Economic Update, March 22, 2019
Submitted by Michael Mount

Summary: The Federal Reserve decreased its projections of real GDP growth from 2.3 percent to 2.1 percent for 2019 and kept interest rates the same. Leading economic indicators improved but at a slower rate, suggesting that economic growth will slow by the end of the year. Record flooding in Nebraska, Iowa, Wisconsin, Minnesota and South Dakota is devastating farming and ranching in the Midwest.

Census

Monday, Corporate Profits: "U.S. manufacturing corporations' seasonally adjusted after-tax profits in the fourth quarter of 2018 totaled $154.5 billion, down $1.7 billion from the after-tax profits of $156.2 billion recorded in the third quarter of 2018, but up $41.4 billion from the after-tax profits of $113.1 billion recorded in the fourth quarter of 2017."

Tuesday, Factory Orders: "New orders for manufactured goods in January, up two consecutive months, increased $0.3 billion or 0.1 percent to $500.5 billion." Excluding transportation, new orders decreased 0.2 percent in January 2019.

Friday, Wholesale Trade: "January 2019 sales of merchant wholesalers . . . were $499.8 billion, up 0.5 percent from the revised December level and were up 2.7 percent from the January 2018 level."

Federal Reserve

Wednesday, Interest Rate Decision: "Information received since the Federal Open Market Committee met in January indicates that the labor market remains strong but that growth of economic activity has slowed from its solid rate in the fourth quarter. . . . On a 12-month basis, overall inflation has declined, largely as a result of lower energy prices; inflation for items other than food and energy remains near 2 percent. . . . The Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent."

Wednesday, Economic Projections: The Federal Reserve's projection of real GDP growth in 2019 was decreased from 2.3 percent to 2.1 percent, and for 2020, it was reduced from 2.0 percent to 1.9 percent. The projection for 2021 remained at 1.8 percent.

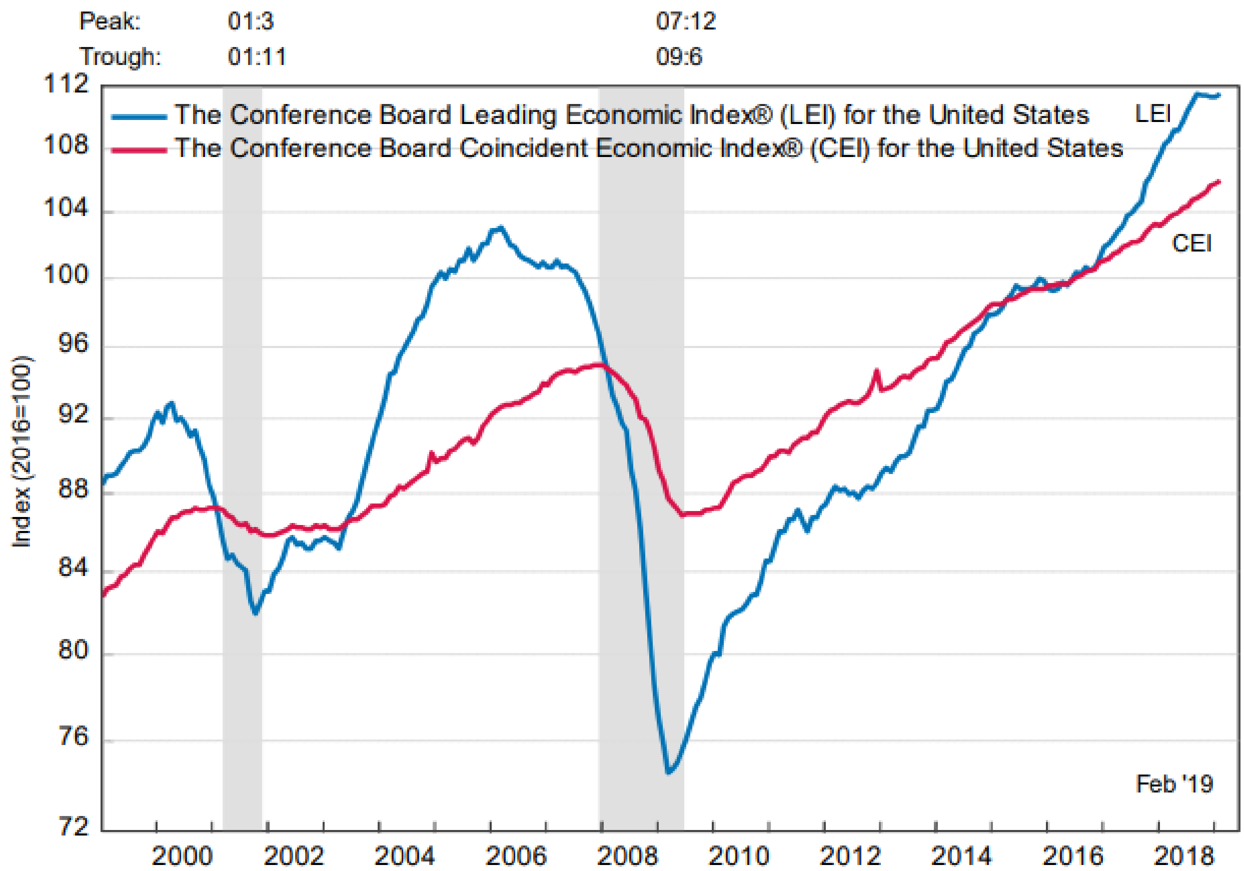
Department of Labor

Thursday, Initial Claims: "In the week ending March 16, the advance figure for seasonally adjusted initial claims was 221,000, a decrease of 9,000 from the previous week's revised level."

