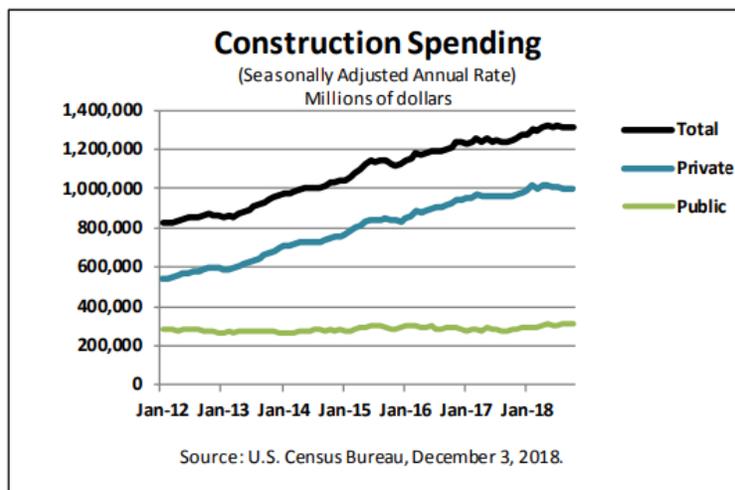


Summary: Overall, the economy continues to be strong and steady. Unemployment stayed at 3.7 percent with an additional 155,000 new jobs. Construction spending remained steady while indicators for retail trade, the services, and non-manufacturing sectors, as well as labor productivity all improved. New orders and shipments were down slightly and the trade deficit continued to grow as imports outweighed exports. Consumer sentiment remains high and small business confidence is at its highest level since 2006.

Census Bureau

Monday, [Monthly Construction Spending](#): “Construction spending during October 2018 was estimated at a seasonally adjusted annual rate of \$1,308.8 billion, 0.1 percent below the revised September estimate of \$1,310.8 billion. The October figure is 4.9 percent above the October 2017 estimate of \$1,247.5 billion. During the first ten months of this year, construction spending amounted to \$1,096.4 billion, 5.1 percent above the \$1,043.6 billion for the same period in 2017.”



Tuesday, [Manufacturing, Mining, Wholesale Trade, and Selected Service Industries](#): “U.S. manufacturing corporations’ seasonally adjusted after-tax profits in the third quarter of 2018 totaled \$158.1 billion, down \$24.5 billion from the after-tax profits of \$182.5 billion recorded in the second quarter of 2018, but up \$10.8 billion from the after-tax profits of \$147.3 billion recorded in the third quarter of 2017.

“Seasonally adjusted sales for the quarter totaled \$1,772.8 billion, up \$28.9 billion from the \$1,743.9 billion recorded in the second quarter of 2018, and up \$142.6 billion from the \$1,630.2 billion recorded in the third quarter of 2017.”

Tuesday, [Retail Trade](#): “Seasonally adjusted after-tax profits of U.S. retail corporations with assets of \$50 million and over totaled \$23.6 billion, up \$2.2 billion from the \$21.5 billion recorded in the second quarter of 2018, and up \$5.3 billion from the \$18.3 billion recorded in the third quarter of 2017. Seasonally adjusted sales for the quarter totaled \$771.8 billion, not statistically different from the \$767.9 billion recorded in the second quarter of 2018, but up \$38.6 billion from the \$733.2 billion recorded in the third quarter of 2017.”

Thursday, [Manufacturers' Shipments, Inventories and Orders](#): “New orders for manufactured goods in October, down following two consecutive monthly increases, decreased \$10.5 billion or 2.1

percent to \$502.7 billion . . .” This followed a 0.2 percent September increase. Shipments, down following fifteen consecutive monthly increases, decreased \$0.5 billion or 0.1 percent to \$508.4 billion. This followed a 0.7 percent September increase. Unfilled orders, down following eight consecutive monthly increases, decreased \$1.7 billion or 0.1 percent to \$1,183.6 billion. This followed a 0.7 percent September increase. The unfilled orders-to- shipments ratio was 6.70, up from 6.65 in September. Inventories, up twenty-four consecutive months, increased \$0.9 billion or 0.1 percent to \$681.7 billion. This followed a 0.6 percent September increase. The inventories-to-shipments ratio was 1.34, unchanged from September.”

