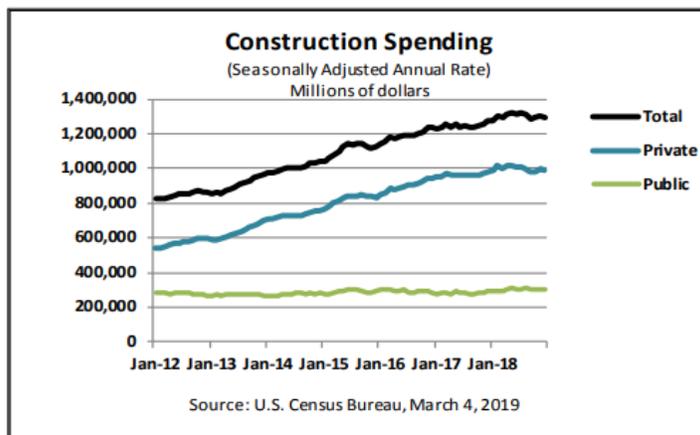


Economic Update, March 8, 2019
Submitted by Dave Keiser

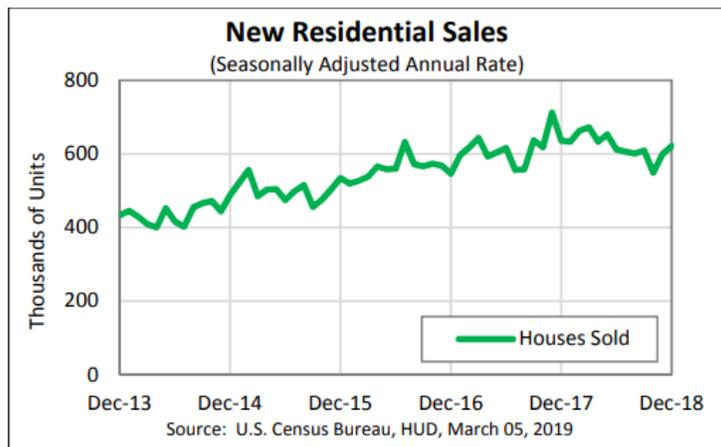
Summary: The news this week is mixed. The labor market cooled off this week, as job growth in February [fell short of economists' expectations](#), though some economists have cautioned this may be a sign of companies' struggle to find workers rather than an indicator of a weakening economy. Job cuts in January and February were at a three-year high and were particularly high in the retail sector. Construction spending is flattening out but up slightly from this point last year. And the international trade deficit continued to widen. There are, however, a number of positives. Productivity is up, and unemployment is still at record lows.

Census

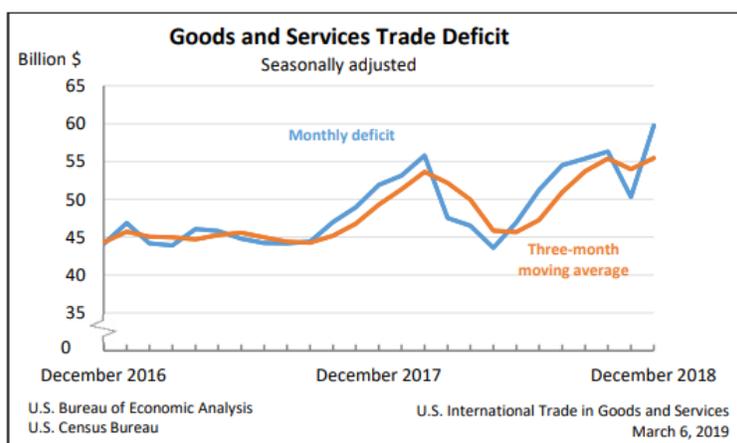
Monday, [Construction Spending](#): "Construction spending during December 2018 was estimated at a seasonally adjusted annual rate of \$1,292.7 billion, 0.6 percent below the revised November estimate of \$1,300.6 billion. The December figure is 1.6 percent above the December 2017 estimate of \$1,272.6 billion. The value of construction in 2018 was \$1,297.7 billion, 4.1 percent above the \$1,246.0 billion spent in 2017."



