Economic Update, February 22, 2019
Submitted by Michael Mount

Summary: The Leading Economic Index seems to be leveling off, indicating slower future economic growth (see chart at the end). Real GDP growth is steady for now, but economists see that slowing to about 2 percent per year, and business investment decreased at the end of 2018. On the plus side, initial claims for unemployment insurance and inflation expectations remain low.

Census

Thursday, Durable Goods: "New orders for manufactured durable goods in December increased $3.0 billion or 1.2 percent to $254.4 billion. . . . This increase, up two consecutive months, followed a 1.0 percent November increase. . . . Shipments of manufactured durable goods in December, up four of the last five months, increased $2.1 billion or 0.8 percent to $259.7 billion. This followed a 1.0 percent November increase." New orders for nondefense capital goods, excluding aircraft, decreased 0.7 percent from November to December 2018.

Bureau of Economic Analysis

Thursday, Gross Domestic Product by Industry: "Wholesale trade; information; and finance and insurance were the leading contributors to the increase in U.S. economic growth in the third quarter of 2018. . . . 19 of 22 industry groups contributed to the overall 3.4 percent increase in real GDP in the third quarter."

Bureau of Labor Statistics

Wednesday, County Employment and Wages: "From September 2017 to September 2018, employment increased in 295 of the 349 largest U.S. counties." Employment increased in each of Tennessee's six largest counties, ranging from 4.7 percent growth in Williamson County to 0.7 percent growth in Knox County. Average weekly wages also increased in each, ranging from 6.2 percent growth in Davidson County to 0.3 percent growth in Rutherford County.

Department of Labor

Thursday, Initial Claims: "In the week ending February 16, the advance figure for seasonally adjusted initial claims was 216,000, a decrease of 23,000 from the previous week's unrevised level of 239,000."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications increased 3.6 percent from one week earlier. . . . 'Mortgage rates held steady on mixed economic news, as core inflation remained firm, while retail sales in December were much weaker than expected. However, overall application activity picked up over the week,' said Joel Kan, MBA's Associate Vice President of Industry Surveys and Forecasts. 'After four consecutive declines, purchase applications increased almost 2 percent over the week and 2.5 percent compared to a year ago—showing some promise as we edge closer to the spring home buying season. . . . Most rates remained close to 10-month lows, which allowed some borrowers with an incentive to refinance to capitalize. The 30-year fixed rate was essentially unchanged at 4.66 percent.'"

National Association of Realtors

Thursday, Existing Home Sales: "Existing-home sales experienced a minor drop for the third consecutive month in January. . . . The median existing-home price2 for all housing types in January was $247,500, up 2.8 percent from January 2018 ($240,800). . . . While total inventory grew (on a year-over-year basis) for the sixth straight month, [Lawrence Yun, NAR's chief economist] says the market is still suffering from an inventory shortage."

National Association of Home Builders

Tuesday, Housing Market Index: "Builder confidence in the market for newly-built single-family homes rose four points to 62 in February. . . . 'Ongoing reduction in mortgage rates in recent weeks coupled with continued strength in the job market are helping to fuel builder sentiment,' said NAHB Chairman Randy Noel. 'In the aftermath of the fall slowdown, many builders are reporting positive expectations for the spring selling season.'"

Federal Reserve

Wednesday, FOMC Minutes: "[L]abor market conditions continued to strengthen and . . . growth in real gross domestic product (GDP) was solid in the fourth quarter of last year. . . . Consumer price inflation . . . was a bit below 2 percent in November, held down in part by recent declines in consumer energy prices."

IHS Markit

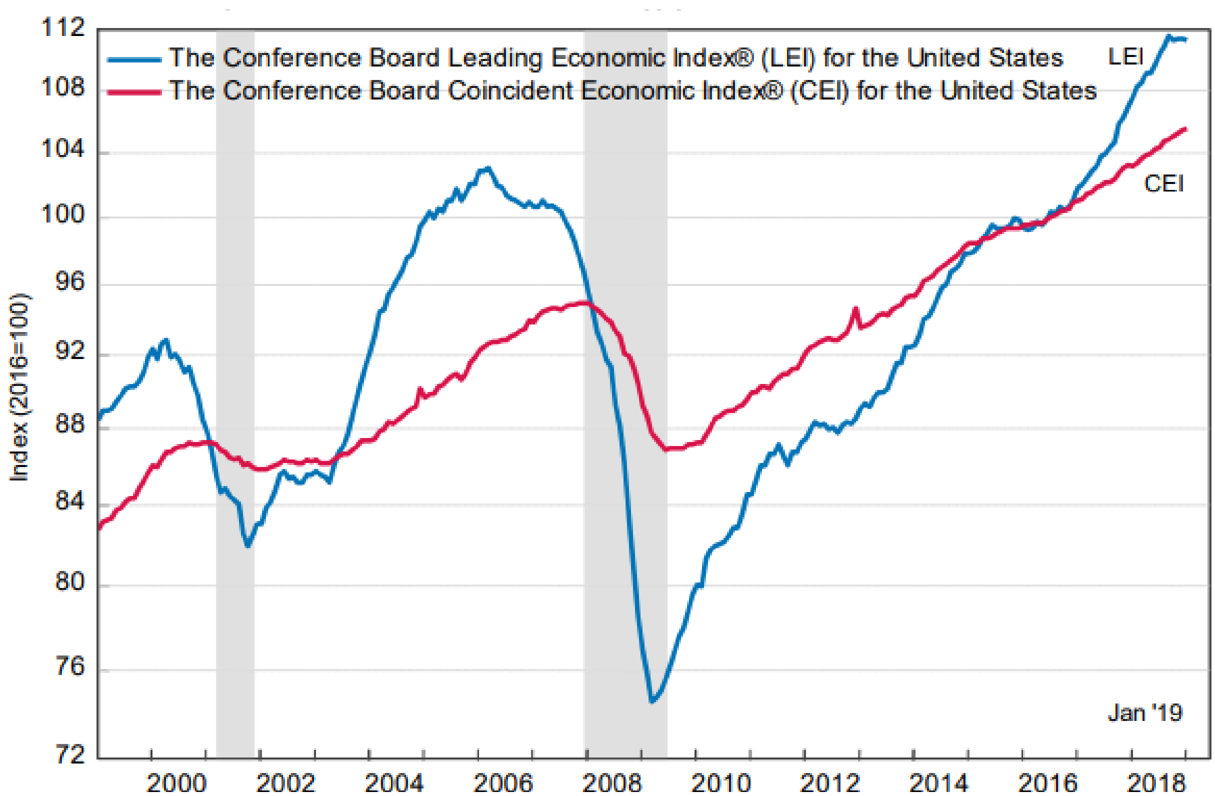
Thursday, Purchasing Managers' Index: The index "picked up from 54.4 in January to 55.8 in February, which signaled the strongest rate of private sector output since June 2018. . . . The rate of new business growth was the sharpest for four months, although still softer than the peak seen in the spring of 2018."

The Conference Board

Thursday, Leading Economic Index: The index "declined 0.1 percent in January (according to preliminary estimates) to 111.3 (2016 = 100), following no change in December, and a 0.1 percent increase in November." Ataman Ozyildirim, Director of Economic Research at The Conference Board, said that "in January, the strengths in the financial components were offset by the weaknesses in the labor market components. . . . The Conference Board forecasts that US GDP growth will likely decelerate to about 2 percent by the end of 2019."'

University of Michigan

Friday, Consumer Sentiment: "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."



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