

Economic Update, October 7, 2016  
Submitted by Reuben Kyle

Summary: The September jobs report is the big news this week with another so-so figure of 156,000 new jobs and a 0.1 percentage point uptick in the unemployment rate to 5.0%. Otherwise, the week's economic news was mixed with construction spending down and motor vehicle sales up. The purchasing managers' indexes indicate continued growth and all the Gallup economic measures register on the positive side.

Dr. Ratajczak's [Weekly Commentary](#)

Monday: Dr. R begins this week with the question of whether the economy has run out of steam and is nearing a contraction or has paused to reduce inventories that were too high and is poised for renewed growth. He has some interesting insights, too many to summarize, but he comes down on the side of the optimists. We don't get 3<sup>rd</sup> quarter GCP growth until the end of this month and Ratajczak doesn't give us a number but does say that he cut his forecast. His forecast for the Friday job's number is 185,000 with the unemployment rate remaining at 4.9%.

Census Bureau

Monday, [Construction Spending](#): In August 2016, construction spending was down 0.7% from July and 0.3% below the level in August 2015. However, construction spending in the first eight months of 2016 was 4.9% higher than in the same period a year earlier. Spending was down in all categories: residential, nonresidential, educational construction, and highway construction.

Wednesday, [U.S. International Trade in Goods and Services](#): The U.S. Balance of Trade in Goods and Services deficit was \$40.7 billion in August 2016, that is an increase of \$1.2 billion as the increase of \$1.5 billion in exports was more than offset by an increase in imports of \$3.6 billion. Year-to-date, the deficit has declined by 1.3% compared with the same period in 2015.

Wednesday, [Manufacturers' Shipments, Inventories, and Orders](#): In August 2016, new orders, shipments, and inventories increased while unfilled orders fell. New orders for manufactured durables increased by 0.1% and new orders for nondurables rose by 0.2%. Shipments of durable manufactured goods dropped by 0.2% while shipments of nondurables increased by 0.2%. Unfilled orders for manufactured durables fell by 0.1%. Inventories of both manufactured durables and nondurables were up by 0.2%.

Friday, [Monthly Wholesale Trade, Sales and Inventories](#): In August 2016, sales of merchant wholesalers were up by 0.7% from July and were 0.6% higher than in August 2015. Inventories fell by 0.2% from July and were 0.1% lower than in August 2015. The inventory/sales ratio was 1.33, down from 1.34 in July and August 2015.

Bureau of Labor Statistics

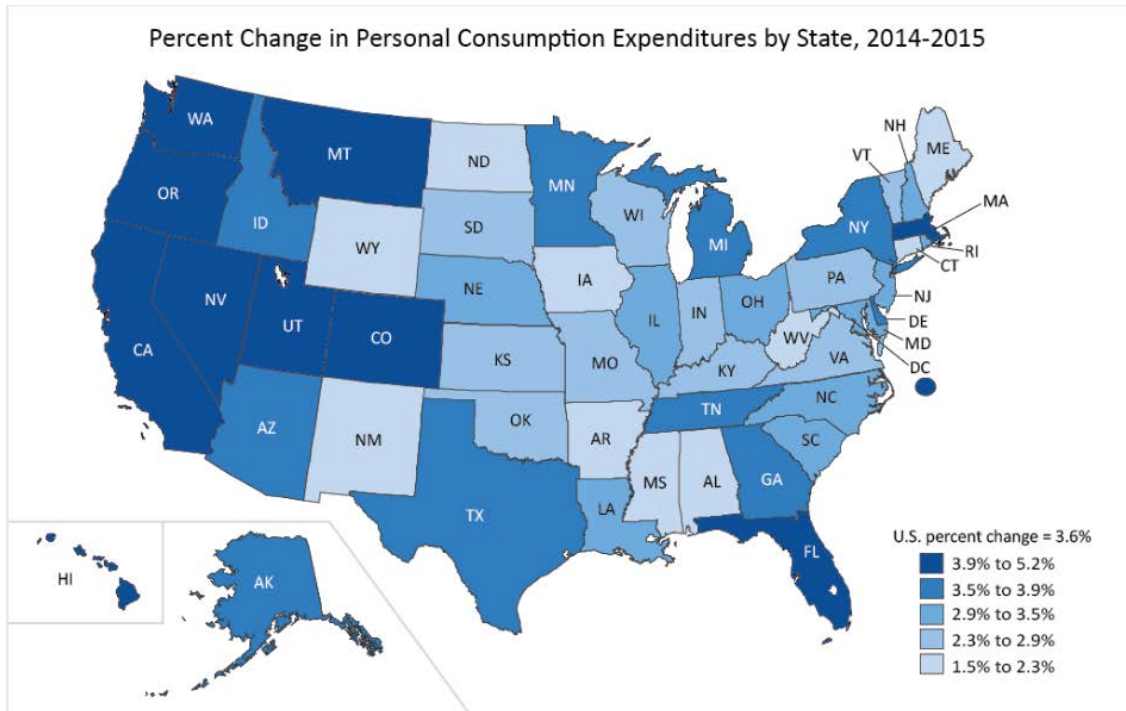
Friday, [Employment Situation](#): The U.S. economy added 156,000 jobs in September 2016 and the unemployment rate was 5.0%. According to the [Household Survey](#), the labor force increased by 444,000 and the Labor Force Participation Rate increased 0.1% to 62.9%. Unemployment rates fell only for Asians (-0.3%) and Adult Women (-0.1%). All other demographic groups saw slight increases in their rates. The [Establishment Survey](#) showed an increase of 167,000 private sector jobs and a decrease of 11,000 government jobs. Construction gained 23,000 new jobs while manufacturing lost 11,000, with motor vehicles and parts dropping 3,100. The big gainers in service-producing jobs were retail trade, which added 22,000 jobs, and health care and social assistance, which added 21,800. Temporary help service jobs increased by 23,200. The total private sector diffusion index was 57.8% while the manufacturing index was 39.2%.