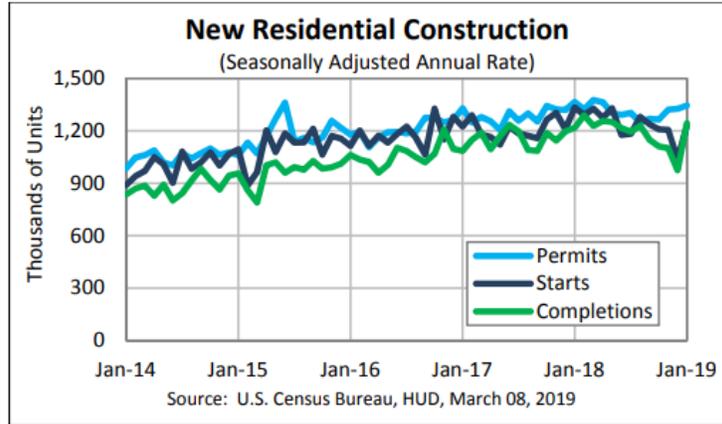
Tuesday, [New Residential Sales](#): "Sales of new single-family houses in December 2018 were at a seasonally adjusted annual rate of 621,000. . . . This is 3.7 percent above the revised November rate of 599,000, but is 2.4 percent below the December 2017 estimate of 636,000. An estimated 622,000 new homes were sold in 2018. This is 1.5 percent above the 2017 figure of 613,000. The median sales price of new houses sold in December 2018 was \$318,600. The average sales price was \$377,000."



Wednesday, [International Trade](#): “The goods and services deficit was \$59.8 billion in December, up \$9.5 billion from \$50.3 billion in November, revised. December exports were \$205.1 billion, \$3.9 billion less than November exports. December imports were \$264.9 billion, \$5.5 billion more than November imports. The December increase in the goods and services deficit reflected an increase in the goods deficit of \$9.0 billion to \$81.5 billion and a decrease in the services surplus of \$0.5 billion to \$21.8 billion. For 2018, the goods and services deficit increased \$68.8 billion, or 12.5 percent, from 2017. Exports increased \$148.9 billion or 6.3 percent. Imports increased \$217.7 billion or 7.5 percent.”



Friday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in January were at a seasonally adjusted annual rate of 1,345,000. This is 1.4 percent above the revised December rate of 1,326,000, but is 1.5 percent below the January 2018 rate of 1,366,000. . . . Privately-owned housing starts in January were at a seasonally adjusted annual rate of 1,230,000. This is 18.6 percent above the revised December estimate of 1,037,000, but is 7.8 percent below the January 2018 rate of 1,334,000. . . . Privately-owned housing completions in January were at a seasonally adjusted annual rate of 1,244,000. This is 27.6 percent above the revised December estimate of 975,000 and is 2.1 percent above the January 2018 rate of 1,218,000.”



Bureau of Labor Statistics

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 1.9 percent in the fourth quarter of 2018 . . . as output increased 3.1 percent and hours worked increased 1.2 percent. From the fourth quarter of 2017 to the fourth quarter of 2018, productivity increased 1.8 percent, reflecting a 3.7-percent increase in output and a 1.9-percent increase in hours worked. Annual average productivity increased 1.3 percent from 2017 to 2018. . . . Unit labor costs in the nonfarm business sector increased 2.0 percent in the fourth quarter of 2018, and increased 1.0 percent over the last four quarters.”

