

Economic Update, July 6, 2018
Submitted by Michael Mount

Summary: The Federal Reserve plans to continue increasing interest rates at its current pace, and the next increase will most likely be in [September of 2018](#). Their forecast for real GDP growth remains at about 2 percent. The unemployment rate increased from 3.8 percent in May to 4.0 percent in June because the labor force increased more than employment. Nonfarm payroll employment increased by 213,000, but the civilian labor force grew by 601,000.

Census

Monday, [Construction Spending](#): “Construction spending during May 2018 was estimated at a seasonally adjusted annual rate of \$1,309.5 billion, 0.4 percent above the revised April estimate of \$1,304.5 billion.” Private construction increased 0.3 percent, and public construction increased 0.7 percent.

Tuesday, [Manufactured Goods](#): “New orders for manufactured goods in May, up three of the last four months, increased \$1.8 billion or 0.4 percent to \$498.2 billion . . .” Orders of nondurable goods increased 1.1 percent, but orders of durable goods decreased 0.4 percent.

Friday, [International Trade](#): “. . . the goods and services deficit was \$43.1 billion in May, down \$3.0 billion from \$46.1 billion in April . . .” Exports increased more than imports, 1.9 percent to 0.4 percent.

Department of Labor

Thursday, [Initial Claims](#): “In the week ending June 30, the advance figure for seasonally adjusted initial claims was 231,000, an increase of 3,000 from the previous week's revised level.”

Bureau of Labor Statistics

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 213,000 in June, and the unemployment rate rose to 4.0 percent . . . Job growth occurred in professional and business services, manufacturing, and health care, while retail trade lost jobs.”

ADP

Thursday, [National Employment Report](#): “Private sector employment increased by 177,000 jobs from May to June.” That’s a smaller increase than the 189,000 increase in private sector employment from April to May. Mark Zandi, chief economist of Moody’s Analytics, said, “Business’ number one problem is finding qualified workers. At the current pace of job growth, if sustained, this problem is set to get much worse. These labor shortages will only intensify across all industries and company sizes.”

Markit Economics

Monday, [Purchase Managers’ Index–Manufacturing](#): The index decreased from 56.4 in May to 55.4 in June. “June data signaled a slightly softer rate of growth across the U.S. manufacturing sector. The PMI dipped to its lowest in four months as output and new orders both expanded at the slowest rates since November 2017.”

Thursday, [Purchase Managers’ Index–Services](#): The index was down slightly to 56.5 in June from 56.8 in May. “Robust June survey data indicated that the U.S. service sector enjoyed its strongest quarter for three years. The latest rise in output was the second-fastest since April 2015, behind May’s recent high.”

Investor's Business Daily/TIPP

Tuesday, [Economic Optimism Index](#): The index “rose 2.5 points to 56.4 in July, just off February's 13-year high of 56.7.”

Motor Intelligence

Tuesday, [New Vehicle Sales](#): Total light vehicle sales increased 1.8 percent from the second quarter of 2017 to the second quarter of 2018. Sales of passenger cars decreased 12.2 percent while sales of light trucks increased 10.4 percent.

Mortgage Bankers Association

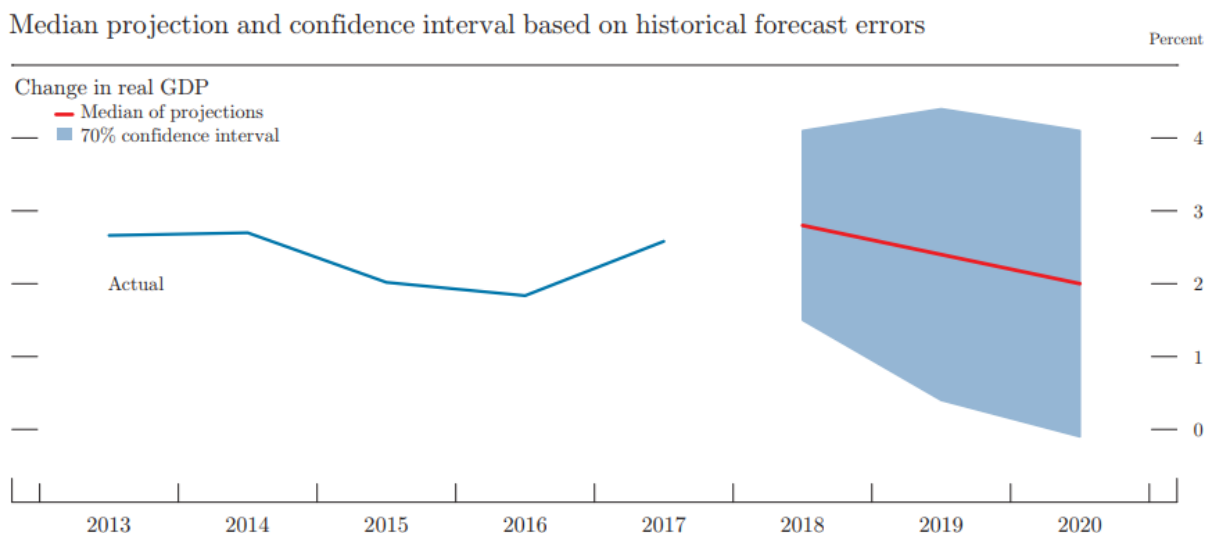
Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 0.5 percent from one week earlier . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) decreased to 4.79 percent from 4.84 percent . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 4.22 percent from 4.29 percent . . .”

Challenger

Thursday, [Job Cuts](#): “Job cuts announced by U.S.-based employers rose 18 percent, from 31,517 in May to 37,202 in June . . . employers have announced 245,179 cuts through June, 8 percent more than the 227,000 cuts announced through June of last year. Retailers continue to lead in job cuts with 73,066 announced so far this year. . .”

Federal Reserve

Thursday, [Minutes of FOMC](#): The June 12-13 meeting indicated that “labor market conditions continued to strengthen in recent months, and that real gross domestic product (GDP) appeared to be rising at a solid rate in the first half of the year. Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), was 2 percent in April.” The fed’s forecast for real GDP growth is around 2 percent (see graph below).



Source: [Federal Reserve](#).

University of Michigan

Friday, [Consumer Sentiment](#): The index increased from 98.0 in May to 98.2 in June. “While consumers anticipated rising interest rates during the year ahead, those expected increases were associated with a modest decline in longer term prospects for the national economy.”