

Economic Update, August 2, 2019
Submitted by Michael Mount

Summary: As expected on Wednesday, the Federal Reserve cut interest rates by 0.25%—the first rate cut since 2008—citing trade tensions and slowing global economic growth but cautiously indicating that further cuts may not be necessary. Following the announcement, [CNBC reported](#) mixed reactions from economists and varying predictions for further cuts. Friday’s jobs report came out near expectations, with the unemployment rate remaining at 3.7%, but growth in manufacturing remains very slow. Monthly surveys indicate that consumers are optimistic overall about economic conditions.

US Census

Thursday, [Construction Spending](#): “Construction spending during June 2019 was estimated at a seasonally adjusted annual rate of \$1,287.0 billion, 1.3 percent below the revised May estimate of \$1,303.4 billion.”

Friday, [International Trade](#): “The goods and services deficit was \$55.2 billion in June, down \$0.2 billion from \$55.3 billion in May, revised. . . . June exports were \$206.3 billion, \$4.4 billion less than May exports. June imports were \$261.5 billion, \$4.6 billion less than May imports.”

Friday, [Factory Orders](#): “New orders for manufactured goods in June, up following two consecutive monthly decreases, increased \$3.1 billion or 0.6 percent to \$493.8 billion.” New orders for transportation equipment increased \$2.9 billion, or 3.7 percent, to \$80.4 billion. Excluding transportation, the increase in new orders was only 0.1 percent.

Bureau of Economic Analysis

Tuesday, [Personal Income and Outlays](#): “Personal income increased \$83.6 billion (0.4 percent) in June. . . . Disposable personal income (DPI) increased \$69.7 billion (0.4 percent) and personal consumption expenditures (PCE) increased \$41.0 billion (0.3 percent). . . . The PCE price index increased 0.1 percent.”

Bureau of Labor Statistics

Wednesday, [Employment Cost Index](#): “Compensation costs for civilian workers increased 0.6 percent, seasonally adjusted, for the 3-month period ending in June 2019. . . . Wages and salaries increased 0.7 percent and benefit costs increased 0.5 percent from March 2019.” Wages and salaries among private industry workers “increased 3.0 percent for the 12-month period ending in June 2019”

Thursday, [Metro Area Employment and Unemployment](#): “Unemployment rates were lower in June than a year earlier in 294 of the 389 metropolitan areas, higher in 67 areas, and unchanged in 28 areas.” In Tennessee, the Memphis and Clarksville areas had the highest unemployment rates at 4.8%, and Nashville-Davidson-Murfreesboro-Franklin had the lowest at 3.2%. The statewide rate was 4.0%.

Friday, [Jobs Report](#): “Total nonfarm payroll employment rose by 164,000 in July, and the unemployment rate was unchanged at 3.7 percent. . . . Notable job gains occurred in professional and technical services, health care, social assistance, and financial activities.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending July 27, the advance figure for seasonally adjusted initial claims was 215,000, an increase of 8,000 from the previous week's revised level.”

Federal Reserve

Monday, [Loan Officer Survey](#): “Regarding loans to businesses, respondents to the April survey indicated that, on balance, they left their standards basically unchanged and eased some of the terms on commercial and industrial (C&I) loans to large and middle-market firms, while standards and most terms remained basically unchanged for such loans to small firms. Meanwhile, banks reported weaker demand for C&I loans from firms of both size categories.”

Wednesday, [FOMC Statement](#): “In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate to 2 to 2-1/4 percent. This action supports the Committee’s view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain.”

S&P/Case-Shiller

Tuesday, [Home Price Index](#): “The rate of home price increases across the U.S. has continued to slow.” The index “reported a 3.4% annual gain in May, down from 3.5% in the previous month.”

National Association of Realtors

Tuesday, [Pending Home Sales](#): “Pending home sales continued to ascend in June, marking two consecutive months of growth.” The index “moved up 2.8% to 108.3 in June, up from 105.4 in May. Year-over-year contract signings jumped 1.6%, snapping a 17-month streak of annual decreases.”

