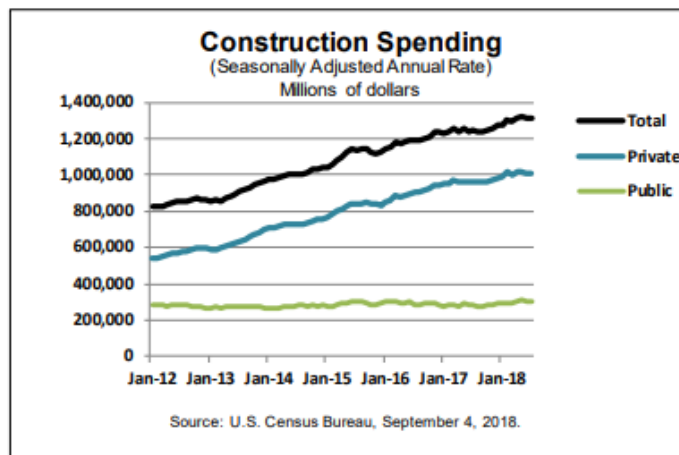


Economic Update, September 7, 2018  
Submitted by Dave Keiser

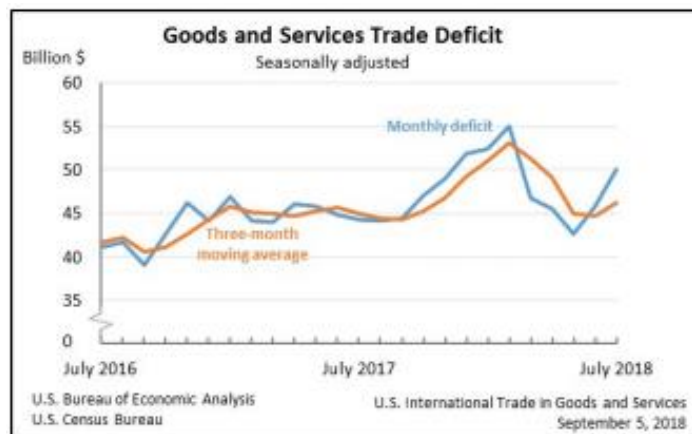
Summary: It was a busy week for economic news, and while there are some weaker parts, the US economy is perking right along. Labor market numbers continue to be strong, manufacturing statistics continue to be steady, construction spending increased slightly, but retail trade numbers are down slightly. The US trade deficit grew some more, as exports were down and imports increased.

Census Bureau

Tuesday, [Construction Spending](#): “Construction spending during July 2018 was estimated at a seasonally adjusted annual rate of \$1,315.4 billion, 0.1 percent above the revised June estimate of \$1,314.2 billion. The July figure is 5.8 percent above the July 2017 estimate of \$1,242.8 billion. During the first seven months of this year, construction spending amounted to \$740.5 billion, 5.2 percent above the \$703.7 billion for the same period in 2017.”



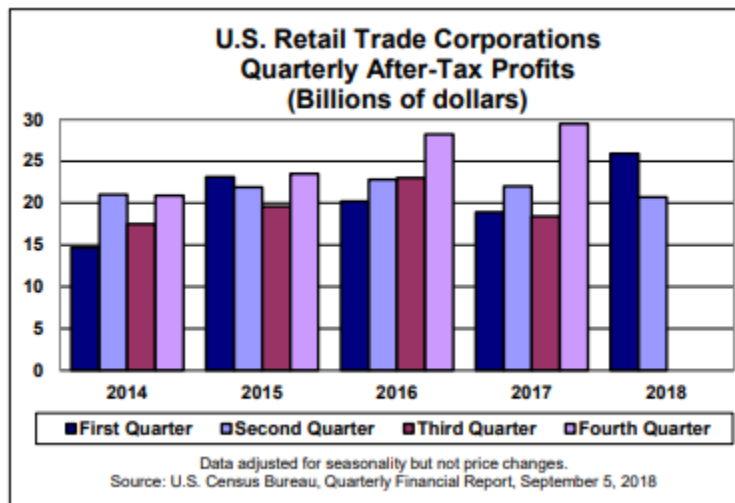
Wednesday, [U.S. International Trade in Goods and Services](#): In July 2018, the deficit for goods and services increased \$4.3 billion and now totals \$50.1 billion. “July exports were \$211.1 billion, \$2.1 billion less than June exports. July imports were \$261.2 billion, \$2.2 billion more than June imports. The July increase in the goods and services deficit reflected an increase in the goods deficit of \$4.2 billion to \$73.1 billion and a decrease in the services surplus of \$0.1 billion to \$23.1 billion.”



