

Economic Update, February 15, 2019
Submitted by Michael Mount

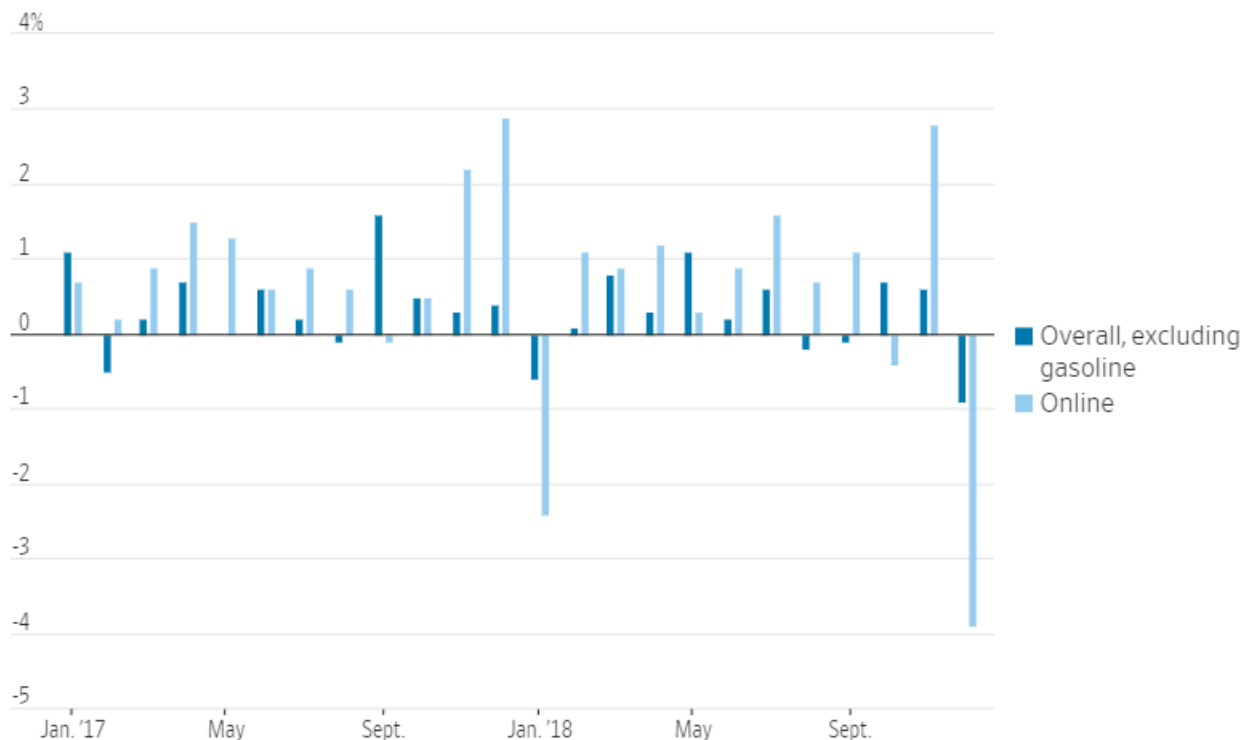
Summary: Retail sales dropped unexpectedly at the end of 2018, possibly an anomaly or a sign of slowing economic growth. When asked to guess when the next recession will occur, nearly half of economists said 2020 (see chart at the end). Meanwhile, job openings reached an all-time high of 7.3 million (compared with [6.5 million unemployed](#)).

Census

Thursday, [Manufacturing and Trade](#): “The combined value of distributive trade sales and manufacturers’ shipments for November . . . was estimated at \$1,462.5 billion, down 0.3 percent from October 2018, but was up 4.2 percent from November 2017. . . . Manufacturers’ and trade inventories . . . were estimated at an end-of-month level of \$1,980.5 billion, down 0.1 percent from October 2018, but were up 4.6 percent from November 2017.”