Thursday, [U.S. International Trade in Goods and Services](#): “. . . the goods and services deficit was \$55.5 billion in October, up \$0.9 billion from \$54.6 billion in September, revised. October exports were \$211.0 billion, \$0.3 billion less than September exports. October imports were \$266.5 billion, \$0.6 billion more than September imports. The October increase in the goods and services deficit reflected an increase in the goods deficit of \$0.9 billion to \$78.1 billion and a decrease in the services surplus of \$0.1 billion to \$22.6 billion. Year-to-date, the goods and services deficit increased \$51.3 billion, or 11.4 percent, from the same period in 2017. Exports increased \$149.3 billion or 7.7 percent. Imports increased \$200.6 billion or 8.4 percent.”



Thursday, [Services Survey](#): “U.S. selected services total revenue for the third quarter of 2018, not adjusted for seasonal variation or price changes, was \$3,938.0 billion, an increase of 1.9 percent from the second quarter of 2018 and up 6.3 percent from the third quarter of 2017. The second quarter of 2018 to third quarter of 2018 percentage change was revised from the advance estimate of 2.0 percent.”

Friday, [Wholesale Trade: Sales and Inventories](#): “October 2018 sales of merchant wholesalers, except manufacturers’ sales branches and offices, after adjustment for seasonal variations and trading-day differences but not for price changes, were \$510.1 billion, down 0.2 percent from the revised September level, but were up 6.8 percent from the October 2017 level. . . .

“Total inventories of merchant wholesalers, except manufacturers’ sales branches and offices, after adjustment for seasonal variations but not for price changes, were \$652.1 billion at the end of

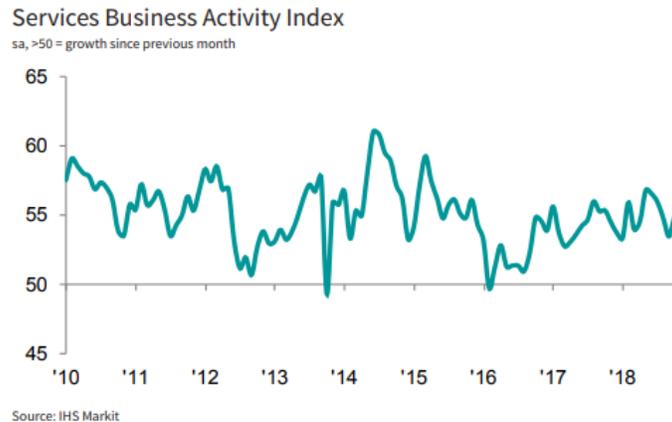
October, up 0.8 percent from the revised September level. Total inventories were up 6.9 percent from the revised October 2017 level.”

Institute for Supply Management (ISM)

Thursday, [Non-Manufacturing Index](#): “Economic activity in the non-manufacturing sector grew in November for the 106th consecutive month . . . The NMI registered 60.7 percent, which is 0.4 percentage point higher than the October reading of 60.3 percent. This represents continued growth in the non-manufacturing sector, at a slightly faster rate.”

IHS Markit Economics

Tuesday, [Purchasing Manager’s Index for Services](#): “Growth momentum in business activity across the U.S. service sector was maintained in November, with firms registering a strong expansion in output. Foreign demand strengthened, leading to the fastest rise in new export business for six months. However, the upturn in overall new business moderated from rates seen earlier in the year. In line with a slowdown in new order growth, workforce numbers were expanded at the weakest rate since June 2017. Meanwhile, input prices continued to rise at a historically sharp rate. Subsequently, firms increased output prices charged further.”



Bureau of Labor Statistics

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 2.3 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 2.3-percent increase in hours worked.

“Unit labor costs in the nonfarm business sector increased 0.9 percent in the third quarter of 2018, reflecting a 3.1-percent increase in hourly compensation and a 2.3-percent increase in labor productivity. Unit labor costs also increased 0.9 percent over the last four quarters.”