The Conference Board

Tuesday, [Consumer Confidence](#): The index “rebounded in July, following a decrease in June. The Index now stands at 135.7 (1985=100), up from 124.3 in June.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 1.4 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$484,350 or less) remained unchanged at 4.08 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 3.48 percent from 3.45 percent.”

Challenger Gray

Thursday, [Job Cuts](#): “The pace of downsizing slowed in July, as U.S.-based employers announced plans to cut 38,845 jobs from their payrolls, down 7.5% from the 41,977 cuts announced in June.”

“The US is enjoying the longest economic expansion in American history and the June jobs report documented a decidedly strong labor market. However, slowing GDP growth in the second quarter, cuts in business investment, and trade tensions led the Federal Reserve to cut its key interest rate by a quarter-point. This move signals trouble on the horizon for the current economic cycle,” said Andrew Challenger, Vice President of Challenger, Gray & Christmas, Inc.

University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment remained unchanged in late July from the mid-month reading, with all component questions showing only small and offsetting changes. Economic confidence has been remarkably stable since the start of 2017, despite ongoing trade uncertainties. The resilience displayed has been primarily due to a renewed sense of personal financial optimism.”

Institute for Supply Management

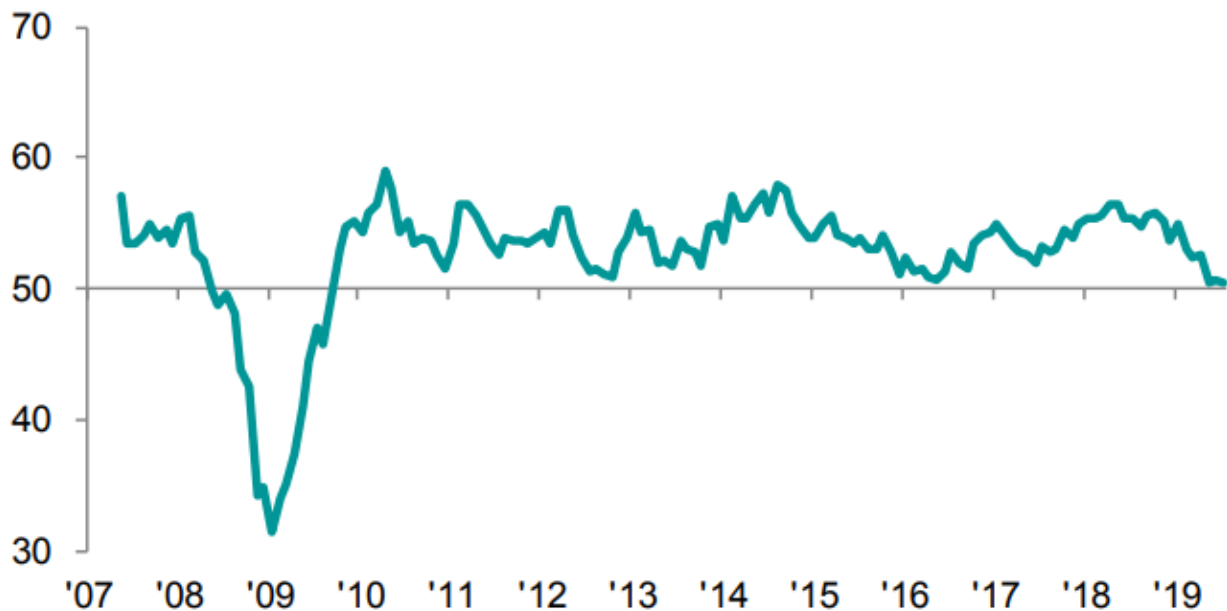
Thursday, [Manufacturing PMI](#): “Economic activity in the manufacturing sector expanded in July.” The index “registered 51.2 percent, a decrease of 0.5 percentage point from the June reading of 51.7 percent.” Timothy R. Fiore, Chair of the ISM Manufacturing Business Survey Committee, said the report indicated “continued expanding business strength, but at soft levels. July was the fourth straight month of slowing PMI expansion.”

Markit

Thursday, [Manufacturing PMI](#): “U.S. manufacturing firms signaled only a fractional improvement in business conditions in July, with the headline PMI dropping to its lowest since September 2009.” The index “posted 50.4 in July, broadly in line with 50.6 in June.”

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.