Thursday, [Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for December 2018 . . . were \$505.8 billion, a decrease of 1.2 percent from the previous month, but 2.3 percent above December 2017. Total sales for the 12 months of 2018 were up 5.0 percent from 2017.” This was the biggest drop we’ve had in a while (see chart below).

Retail sales, change from a month earlier



Note: Seasonally adjusted
Source: Commerce Department

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover](#): “The number of job openings reached a series high of 7.3 million on the last business day of December. . . . Over the month, hires and separations were little changed at 5.9 million and 5.5 million, respectively.”

Wednesday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.2 percent from December to January, seasonally adjusted. . . . This result stems from a 0.1-percent increase in average hourly earnings combined with no change in the Consumer Price Index for All Urban Consumers (CPI-U).”

Wednesday, [Consumer Price Index](#): The index “was unchanged in January on a seasonally adjusted basis. . . . Over the last 12 months, the all items index increased 1.6 percent before seasonal adjustment.”

Friday, [Import and Export Prices](#): “U.S. import prices fell 0.5 percent in January . . . following a 1.0-percent drop in December and a 1.7-percent decrease in November. Both fuel and nonfuel prices contributed to the January decline. Prices for U.S. exports decreased 0.6 percent for the second consecutive month in January.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending February 9, the advance figure for seasonally adjusted initial claims was 239,000, an increase 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.”

Federal Reserve

Monday, [Consumer Expectations](#): “Median inflation expectations at both the one-year and three-year horizons were unchanged at 3.0% in January. . . . Median one-year ahead earnings growth expectations declined to 2.4% in January, from 2.5% in December. . . . Mean unemployment expectations—or the mean probability that the U.S. unemployment rate will be higher one year from now—increased 1.8 percentage points in January, to 40.6%, marking the fourth consecutive increase and the highest level since March 2014.”

NFIB

Tuesday, [Small Business Optimism](#): The index “slipped 3.2 points in January, as owners continued hiring and investing, but expressed rising concern about future economic growth. . . . Small businesses added a net 0.33 workers per firm, the best reading since July 2018, with 15 percent of owners increasing employment an average of 3.1 workers per firm.”

Mortgage Bankers Association

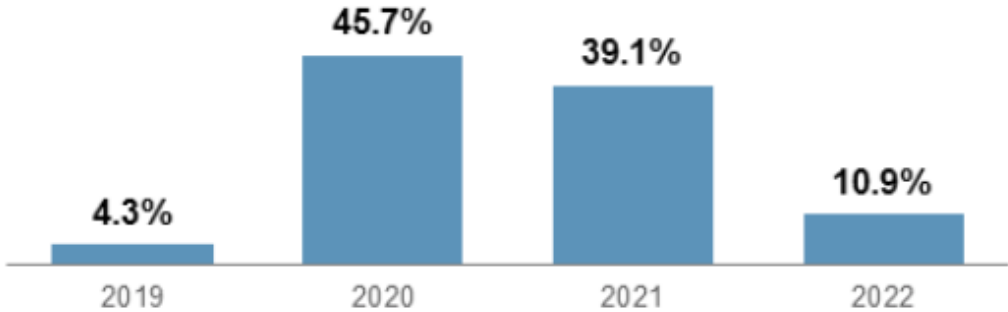
Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 3.7 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$484,350 or less) decreased to 4.65 percent from 4.69 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 4.04 percent from 4.11 percent.”

University of Michigan

Friday, [Consumer Expectations](#): “Although the majority of consumers expected some additional rate hikes during the year ahead, that proportion has shrunk to the smallest level in the past two years. Perhaps more importantly, consumers' long term inflation expectations fell to the lowest level recorded in the past half century. While nominal income expectations remained at modest levels, consumers more frequently expected gains in their inflation-adjusted incomes in early February than at any other time in more than fifteen years.”

Q&A: Downturn Divination

When do you expect the next recession to start?



Source: Wall Street Journal Economic Forecasting Survey.