Chart 1. Labor productivity, nonfarm business, 2014Q1 – 2018Q3

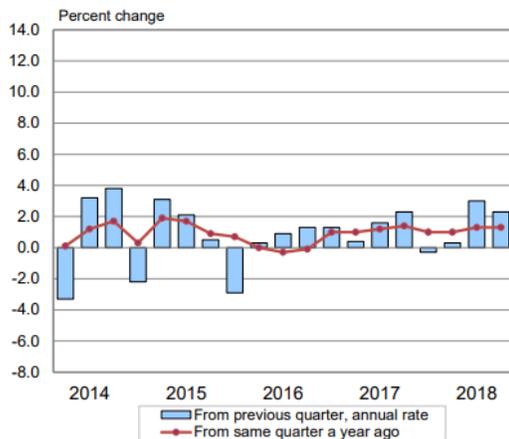
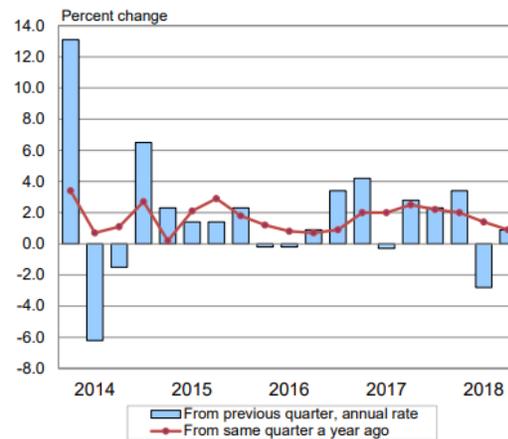


Chart 2. Unit labor costs, nonfarm business, 2014Q1 – 2018Q3



Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 155,000 in November, and the unemployment rate remained unchanged at 3.7 percent . . . Job gains occurred in health care, in manufacturing, and in transportation and warehousing.”

Chart 1. Unemployment rate, seasonally adjusted, November 2016 – November 2018

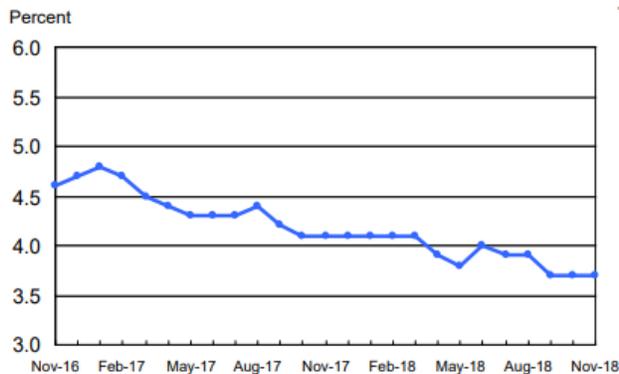
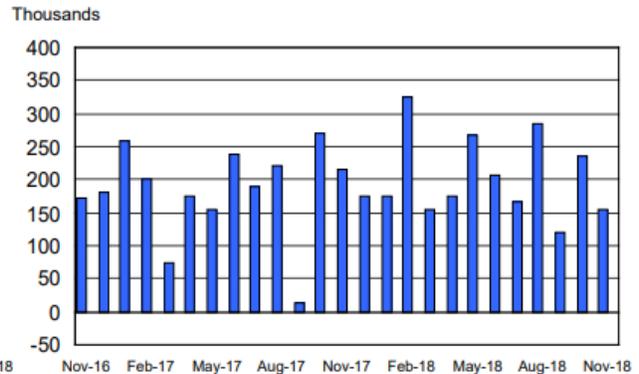
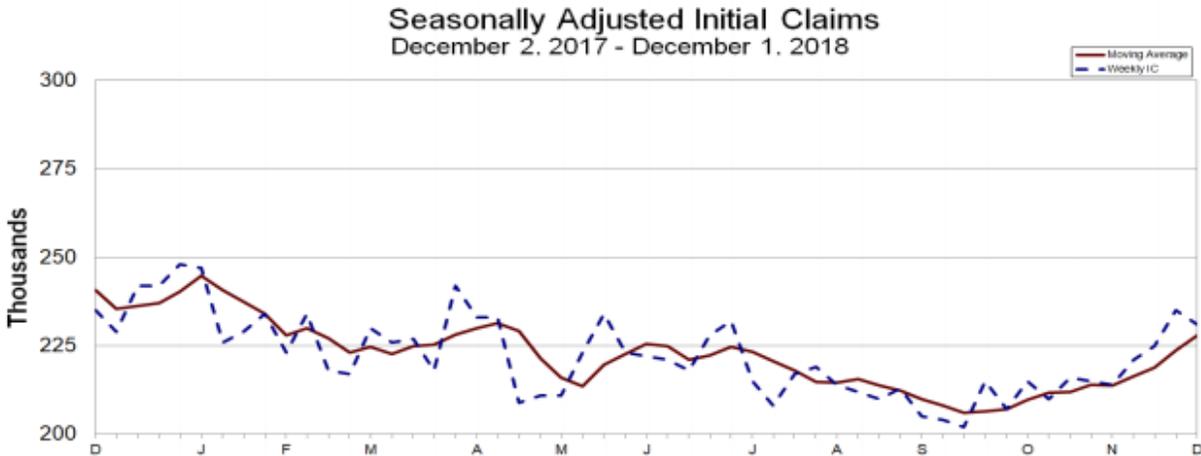