Chart 1. Labor productivity, nonfarm business, 2015Q1 – 2018Q4

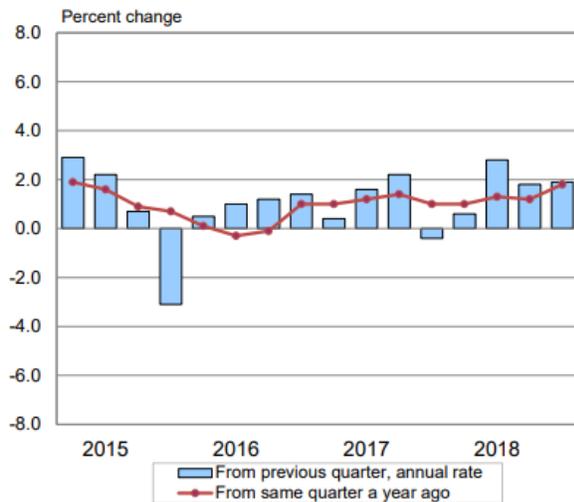
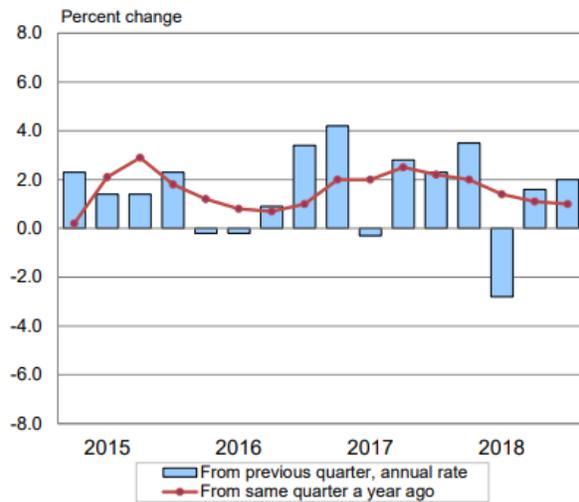


Chart 2. Unit labor costs, nonfarm business, 2015Q1 – 2018Q4



Friday, [Employment Situation](#): “Total nonfarm payroll employment changed little in February (+20,000), and the unemployment rate declined to 3.8 percent. . . . Employment in professional and business services, health care, and wholesale trade continued to trend up, while construction employment decreased.”

Chart 1. Unemployment rate, seasonally adjusted, February 2017 – February 2019

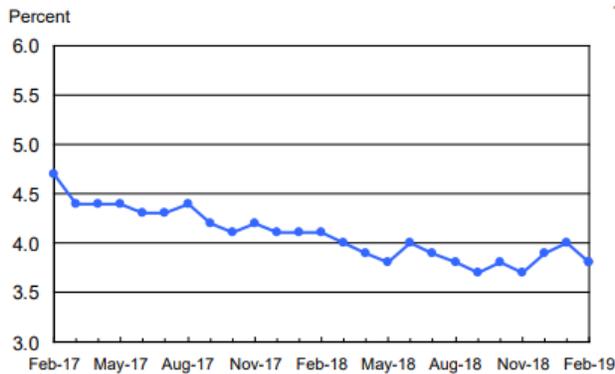
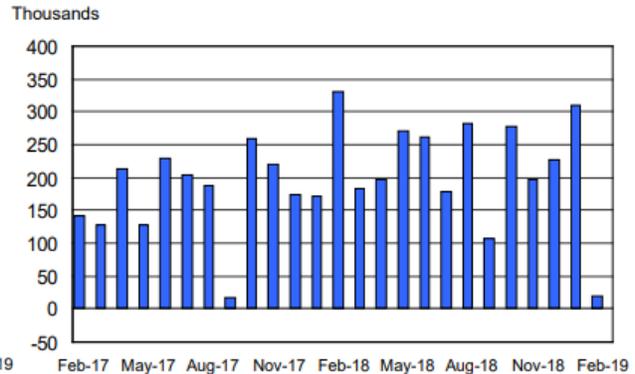


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, February 2017 – February 2019



Department of Labor

Thursday, [Initial Claims](#): “In the week ending March 2, the advance figure for seasonally adjusted initial claims was 223,000, a decrease of 3,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 225,000 to 226,000. The 4-week moving average was 226,250, a decrease of 3,000 from the previous week's revised average. The previous week's average was revised up by 250 from 229,000 to 229,250.”

