

Economic Update, October 20, 2017
Submitted by Reuben Kyle

Summary: This week's brief will be my final regular update and my colleague Michael Mount will take over. Dr. Harry Green asked me to provide him with a weekly summary of the economic news the year before he retired. When Lynnisse Roehrich-Patrick became Executive Director, she asked that it be expanded somewhat, and the present Executive Director Cliff Lippard has chosen to continue the weekly economic news summary. I've enjoyed this assignment, but Michael will bring a new perspective to the report. As for this week's economic news, the results were, with a few exceptions, good with initial claims falling to a 44-year low, industrial production increasing, and one measure of the housing market up strongly. Regarding the latter, housing, there are still mixed signals with some measures declining.

Census Bureau

Wednesday, [New Residential Construction](#): In September 2017, both the number of building permits issued and housing starts fell from August. Building permits were down by 4.5% for the month and by 4.3% below the number issued in September 2016. Housing starts declined by 4.7% from August but were 6.1% above the number in September 2016. Housing completions rose by 1.1% from August and by 10.3% from a year earlier.

Bureau of Labor Statistics

Tuesday, [U.S. Export and Import Price Indexes](#): In September 2017, the U.S. Import Price Index rose by 0.7% and the U.S. Export Price Index was up by 0.8%. "Hurricane Harvey and Irma: Hurricanes Harvey and Irma had a small impact on the collection of the import and export price index data for September, but no change in the estimation procedures." The import index increased as a result of a 3.9% increase in fuel import prices, and the rise in the export index was prompted by a 1.0% increase in non-agricultural prices. Since September 2016, the import index has risen by 2.7% and the export index has increased by 0.8%.

Wednesday, [Usual Weekly Earnings of Wage and Salary Workers](#): In the 3rd quarter of 2017, there were 114.9 million full-time wage and salary workers in the U.S. and their median weekly earnings were \$859, up 3.9% from Q3 2016. The median for men was \$937 and women \$767, or 81.9%. "By educational attainment, full-time workers age 25 and over without a high school diploma had median weekly earnings of \$522, compared with \$714 for high school graduates (no college) and \$1,271 for those holding at least a bachelor's degree. Among college graduates with advanced degrees (professional or master's degree and above), the highest earning 10 percent of male workers made \$3,499 or more per week, compared with \$2,765 or more for their female counterparts."

Friday, [State Employment and Unemployment](#): In September 2017, unemployment rates fell in 11 states, rose in four, and were statistically unchanged in 35 states. North Dakota had the lowest unemployment rate at 2.4% and Alaska had the highest rate at 7.2%. Tennessee's rate of 3.0%, down from 3.3% in August, was the lowest rate ever for the state. Five states increased total nonfarm employment in September, six had a decline in employment, and there was no statistical change in employment in 39 states and the District of Columbia. Tennessee added 800 jobs in September and 44,200 jobs since September 2016.

U.S. Department of Labor

Thursday, [Initial Claims](#): For the week ending October 14, 2017, the number of initial claims was 222,000, down 22,000 from the previous week and the lowest level since March 31, 1973. The four-week moving average declined by 9,500 to 248,250. "Claims taking procedures continue to be severely disrupted in Puerto Rico and the Virgin Islands as a result of power outages and infrastructure damage caused by Hurricanes Irma and Maria." In the previous week ending October 14, seven states reported

increases of 1,000 or more new claims, and three states reported decreases of 1,000 or more. Tennessee reported an increase of 653 initial claims from the prior week.

Board of Governors of the Federal Reserve System

Tuesday, [Industrial Production](#): In September 2017, industrial production increased by 0.3%, and since September 2016, the index is up by 1.6%. Construction production was up by 1.9% and manufacturing by 0.1%. Capacity utilization rose by 0.2 percentage points to 76.0%, which is 3.9 percentage points below its long term (1972-2016) average.

