

Economic Update, September 14, 2018
Submitted by Bob Moreo

Summary: The east coast braces itself for Hurricane Florence this week. [Bloomberg News reports](#) that, “The economic impact of Hurricane Florence is unlikely to be large but could muddle U.S. data for months, judging from past experience. Last year, Hurricanes Harvey and Irma constrained activity in the third quarter of 2017 and sparked rebuilding later in the year and well into 2018, making it hard to get an accurate and timely assessment of the impact on quarterly gross domestic product growth.”

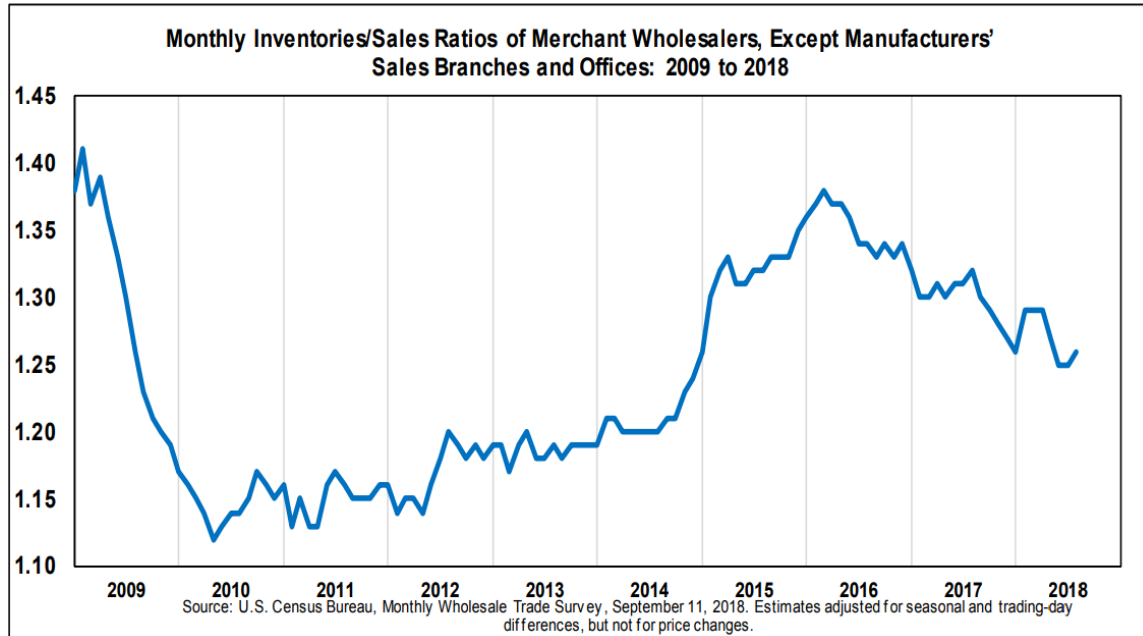
[Energy blog Breakthrough](#) notes that, unlike last year when Hurricane Harvey hit Texas, “The current path of Florence does not involve significant energy infrastructure, such as: oil refineries, offshore oil platforms, or energy exporting hubs. Barring any disruptions or outages on the Colonial Pipeline, the overall diesel price impacts at the pump from Hurricane Florence should be limited in magnitude and in geographic reach.”

The national economic picture in general appears positive, but cautious. The Federal Reserve’s “[Beige Book](#)” report says that, “Businesses generally remained optimistic about the near-term outlook, though most Districts noted concern and uncertainty about trade tensions—particularly though not only among manufacturers. A number of Districts noted that such concerns had prompted some businesses to scale back or postpone capital investment.”

A Gallup poll released Monday [reports](#) that American workers remain upbeat about job security. “American workers continue to express low levels of worry about being laid off from their jobs and near record-high levels of satisfaction with their job security. These positive attitudes have been evident for the last three years and reflect the low unemployment rate and reports of new job creation in the U.S.” Meanwhile, Bloomberg [reported](#) on Thursday that its Consumer Comfort Index increased for the first time in five weeks, moving up from 58 to 59, just below its 17-year high of 59.3.

Census Bureau

Tuesday, [Wholesale Trade Sales and Inventories](#): “July 2018 sales of merchant wholesalers . . . were \$505.6 billion, virtually unchanged from the revised June level, but were up 9.8 percent from the July 2017 level. Total inventories of merchant wholesalers . . . were \$636.3 billion at the end of July, up 0.6 percent from the revised June level. Total inventories were up 5.0 percent from the revised July 2017 level. The July inventories/sales ratio for merchant wholesalers . . . based on seasonally adjusted data, was 1.26. The July 2017 ratio was 1.32.”