The Conference Board

Thursday, Leading Indicators: The index "increased 0.2 percent in February to 111.5 (2016 = 100), following no change in January, and a 0.1 percent decline in December." The director of economic research at the Conference Board, Ataman Ozyildirim, said that "despite the latest results, the US LEI's growth rate has slowed over the past six months, suggesting that while the economy will continue to expand in the near-term, its pace of growth could decelerate by year end."

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

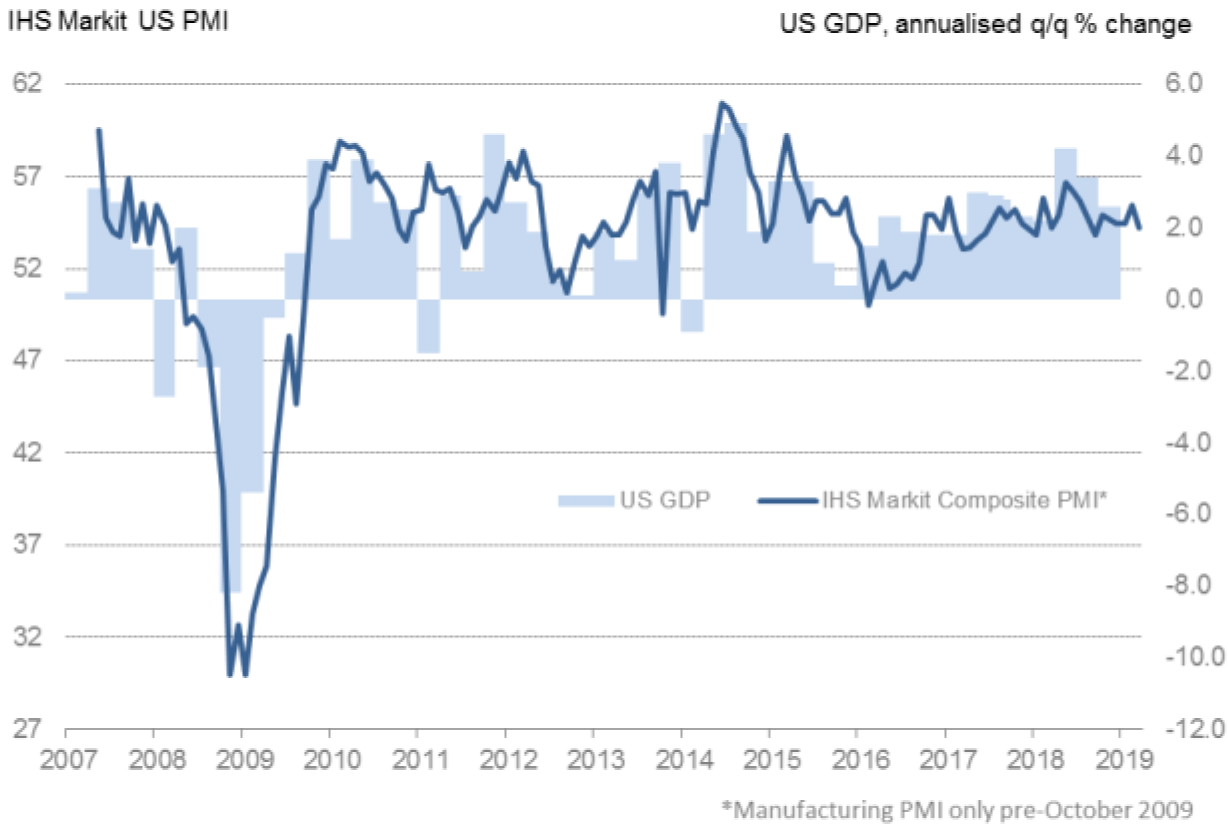


Latest LEI Trough March 2009, Latest CEI Trough June 2009
Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.
Source: The Conference Board

Markit

Friday, Purchasing Managers' Index: "March data revealed a slowdown in U.S. private sector output growth, with manufacturing firms experiencing a particularly subdued end to the first quarter of 2019. . . . Private sector companies responded to slower new business growth by reining in staff hiring during March. . . . Meanwhile, survey respondents indicated another dip in optimism regarding the year ahead business outlook. March data signaled that the degree of positive sentiment was the weakest since June 2016."

IHS Markit Composite PMI and U.S. GDP



Sources: IHS Markit, U.S. Bureau of Economic Analysis.

National Association of Home Builders

Monday, Housing Market Index: The preliminary housing market index for March 2019 was 62, unchanged from February. The index can range from 0 to 100.

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications increased 1.6 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 4.55 percent from 4.64 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.97 percent from 4.02 percent."

National Association of Realtors

Friday, Existing Home Sales: "Existing-home sales rebounded strongly in February, experiencing the largest month-over-month gain since December 2015. . . . Lawrence Yun, NAR's chief economist, credited a number of aspects to the jump in February sales. 'A powerful combination of lower mortgage rates, more inventory, rising income and higher consumer confidence is driving the sales rebound.'"