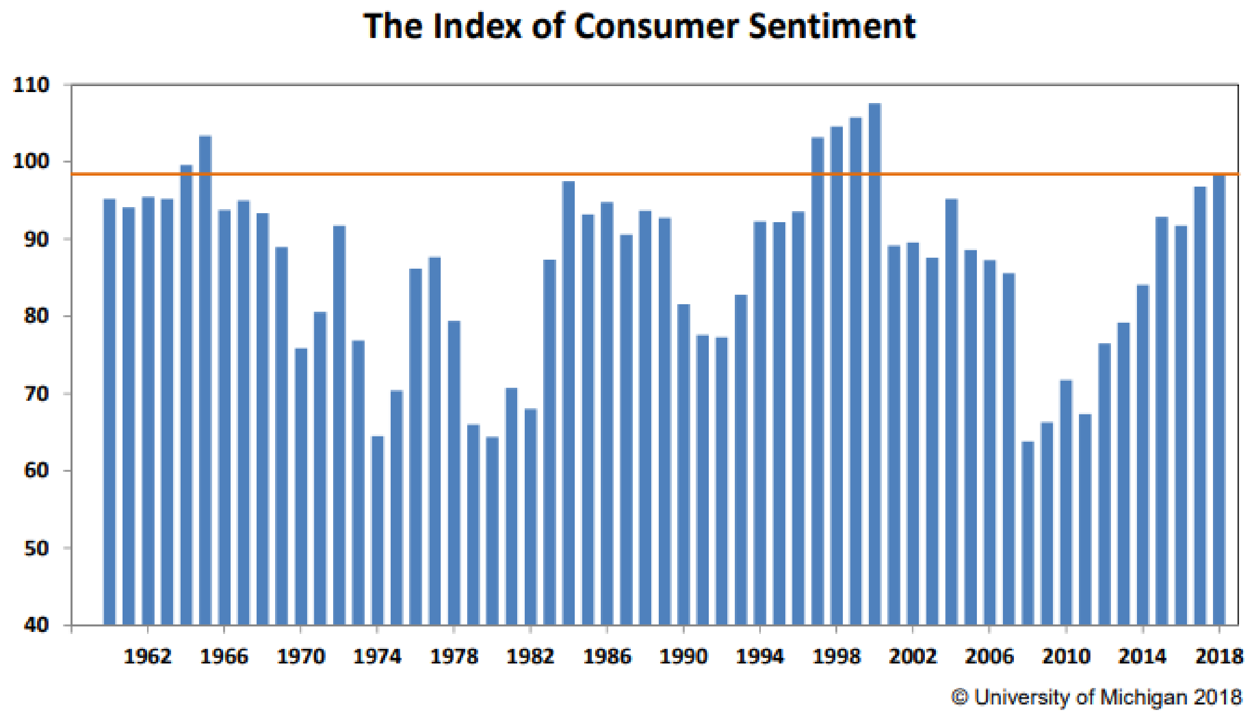
Monday, Housing Market Index: "Builder confidence in the market for newly-built single-family homes fell four points to 56 in December. . . as concerns over housing affordability persist. Although this is the lowest HMI reading since May 2015, builder sentiment remains in positive territory. 'We are hearing from builders that consumer demand exists, but that customers are hesitating to make a purchase because of rising home costs,' said NAHB Chairman Randy Noel, a custom homebuilder from LaPlace, La. 'However, recent declines in mortgage interest rates should help move the market forward in early 2019.'" And according to NAHB Chief Economist Robert Dietz, "The fact that builder confidence dropped significantly in areas of the country with high home prices shows how the growing housing affordability crisis is hurting the market. . . This housing slowdown is an early indicator of economic softening, and it is important that builders manage supply-side costs to keep home prices competitive for buyers at different price points."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "The Market Composite Index, a measure of mortgage loan application volume, decreased 5.8 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 7 percent compared with the previous week. The Refinance Index decreased 2 percent from the previous week. The seasonally adjusted Purchase Index decreased 7 percent from one week earlier. The unadjusted Purchase Index decreased 10 percent compared with the previous week and was 2 percent higher than the same week one year ago."

University of Michigan

Friday, Consumer Confidence: "Consumer confidence remained in December at the same record favorable levels as it has throughout the year. The Sentiment Index averaged 98.4 in 2018, the best year since 107.6 in 2000. Over the past half century, sentiment was higher in only two other time periods: 1964-65 and 1997-2000. These periods correspond to the two longest prior expansions since the mid 1800's. If the current expansion lasts past mid-2019, as is likely based on current data, it will become the longest expansion ever recorded."


The Index of Consumer Sentiment
110
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