Wednesday, [Beige Book](#): The October 2017 report covers a period—mid-August through September—during which hurricanes Harvey and Irma hit the east coast of the country. But the report states that all 12 Federal Reserve Districts were experiencing moderate to modest growth of economic activity. In the Sixth District, economic conditions were described as improving at a modest pace. Both hurricanes impacted states in this geographic area. “Hospitality, energy, and agriculture contacts reported that activity was greatly affected by Hurricane Irma.” Job growth is reported as steady during this time period. However, labor markets were especially tight in “construction, information technology, finance, transportation, and nursing.” The energy sector is having difficulty filling skilled craft positions. The Atlanta Fed’s Business Inflation Expectations Survey found that for the year through September unit costs had risen by 1.7% with an increase of 1.9% anticipated over the next 12 months. With tourism in Florida greatly affected by hurricane Irma some areas of Georgia and Louisiana experienced an “uptick” in visitors. Before the hurricanes, residential housing construction was slightly ahead of the previous year. Manufacturing was also expanding since the last report. Trucking reported “considerable increases” in freight volume. The hurricanes disrupted the energy industry in the district, but electric power was restored except for some parts of the Florida Keys. “Tennessee’s corn harvest closely tracked the five-year average. The District’s cotton harvest and the soybean harvests in Mississippi and Tennessee were mostly on par with five year averages.” In the Eighth District, economic conditions had improved modestly from the previous report. Employment growth appeared to be unchanged with reports of tight labor markets in some areas and fields. “Hurricane Harvey caused relatively strong increases in gasoline prices compared with national prices. Cotton, rice, soybean, and wheat prices increased moderately, while sorghum prices were flat and corn prices decreased modestly.” Real estate tax collections increased in Tennessee, and Memphis automobile dealers reported strong sales. Tennessee hospitality contacts reported increased activity exceeding expectations in this period. Manufacturing was stronger than in the previous report. “Production and yield forecasts improved from August to September for corn, cotton, and soybeans. . . . District cotton and soybean production levels were projected to be higher, while those for corn and rice were projected to be lower.”

The Conference Board

Thursday, [Leading Economic Indicators](#) (LEI): The September 2017 LEI declined by 0.2% to 128.6 (2010=100). Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board wrote: “The US LEI declined slightly in September for the first time in the last twelve months, partly a result of the temporary impact of the recent hurricanes . . . The source of weakness was concentrated in labor markets and residential construction, while the majority of the LEI components continued to contribute positively. Despite September’s decline, the trend in the US LEI remains consistent with continuing solid growth in the US economy for the second half of the year.” The Coincident Economic Index was 115.7, up by 0.1% (2010=100).

National Association of Home Builders

Tuesday, [Housing Market Index](#): In October 2017, this index, a measure of builders’ of new single-family houses confidence, is 68, an increase of four points. This puts the index at its highest level

since May. “This month’s report shows that home builders are rebounding from the initial shock of the hurricanes,’ said NAHB Chairman Granger MacDonald, a home builder and developer from Kerrville, Texas. ‘However, builders need to be mindful of long-term repercussions from the storms, such as intensified material price increases and labor shortages.’”

National Association of Realtors

Friday, [Existing Home Sales](#): In September 2017, existing home sales rose by 0.7% to a seasonally adjusted, annual rate of 5.39 million units compared to 5.35 million in August. The September rate was 1.5% below that of September 2016. “Lawrence Yun, NAR chief economist, says closings mustered a meager gain in September, but declined on an annual basis for the first time in over a year (July 2016; 2.2 percent). ‘Home sales in recent months remain at their lowest level of the year and are unable to break through, despite considerable buyer interest in most parts of the country,’ he said. ‘Realtors® this fall continue to say the primary impediments stifling sales growth are the same as they have been all year: not enough listings—especially at the lower end of the market—and fast-rising prices that are straining the budgets of prospective buyers.’”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 51.1, up from 49.5 the previous week.