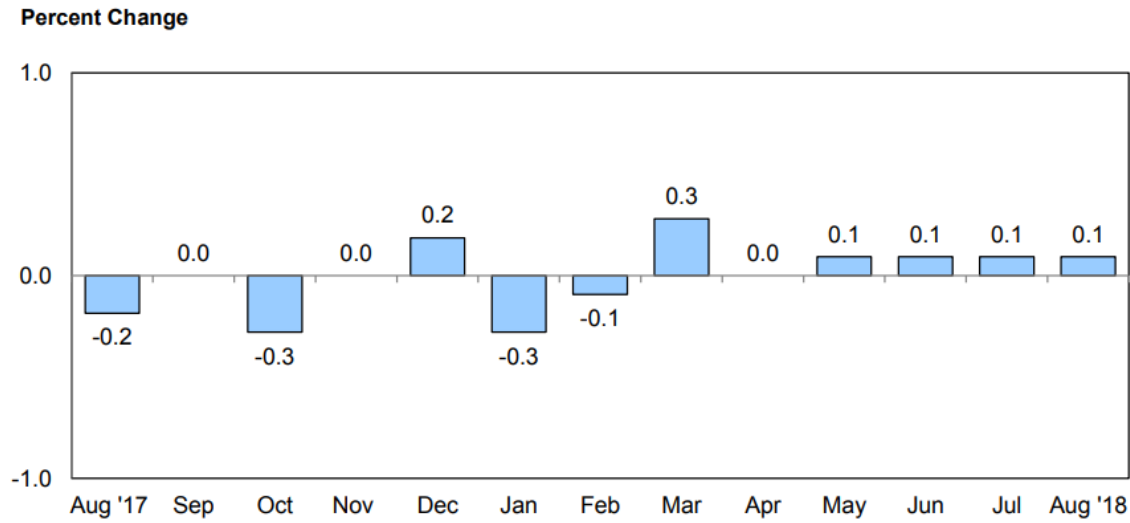
Friday, [Advance Estimates of U.S. Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for August 2018 . . . were \$509.0 billion, an increase of 0.1 percent from the previous month, and 6.6 percent above August 2017. Total sales for the June 2018 through August 2018 period were up 6.5 percent from the same period a year ago. Retail trade sales were up 0.1 percent from July 2018, and 6.2 percent above last year. Gasoline Stations were up 20.3 percent from August 2017, while Non-store Retailers were up 10.4 percent from last year.”

Bureau of Labor Statistics

Wednesday, [Producer Price Index](#): “The Producer Price Index for final demand declined 0.1 percent in August, seasonally adjusted. Final demand prices were unchanged in July and increased 0.3 percent in June. On an unadjusted basis, the final demand index rose 2.8 percent for the 12 months ended in August. . . . The index for final demand less foods, energy, and trade services edged up 0.1 percent in August after advancing 0.3 percent in both July and June. For the 12 months ended in August, prices for final demand less foods, energy, and trade services rose 2.9 percent.”

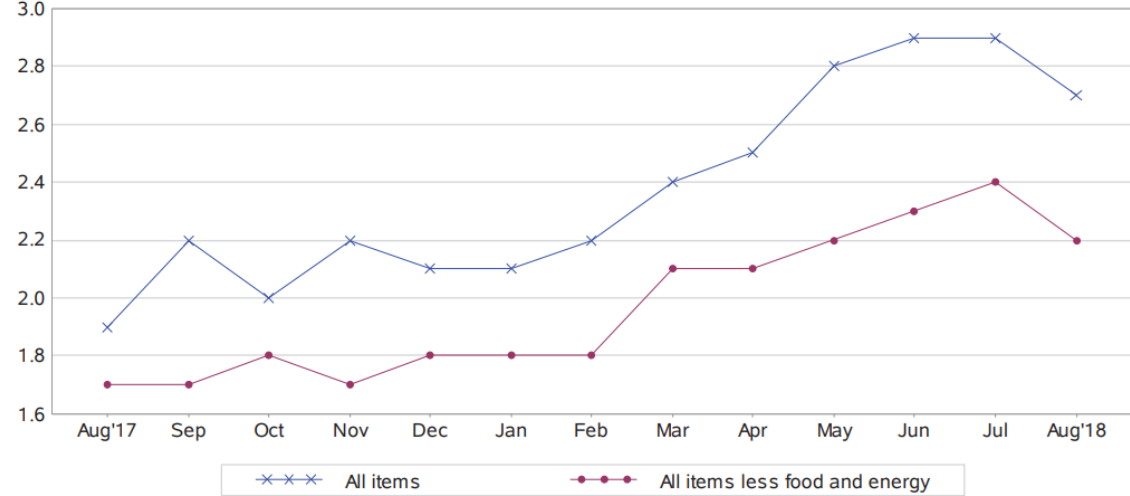
Thursday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.1 percent from July to August, seasonally adjusted This result stems from a 0.4-percent increase in average hourly earnings combined with a 0.2-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U).”