The Federal Reserve

Wednesday, [The Beige Book](#): “Economic activity continued to expand in late January and February, with ten Districts reporting slight-to-moderate growth, and Philadelphia and St. Louis reporting flat economic conditions. About half of the Districts noted that the government shutdown had led to slower economic activity in some sectors including retail, auto sales, tourism, real estate, restaurants, manufacturing, and staffing services. Consumer spending activity was mixed across the country, with contacts from several Districts attributing lower retail and auto sales to harsh winter weather and to higher costs of credit. Manufacturing activity strengthened on balance, but numerous manufacturing contacts conveyed concerns about weakening global demand, higher costs due to tariffs, and ongoing trade policy uncertainty. Activity in the nonfinancial services sector increased at a modest-to-moderate pace in most Districts, driven in part by growth in the professional, scientific, and technical services sub-sector. Residential construction activity was steady or slightly higher across most of the U.S., but residential home sales were generally lower. Several real estate contacts noted that inventories had risen slightly but remained historically low, while home prices continued to appreciate but at a slightly slower pace. Agricultural conditions remained weak, and energy activity was mixed across Districts.”

Institute for Supply Management

Tuesday, [Non-manufacturing](#): “Economic activity in the non-manufacturing sector grew in February for the 109th consecutive month.” The index “registered 59.7 percent, which is 3 percentage points higher than the January reading of 56.7 percent. This represents continued growth in the non-manufacturing sector, at a faster rate.”

HIS Markit

Tuesday, [Services](#): The index “registered 56.0 in February, up from 54.2 in January and broadly in line with the earlier released 'flash' figure of 56.2. The rise in business activity was the quickest since

last July and above the long-run series trend. Panelists reported that greater client demand and favorable economic conditions were key driving factors behind the upturn.”

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 2.5 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with jumbo loan balances (greater than \$484,350) increased to 4.41 percent from 4.40 percent. . . . The average contract interest rate for 30-year fixed-rate mortgages backed by the FHA increased to 4.66 percent from 4.64 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 4.08 percent from 4.00 percent.”

ADP

Tuesday, [Employment Report](#): “Private sector employment increased by 183,000 jobs from January to February. . . . ‘We saw a modest slowdown in job growth this month,’ said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. ‘Midsized companies have been the strongest performer for the past year. There was a sharp decline in small business growth as these firms continue to struggle with offering competitive wages and benefits.’ Mark Zandi, chief economist of Moody’s Analytics, said, ‘The economy has throttled back and so too has job growth. The job slowdown is clearest in the retail and travel industries, and at smaller companies. Job gains are still strong, but they have likely seen their high watermark for this expansion.’”

Challenger

Wednesday, [Job Cuts](#): “The shortest month of the year saw the highest number of job cuts in over three-and-a-half years, as U.S.-based employers announced plans to cut 76,835 positions from their payrolls in February. That is 45 percent higher than the 52,988 cuts announced in January. . . . Retail leads all sectors in job cut announcements with 41,201 this year, 92 percent higher than the 21,484 Retail cuts announced through February last year. It is the highest January-February total since 2009, when Retailers announced 72,727 job cuts in the first two months of the year.”

Announced Retail Job Cuts

United States											
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
JAN.	22,327	15,378	22,491	22,246	6,699	11,394	6,676	12,426	5,755	16,737	53,968
FEB.	18,874	6,106	11,889	1,096	9,163	3,848	2,279	2,090	8,360	1,534	18,759
MARCH		35,042	4,084	8,490	6,640	2,989	16,445	2,175	1,653	2,097	3,821
APRIL		7,844	11,669	5,145	3,594	6,993	5,897	2,365	2,900	899	2,927
MAY		4,946	5,777	1,287	1,187	472	1,386	1,927	2,944	608	2,657
JUNE		3,750	4,217	3,831	17,947	1,167	217	2,807	1,415	4,306	3,566
JULY		2,697	3,862	1,523	2,532	2,183	1,794	4,135	11,245	812	2,654
AUGUST		3,715	3,607	1,025	9,601	1,063	873	862	5,901	3,812	890
SEPT.		5,907	3,461	7,296	2,467	1,965	927	1,519	1,616	441	6,180
OCT.		7,350	1,543	1,180	5,153	6,874	538	1,013	4,264	1,923	1,643
NOV.		3,769	2,065	4,850	626	2,640	9,998	1,527	2,285	645	913
DEC.		2,059	1,419	1,355	249	2,195	2,269	22	2,608	4,937	829
TOTAL	41,201	98,563	76,084	59,324	65,858	43,783	49,299	32,868	50,946	38,751	98,807

Source: Challenger, Gray & Christmas, Inc. ©