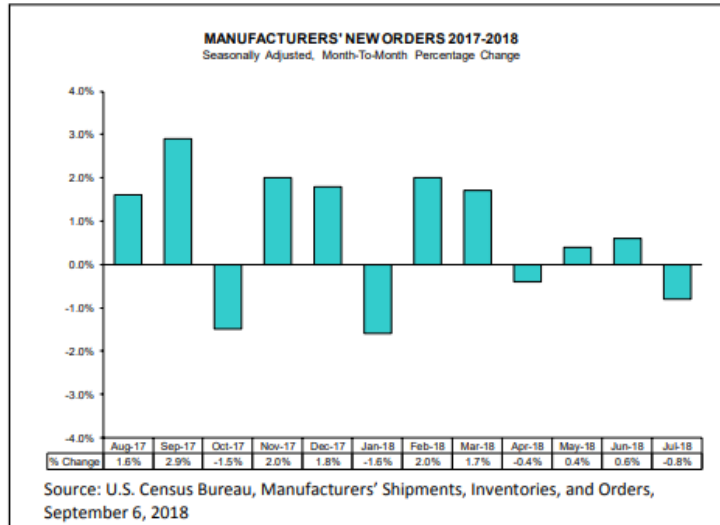
Wednesday, [Quarterly Financial Report—Manufacturing, Mining, Wholesale Trade, and Selected Service Industries](#): “U.S. manufacturing corporations’ seasonally adjusted after-tax profits in the second quarter of 2018 totaled \$180.5 billion, up \$24.9 billion from the after-tax profits of \$155.6 billion

recorded in the first quarter of 2018, and up \$40.4 billion from the after-tax profits of \$140.1 billion recorded in the second quarter of 2017. . . . Nondurable goods manufacturers' seasonally adjusted after-tax profits in the second quarter of 2018 totaled \$80.8 billion, up \$4.7 billion from the after-tax profits of \$76.1 billion recorded in the first quarter of 2018, and up \$14.7 billion from the after-tax profits of \$66.1 billion recorded in the second quarter of 2017. . . . Durable goods manufacturers' seasonally adjusted after-tax profits in the second quarter of 2018 totaled \$99.7 billion, up \$20.2 billion from the after-tax profits of \$79.5 billion recorded in the first quarter of 2018, and up \$25.7 billion from the after-tax profits of \$74.0 billion recorded in the second quarter of 2017."

Wednesday, [Quarterly Financial Report—Retail Trade](#): "Seasonally adjusted after-tax profits of U.S. retail corporations with assets of \$50 million and over totaled \$20.7 billion, down \$5.1 billion from the \$25.9 billion recorded in the first quarter of 2018, and down \$1.2 billion from the \$22.0 billion recorded in the second quarter of 2017."