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, November 2016 – November 2018



U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending December 1, the advance figure for seasonally adjusted initial claims was 231,000, a decrease of 4,000 from the previous week’s revised level. The previous week’s level was revised up by 1,000 from 234,000 to 235,000. The 4-week moving average was 228,000, an increase of 4,250 from the previous week’s revised average. The previous week’s average was revised up by 500 from 223,250 to 223,750.”



ADP.com

Thursday, [ADP Employment Report](#): “Private sector employment increased by 179,000 jobs from October to November . . .”

“‘Although the labor market performed well, job growth decelerated slightly,’ said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. ‘Midsized businesses added nearly 70 percent of all jobs this month. This growth points to the midsized businesses’ ability to provide stronger wages and benefits. It also suggests they could be more insulated from the global challenges large enterprises face.’

“Mark Zandi, chief economist of Moody’s Analytics, said, ‘Job growth is strong, but has likely peaked. This month’s report is free of significant weather effects and suggests slowing underlying job creation. With very tight labor markets, and record unfilled positions, businesses will have an increasingly tough time adding to payrolls.’”

Challenger

Thursday, [Job-Cut Report](#): “Companies around the globe are beginning to announce large-scale layoff plans, possibly signaling an upcoming downturn. The number of planned layoffs announced by U.S.-based employers totaled 53,073 in November . . .”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 2.0 percent from one week earlier . . . ‘Treasury rates continued to slide last week, driven mainly by concerns over slowing global economic growth and U.S. and China trade uncertainty. The 30-year fixed-rate fell for the third week in a row to 5.08 percent and has declined a total of nine basis points over this span,’ said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting. ‘Application activity increased over the week for both purchase and refinance loans, and were 10 percent and 7 percent higher, respectively, than the week before the Thanksgiving holiday. Additionally, we saw a decrease in the average loan size for purchase applications to the lowest since December 2017 (\$298,000 from \$313,000). This is perhaps an indication that there are fewer jumbo borrowers, or maybe first-time buyers are having better success reaching the market as we close out the year.’”

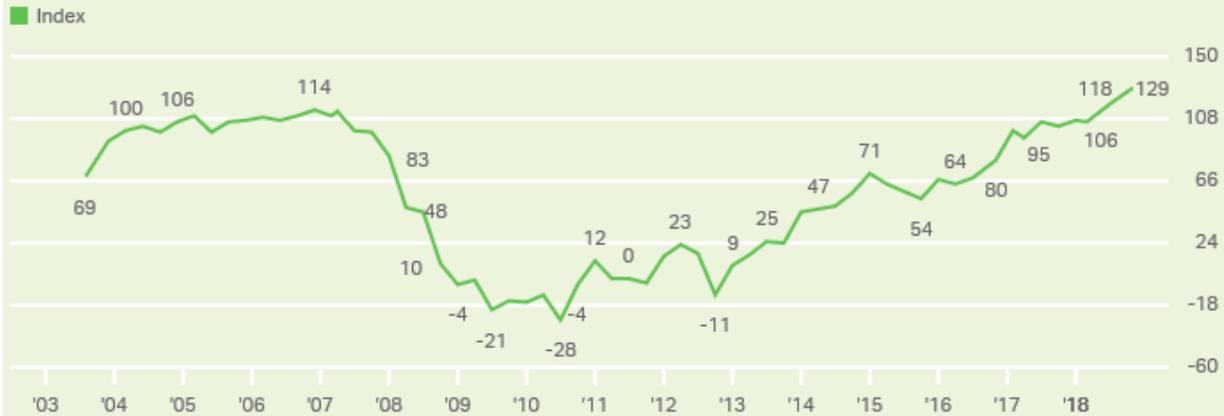
Gallup.com

Tuesday, [Small Business Index](#): “U.S. small-business owners are more optimistic about business conditions now than at any point in the 15-year history of the . . . Small Business Index. In the latest

quarterly survey, which measures small-business owners' attitudes about a wide variety of factors affecting their business, the overall index score is +129. This is up from the prior record high of +118 established last quarter. Confidence among small-business owners has improved steadily in 2018, and now sits well above the pre-2018 high of +114 from 2006. The current survey was fielded Nov. 8-14, just after the midterm elections.”