Chart 1: Over-the-month percentage change in real average hourly earnings for all employees, seasonally adjusted, August 2017 – August 2018



Thursday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in August on a seasonally adjusted basis, the same increase as in July . . . Over the last 12 months, the all items index rose 2.7 percent before seasonal adjustment. Increases in the indexes for shelter and energy were the main contributors to the seasonally adjusted monthly increase in the all items index. The energy index increased 1.9 percent in August; a 3.0-percent increase in the gasoline index was the largest factor, but the other energy component indexes also rose. The shelter index increased 0.3 percent in August, the same increase as in July. The food index rose only slightly in August, with the index for food at home unchanged.”

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Aug. 2017 - Aug. 2018



Friday, [U.S. Import and Export Price Indexes](#): “Import prices declined 0.6 percent in August . . . the largest monthly drop since the index fell 1.3 percent in January 2016. Falling prices for both fuel and nonfuel imports contributed to the August decline . . . The August decrease followed a 0.1-percent decline in July and was only the third monthly drop over the past 12 months. Prices for U.S. imports advanced 3.7 percent from August 2017 to August 2018 and have not recorded a 12-month decline since October 2016.”

“Prices for U.S. exports decreased 0.1 percent in August, after declining 0.5 percent in July. The July downturn was the first monthly drop since June 2017. In August, lower prices for nonagricultural exports more than offset higher agricultural prices. The price index for overall exports advanced 3.6 percent for the year ended in August and has not recorded a 12-month decline since a 0.2-percent decrease in November 2016.”

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending September 8, the advance figure for seasonally adjusted initial claims was 204,000, a decrease of 1,000 from the previous week's revised level. This is the lowest level for initial claims since December 6, 1969 when it was 202,000. The previous week's level was revised up by 2,000 from 203,000 to 205,000. The 4-week moving average was 208,000, a decrease of 2,000 from the previous week's revised average. This is the lowest level for this average since December 6, 1969 when it was 204,500. The previous week's average was revised up by 500 from 209,500 to 210,000.”

Board of Governors of the Federal Reserve

Wednesday, [Beige Book](#): “Reports from the Federal Reserve Districts suggested that the economy expanded at a moderate pace through the end of August. Consumer spending continued to grow at a modest pace since the last report, and tourism activity expanded, to varying degrees, across the nation. Manufacturing activity grew at a moderate rate in most Districts . . . Transportation activity expanded, with a few Districts characterizing growth as robust. Home construction activity was mixed but up modestly, on balance. However, home sales were somewhat softer, on balance--in some cases due to reduced demand, in others due more to low inventories. Commercial real estate construction was also mixed, while both sales and leasing activity expanded modestly. Lending activity grew throughout the nation. . . .”

“Labor markets continued to be characterized as tight throughout the country, with most Districts reporting widespread shortages. Six of the twelve Districts cited instances in which labor shortages were constraining sales or delaying projects. Wage growth was mostly characterized as modest or moderate, though a number of Districts cited steep wage hikes for construction workers. . . .”

“All Districts noted fairly widespread input price pressures, particularly for construction materials and freight transportation. Tariffs were reported to be contributing to rising input costs, mainly for manufacturers. Businesses' input costs have generally been rising more rapidly than selling prices, though there have been increased efforts to pass along cost hikes to customers.” The Federal Reserve Bank of St. Louis pointed out that, “Real sales tax collections increased in Missouri, Arkansas, Tennessee, and Kentucky relative to a year ago.” Regarding construction and real estate, “Contacts in Memphis and Little Rock noted that hotel construction activity remained robust.”

University of Michigan

Friday, [Surveys of Consumers](#): According to chief economist, Richard Curtin, “Consumer sentiment posted a robust rise in early September, reaching 100.8, the second highest level since 2004--only behind the March 2018 reading of 101.4. Importantly, the gains were widespread across all major socioeconomic subgroups. The Expectations Index reached its highest level since July 2004, largely due to more favorable prospects for jobs and incomes. Consumers anticipated continued growth in the economy that would produce more jobs and an even lower unemployment rate during the year ahead.”

At 100.8, the Index of Consumer Sentiment was well above August's 96.2 figure, which, according to [The Wall Street Journal](#), had been the lowest reading since January.