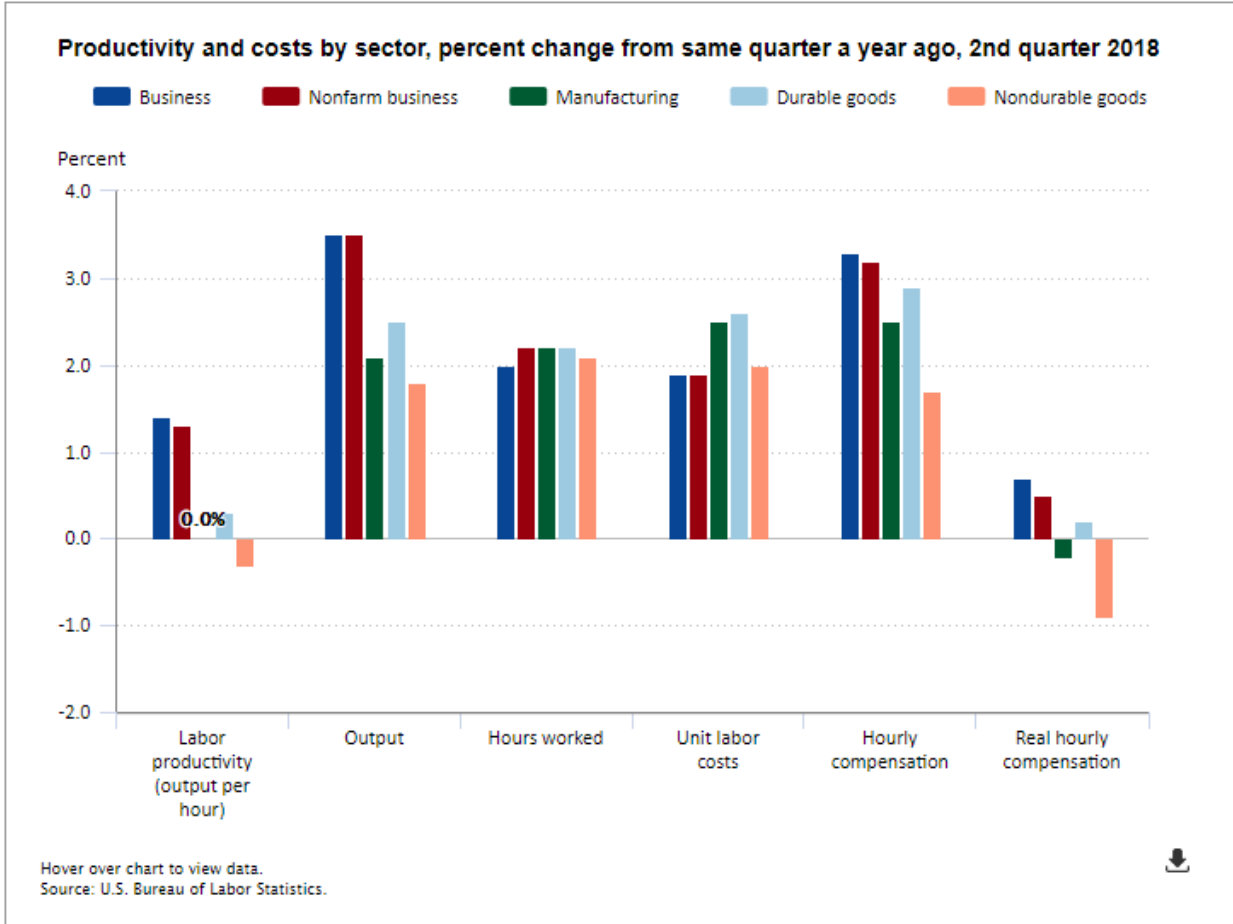
Thursday, [Manufacturers' Shipments, Inventories, and Orders](#): "New orders for manufactured goods in July, down following two consecutive monthly increases, decreased \$3.9 billion or 0.8 percent to \$497.8 billion. . . . This followed a 0.6 percent June increase. Shipments, up fourteen of the last fifteen months, increased less than \$0.1 billion or virtually unchanged to \$501.7 billion. This followed a 1.0 percent June increase. Unfilled orders, up eight of the last nine months, increased \$0.1 billion or virtually unchanged to \$1,164.9 billion. This followed a 0.4 percent June increase. The unfilled orders-to-shipments ratio was 6.73, up from 6.64 in June. Inventories, up twenty-one consecutive months, increased \$5.6 billion or 0.8 percent to \$675.8 billion. This followed a 0.2 percent June increase. The inventories-to-shipments ratio was 1.35, up from 1.34 in June."