Wells Fargo/Gallup Small Business Index Hits a New High

The index consists of owners' ratings of their business' current situation and their expectations for the next 12 months, measured in their overall financial situation, revenue, cash flow, capital spending, number of jobs and ease of getting credit.



Index conducted since August 2003 and quarterly from December 2003 to November 2018

WELLS FARGO/GALLUP SMALL BUSINESS INDEX

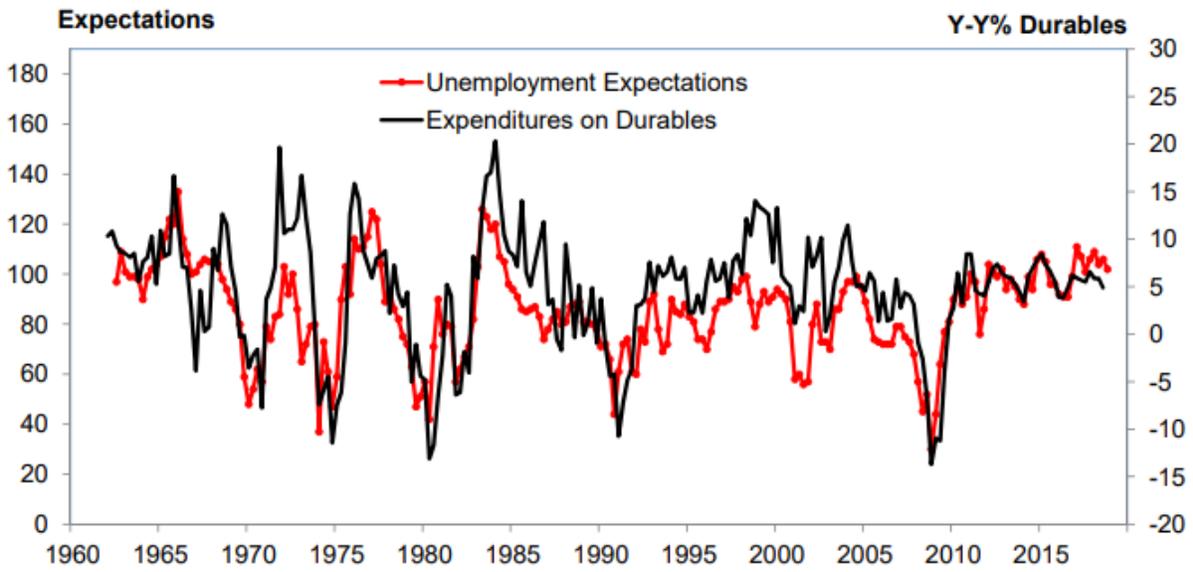
NFIB

Thursday, [Jobs Report](#): “Small business job creation inched up in November, rising to a net addition of 0.19 workers per firm . . . Sixteen percent of owners reported increasing employment an average of 2.9 workers per firm, unchanged from October, and 11 percent reported reducing employment and average of 1.9 workers per firm.”

University of Michigan

Friday, [Consumer Sentiment Index](#): “Consumer sentiment was unchanged from last month's reading and has remained at very favorable levels since the start of 2017. In the two years from January 2017 to December 2018, the Sentiment Index was consistently above 90.0, averaging 97.5, identical to the early December reading. The last time the Sentiment Index was consistently above 90.0 for at least as long was from 1997 to 2000, recording a four-year average of 105.3. There are a number of plausible causes for the difference in consumer optimism from the late 1990's to today, most of which revolve around job and wage prospects. As noted in last month's report, as long as job and income growth remain strong, rising prices and interest rates will not cause substantial cutbacks in spending. In the early December survey, however, consumers did mention hearing much more negative news about future job prospects. The chart above shows the close relationship between recent changes in per capita durable spending and trends in unemployment expectations. Moreover, most consumers understand that the goal of increasing interest rates is to slow the pace of economic growth. In past expansions, there was plenty of room between low and high interest rates to nudge up rates without damaging consumer spending. The gap has been squeezed to just a few percentage points and more caution is now warranted.”

TRENDS IN UNEMPLOYMENT EXPECTATIONS AND ANNUAL PER CAPITA CHANGES IN EXPENDITURES ON DURABLE GOODS



University of Michigan 2018