

Economic Update, June 28, 2019  
Submitted by Bob Moreo

Summary: Mortgage rates continue to decline, but whether that translates to economic growth seems unclear. The National Association of Realtors reports an uptick in pending sales this month, but numbers are down compared to last year, and monthly Census Bureau data show sales of new homes down for the second consecutive month. Industry economists, however, are optimistic. Meanwhile, surveys of consumers are mixed this week. The Conference Board's Consumer Confidence Index [missed expectations by almost 10 points](#), falling to 121.5—its lowest level since September 2017; the [University of Michigan's consumer sentiment index](#) came in stronger than initially thought, but still [down from May's eight-month high](#); in contrast, [Bloomberg's](#) Consumer Comfort Index advanced 1.8 points in the week ended June 23 to 63.6, its highest mark since December 2000.

U.S. Census Bureau

Tuesday, [Monthly New Residential Sales](#): “Sales of new single-family houses in May 2019 were at a seasonally adjusted annual rate of 626,000. . . . This is 7.8 percent below the revised April rate of 679,000 and is 3.7 percent below the May 2018 estimate of 650,000. The median sales price of new houses sold in May 2019 was \$308,000. The average sales price was \$377,200.”

Wednesday, [Advance Economic Indicators](#): “The international trade deficit was \$74.5 billion in May, up \$3.6 billion from \$70.9 billion in April. Exports of goods for May were \$140.2 billion, \$4.1 billion more than April exports. Imports of goods for May were \$214.7 billion, \$7.8 billion more than April imports. Wholesale Inventories for May . . . were estimated at an end-of-month level of \$678.7 billion, up 0.4 percent from April 2019, and were up 7.8 percent from May 2018. . . . Retail Inventories for May . . . were estimated at an end-of-month level of \$664.5 billion, up 0.5 percent from April 2019, and were up 4.8 percent from May 2018.”

Thursday, [Nonemployer Businesses](#): “The number of nonemployer businesses—establishments without paid employees—grew 3.6% from 24,813,048 to 25,701,671 in 2017. . . . Receipts for these businesses increased 5.6%, adding more than \$65.7 billion from 2016 to 2017. The Transportation and Warehousing sector saw the largest nonemployer establishment growth, increasing by 18.3% . . . in 2017. This sector also had one of the largest growth rates in receipts, increasing 14.4%.” Within this sector, the Transit and Ground Passenger Transportation subsector—which includes rideshares, taxi and limousine services, chartered bus, school bus, and special needs transportation—led growth with an increase of 230,572 nonemployer establishments (26.5%).

Bureau of Economic Analysis

Tuesday, [State Personal Income](#): “State personal income increased 3.4 percent at an annual rate in the first quarter of 2019, a deceleration from the 4.1 percent increase in the fourth quarter of 2018.” Personal income in Tennessee increased 3.7 percent in the first quarter of 2019, ranking 24<sup>th</sup> among all states.

Thursday, [Gross Domestic Product](#): “Real gross domestic product (GDP) increased at an annual rate of 3.1 percent in the first quarter of 2019. . . . In the fourth quarter of 2018, real GDP increased 2.2 percent.” The increase “reflected positive contributions from exports, [personal consumption expenditures (PCE)], nonresidential fixed investment, private inventory investment, and state and local government spending that were slightly offset by a negative contribution from residential fixed investment.”

## Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

### Department of Labor

Thursday, [Initial Claims](#): “In the week ending June 22, the advance figure for seasonally adjusted initial claims was 227,000, an increase of 10,000 from the previous week's revised level. . . . The 4-week moving average was 221,250, an increase of 2,250 from the previous week's revised average.”

### Federal Reserve

Tuesday, [Economic Outlook and Monetary Policy Review](#): In a speech at the Council on Foreign Relations in New York, Fed Chairman Jerome Powell told the audience, “So far this year, the economy has performed reasonably well. Solid fundamentals are supporting continued growth and strong job creation, keeping the unemployment rate near historic lows. Although inflation has been running somewhat below our symmetric 2 percent objective, we have expected it to pick up, supported by solid growth and a strong job market. . . . Against the backdrop of heightened uncertainties, the baseline outlook of my FOMC colleagues, like that of many other forecasters, remains favorable.”

### Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 1.3 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 4.06 percent from 4.14 percent. . . . The average contract interest rate for 30-year fixed-rate mortgages backed by the FHA decreased to 4.01 percent from 4.12 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.40 percent from 3.50 percent.”

### National Association of Realtors

Thursday, [Pending Home Sales](#): “Pending home sales increased in May, a positive variation from the minor sales dip seen in the previous month. . . . The Pending Home Sales Index, a forward-looking indicator based on contract signings, climbed 1.1% to 105.4 in May, up from 104.3 in April. Year-over-year contract signings declined 0.7%, marking the 17th straight month of annual decreases.”

### Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[T]he 30-year fixed-rate mortgage rate fell for the seventh time in the last nine weeks, and to the lowest level since November 2016. . . . 30-year fixed-rate mortgage (FRM) averaged 3.73 percent with an average 0.5 point for the week ending June 27, 2019,

down from last week when it averaged 3.84 percent. A year ago at this time, the 30-year FRM averaged 4.55 percent. 15-year FRM averaged 3.16 percent with an average 0.5 point, down from last week when it averaged 3.25 percent. A year ago at this time, the 15-year FRM averaged 4.04 percent.” According to [Sam Khater, Freddie Mac’s chief economist](#), “in the near-term, we expect the housing market to continue to improve from both a sales and price perspective.”

National Association of Home Builders

Tuesday, [New Home Sales Decline in May](#): “The May numbers are a bit surprising given lower mortgage interest rates and solid builder confidence data,” said NAHB Chief Economist Robert Dietz. “Based on these conditions, we expect June new home sales figures will show a rebound.”

S&P Dow Jones

Tuesday, [CoreLogic Case-Shiller Home Prices](#): “Data released today for April 2019 shows that the rate of home price increases across the U.S. has continued to slow. . . . The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 3.5% annual gain in April, down from 3.7% in the previous month. . . . ‘Home price gains continued in a trend of broad-based moderation,’ says Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices. ‘Year-over-year price gains remain positive in most cities, though at diminishing rates of change.’”

The Conference Board

Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index declined in June . . . [and] now stands at 121.5, down from 131.3 in May. The Present Situation Index – based on consumers’ assessment of current business and labor market conditions – decreased from 170.7 to 162.6. The Expectations Index – based on consumers’ short-term outlook for income, business and labor market conditions – decreased from 105.0 last month to 94.1 this month.”

State Street Global Exchange

Wednesday, [Investor Confidence Index](#): “The Global Investor Confidence Index increased to 87.6 [in June], up 8.2 points from May’s revised reading of 79.4. Investors across all regions expressed an improved appetite for risk, with the European ICI rising from 92.4 to 103.2. And while still below the 100-level benchmark, the North American ICI rose from 76.5 to 82.1, and the Asian ICI increased from 88.8 to 96.1.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): The overall index for June 2019 fell to 98.2 (1.8%) from the May figure of 100.0 but, year-over-year, was unchanged from June 2018. Surveys of Consumers chief economist Richard Curtin said the decline “was entirely due to households with incomes in the top third of the distribution, who more frequently mentioned the negative impact of tariffs. . . . Most of the June slippage was concentrated in prospects for the national economy, with the unemployment rate expected to inch upward instead of drifting downward in the year ahead.”