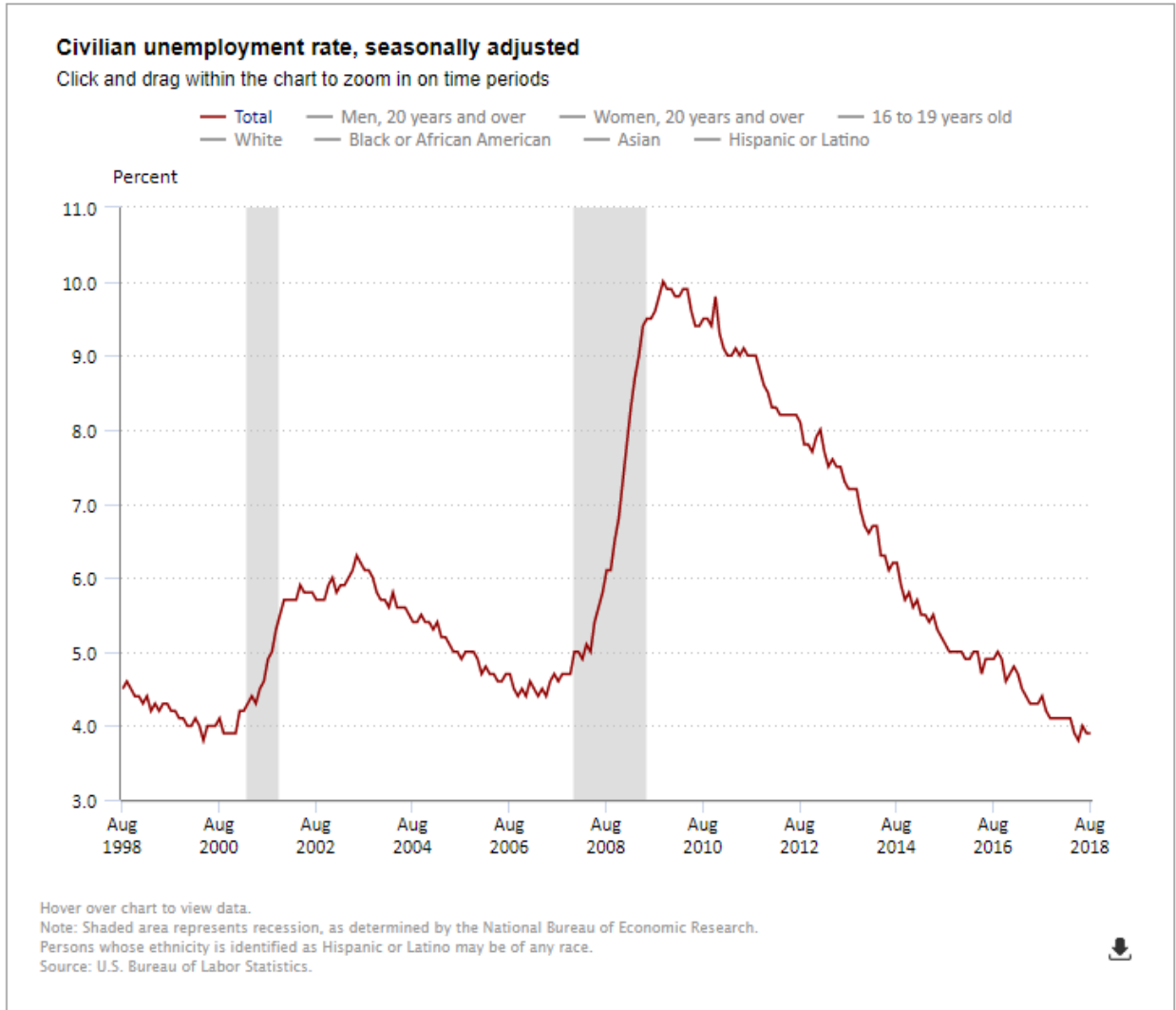
Friday, [Quarterly Services Survey](#): “U.S. selected services total revenue for the second quarter of 2018 . . . was \$3,863.4 billion, an increase of 3.2 percent from the first quarter of 2018 and up 5.3 percent from the second quarter of 2017.”

Bureau of Labor Statistics

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 2.9 percent during the second quarter of 2018 . . . as output increased 5.0 percent and hours worked increased 2.0 percent. . . . From the second quarter of 2017 to the second quarter of 2018, productivity increased 1.3 percent, reflecting a 3.5-percent increase in output and a 2.2-percent increase in hours worked. . . . Manufacturing sector labor productivity increased 1.5 percent in the second quarter of 2018, as output increased 3.0 percent and hours worked increased 1.5 percent. Productivity increased 1.1 percent in the durable manufacturing sector, as output rose 2.9 percent and hours worked increased 1.8 percent. In the non-durable goods manufacturing sector, a 2.2-percent increase in productivity reflected a 3.1-percent increase in output and a 0.9-percent increase in hours worked. Over the last four quarters, total manufacturing sector productivity was unchanged, as output increased 2.1 percent and hours worked increased 2.2 percent. Unit labor costs in manufacturing declined 0.2 percent in the second quarter of 2018 and increased 2.5 percent from the same quarter a year ago.”



Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 201,000 in August, and the unemployment rate was unchanged at 3.9 percent. Job gains occurred in professional and business services, health care, wholesale trade, transportation and warehousing, and mining. . . . Among the major worker groups, the unemployment rates for adult men (3.5 percent), adult women (3.6 percent), teenagers (12.8 percent), Whites (3.4 percent), Blacks (6.3 percent), Asians (3.0 percent), and Hispanics (4.7 percent) showed little or no change in August. The number of long-term unemployed (those jobless for 27 weeks or more) was little changed in August at 1.3 million and accounted for 21.5 percent of the unemployed. Over the year, the number of long-term unemployed has declined by 403,000.”



U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending September 1, the advance figure for seasonally adjusted initial claims was 203,000, a decrease of 10,000 from the previous week's unrevised level of 213,000. This is the lowest level for initial claims since December 6, 1969 when it was 202,000. The 4-week moving average was 209,500, a decrease of 2,750 from the previous week's unrevised average of 212,250. This is the lowest level for this average since December 6, 1969 when it was 204,500.”

## Seasonally Adjusted Initial Claims

September 2, 2017 - September 1, 2018



Institute for Supply Management

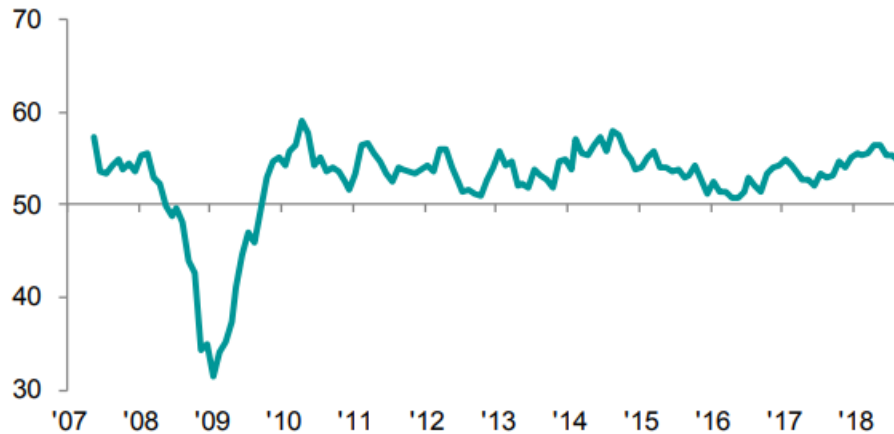
Thursday, [August 2018 Non-Manufacturing ISM Report on Business](#): “Economic activity in the non-manufacturing sector grew in August for the 103rd consecutive month. . . . The NMI registered 58.5 percent, which is 2.8 percentage points higher than the July reading of 55.7 percent. This represents continued growth in the non-manufacturing sector at a faster rate. The Non-Manufacturing Business Activity Index increased to 60.7 percent, 4.2 percentage points higher than the July reading of 56.5 percent, reflecting growth for the 109th consecutive month, at a faster rate in August. The New Orders Index registered 60.4 percent, 3.4 percentage points higher than the reading of 57 percent in July. The Employment Index increased 0.6 percentage point in August to 56.7 percent from the July reading of 56.1 percent. The Prices Index decreased by 0.6 percentage point from the July reading of 63.4 percent to 62.8 percent, indicating that prices increased in August for the 30th consecutive month. According to the NMI, 16 non-manufacturing industries reported growth. There was a strong rebound for the non-manufacturing sector in August after growth cooled off in July. Logistics, tariffs and employment resources continue to have an impact on many of the respective industries. Overall, the respondents remain positive about business conditions and the economy.”

IHS Markit Economics

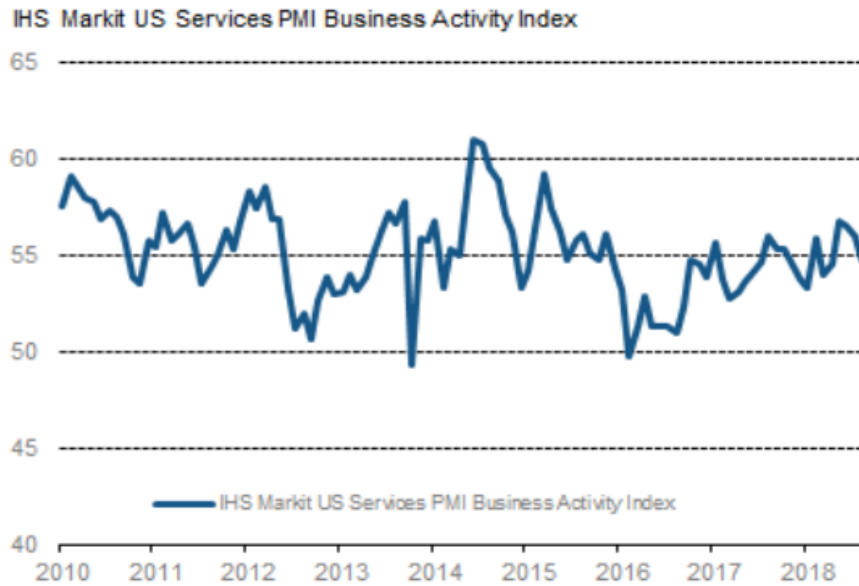
Tuesday, [U.S. Manufacturing Purchasing Managers' Index \(PMI\)](#): The index “registered 54.7 in August, down from 55.3 in July. Although signaling the weakest improvement in operating conditions since last November, the PMI indicated a strong overall manufacturing performance. Moreover, the latest figure remained well above the long-run series average.”

## Manufacturing PMI

sa, >50 = improvement since previous month



Thursday, [U.S. Services Business Activity Index](#): The index registered 54.8 in August, down from 56.0 in July. “The latest survey data signaled a weaker rise in business activity across the U.S. service sector. Output growth softened to a four-month low and dipped below the long-run series trend. The rate of new business growth softened to an eight-month low, despite remaining strong overall. Subsequently, firms showed evidence of spare capacity with backlogs falling further and employment growth slowing to a seven-month low. Meanwhile, increases in input prices and output charges eased, despite the rate of charge inflation remaining well above the series trend.”



Source: IHS Markit.

## TACIR/MTSU Tracking Tennessee's Economy

Wednesday, [Economic Indicators](#): Dr. David Penn of the MTSU Department of Economics and Finance reports that the Tennessee economic indicators have been updated through July 2018. Initial claims are down with a weekly average of 2,088. On a seasonally adjusted basis, state sales tax collections posted a large 2.4% gain in July from the previous month. The seasonally adjusted average hourly earnings were \$23.30, little changed since June, but 2.6% higher over the year.

Tennessee

Employment growth by industry (year over year %)

[view summary table]

Industry	2017						2018						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total nonfarm	1.7	1.4	1.3	1.2	1.5	1.4	1.1	1.5	1.6	1.7	1.5	1.8	2.1
Mining and Logging	5.0	5.0	5.0	5.0	5.1	2.5	2.5	0.0	0.0	0.0	0.0	-2.4	-2.4
Construction	4.5	4.1	4.6	3.9	3.3	4.3	2.7	2.8	2.3	1.3	1.1	1.3	2.4
Manufacturing	1.3	1.1	1.0	0.8	1.2	1.3	0.3	0.1	0.2	0.5	0.5	0.3	0.4
Durable Goods	0.8	0.6	0.8	0.4	1.1	1.0	-0.3	-0.2	-0.2	0.3	0.1	-0.2	0.9
Non-Durable Goods	2.2	1.9	1.5	1.6	1.4	1.9	1.4	0.7	1.0	0.9	1.3	1.3	-0.6
Wholesale Trade	2.1	1.6	1.6	1.8	1.5	1.0	0.8	1.6	0.5	1.2	1.0	0.2	0.9
Retail Trade	0.6	0.3	0.4	0.3	-0.2	-0.9	-1.9	-1.5	-0.5	-0.5	-0.6	0.4	0.3
Transportation and Utilities	0.1	-0.1	0.9	1.4	1.3	1.5	2.3	4.4	4.3	5.1	5.0	5.4	4.9
Information	1.7	1.6	1.3	-0.7	-0.4	-0.2	0.4	-0.2	-1.1	2.0	1.8	0.4	3.8
Financial Activities	3.8	3.2	3.0	2.5	3.0	2.4	2.2	2.6	2.4	2.2	1.8	1.9	2.3
Professional and Business Services	0.8	1.2	0.2	0.2	0.4	0.2	0.5	1.0	1.7	2.0	2.1	2.7	3.8
Education and Health Services	1.9	1.3	1.3	1.4	2.0	2.3	2.1	1.8	2.0	1.9	1.4	1.9	1.7
Leisure and Hospitality	2.8	2.5	3.0	2.4	4.1	3.8	3.9	3.9	4.7	4.9	4.3	4.2	5.0
Other Services	3.1	2.6	2.8	2.5	2.2	2.4	2.1	1.9	2.4	2.0	1.3	1.7	0.7
Government	0.9	0.9	0.2	0.4	0.6	0.2	0.1	1.3	0.3	0.4	0.5	0.9	0.7

Data: Bureau of Labor Statistics, not seasonally adjusted.

**Legend**

	Job loss
	Flat to moderate decline
	Job growth