ADP.com

Wednesday, [ADP Employment Report](#): In September 2016, the private sector added 154,000 jobs, less than the 177,000 added in August. Construction gained 11,000 jobs, manufacturing lost 6,000 jobs, and the service-producing sector gained 151,000 new jobs.

Bureau of Economic Analysis

Tuesday, [Personal Consumption Expenditures by State](#): In 2015 Personal Consumption Expenditures grew by 3.6% after a 4.4% increase in 2014. In Tennessee those numbers were 3.5% in 2015 and 4.0% in 2014.



U.S. Bureau of Economic Analysis

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending October 1, 2016, were 249,000, down 5,000 from the previous week, and the four-week moving average was 253,500, a decline of 2,500 from the week prior. The four-week moving average is the lowest since December 8, 1973 and the four-week moving average of the number of unemployed was the lowest since August 12, 2000. For the week ending September 24, one state reported an increase of 1,000 or more new claims and two states reported decreases of 1,000 or more. Tennessee reported a decrease of 112.

Institute for Supply Management

Monday, [September 2016 Manufacturing ISM Index Report on Business](#): The index now reads 51.5%, up 2.1 percentage points from August. Of the 18 industry sectors surveyed, seven report expanding and 11 report contracting. Below are some comments from respondents.

- "Domestic and international sales moving up slightly." (Chemical Products)
- "Negotiating prices down on all metals." (Computer & Electronic Products)
- "Business is still strong, but we are seeing some pushouts from certain consumer market products." (Primary Metals)

- "Sales on the increase and positive outlook for the remainder of 2016." (Fabricated Metal Products)
- "Good growing conditions for this year's corn and soybean crop has the protein market anticipating large supplies and lower cost of goods for 2017." (Food, Beverage & Tobacco Products)

Wednesday, [September 2016 ISM Non-Manufacturing Index Report on Business](#): This index jumped 5.7 percentage points to 57.1% from 51.4% in August. Of the 18 industry sectors surveyed, 14 reported expanding and four reported contracting. The table below gives the details for both the manufacturing and non-manufacturing surveys. Note that the overall economy has expanded for 86 consecutive months and that would rank this [expansion](#) as the fourth longest since 1857. The longest expansion lasted 120 months, from March 1991 to March 2001.

| ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE<br>COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS*<br>SEPTEMBER 2016 |                   |                  |                      |            |                  |                  |                  |                  |                      |
|---|-------------------|------------------|----------------------|------------|------------------|------------------|------------------|------------------|----------------------|
|   | Non-Manufacturing |                  |                      |            |                  |                  | Manufacturing    |                  |                      |
| Index   | Series Index Sep  | Series Index Aug | Percent Point Change | Direction  | Rate of Change   | Trend** (Months) | Series Index Sep | Series Index Aug | Percent Point Change |
| NMI®/PMI®   | 57.1              | 51.4             | +5.7                 | Growing    | Faster           | 80               | 51.5             | 49.4             | +2.1                 |
| Business Activity/Production  | 60.3              | 51.8             | +8.5                 | Growing    | Faster           | 86               | 52.8             | 49.6             | +3.2                 |
| New Orders  | 60.0              | 51.4             | +8.6                 | Growing    | Faster           | 86               | 55.1             | 49.1             | +6.0                 |
| Employment  | 57.2              | 50.7             | +6.5                 | Growing    | Faster           | 4                | 49.7             | 48.3             | +1.4                 |
| Supplier Deliveries   | 51.0              | 51.5             | -0.5                 | Slowing    | Slower           | 9                | 50.3             | 50.9             | -0.6                 |
| Inventories   | 51.5              | 48.0             | +3.5                 | Growing    | From Contracting | 1                | 49.5             | 49.0             | +0.5                 |
| Prices  | 54.0              | 51.8             | +2.2                 | Increasing | Faster           | 6                | 53.0             | 53.0             | 0.0                  |
| Backlog of Orders   | 52.0              | 49.5             | +2.5                 | Growing    | From Contracting | 1                | 49.5             | 45.5             | +4.0                 |
| New Export Orders   | 56.5              | 46.5             | +10.0                | Growing    | From Contracting | 1                | 52.0             | 52.5             | -0.5                 |
| Imports   | 51.0              | 50.5             | +0.5                 | Growing    | Faster           | 8                | 49.0             | 47.0             | +2.0                 |
| Inventory Sentiment   | 64.5              | 64.0             | +0.5                 | Too High   | Faster           | 232              | N/A              | N/A              | N/A                  |
| Customers' Inventories  | N/A               | N/A              | N/A                  | N/A        | N/A              | N/A              | 53.0             | 49.5             | +3.5                 |
| <b>Overall Economy</b>  |                   |                  |                      | Growing    | Faster           | 86               |                  |                  |                      |
| <b>Non-Manufacturing Sector</b>   |                   |                  |                      | Growing    | Faster           | 80               |                  |                  |                      |

\* Non-Manufacturing ISM® Report On Business® data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. Manufacturing ISM® Report On Business® data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

## Markit Economics

Monday, [Purchasing Managers Index \(PMI\) Manufacturing Index](#): The final September 2016 Manufacturing Index was 51.5 compared with the Flash reading of 51.4 and the final August level of 52.0. Chris Williamson, Chief Markit Economist, is quoted: "Manufacturing growth slowed to a crawl in September, suggesting the economy is stuck in a soft-patch amid widespread uncertainty in the lead up to the presidential election. The survey saw firms pulling back on expanding production and focusing instead on cost-cutting, as inflows of new business slowed to the weakest seen so far this year."

Wednesday, [PMI Services Index](#): The final for September 2016 was 52.3 compared with the flash reading of 51.9 and the final August index of 51.0. Combining the manufacturing and service surveys gives a Composite PMI of 52.3 in September, up from 51.5 in August. Chief Economist Williamson stated, "Coming hard on the heels of the IMF's downgrade to the US economic outlook, the upturn in the PMI is a welcome development and suggests that the pace of economic growth gained some momentum in September. However, take a longer look and it's clear that this is by no means a robust upturn. Even with the latest increase the surveys are indicating that the economy is growing at an annualized rate of only 1%."

## Autodata.com

Monday, [Motor Vehicle Sales](#): September motor vehicle sales rebounded from 17.00 million (seasonally-adjusted annual rate) to 17.76 million. It was the fifth month in 2016 that the rate exceeded 17.5 million vehicles. Tennessee assemblers had mixed results. General Motors car sales were up by 9.8% over September 2015 sales though year-to-date car sales are 6.8% lower than the same period in 2015. Nissan car sales were 5.8% below the figures for September 2015 although their total sales were up by 4.9% as a result of an 18.9% increase in Light Truck sales. Volkswagen sales were 7.8% less than a year earlier.

## Bloomberg.com

Thursday, [Consumer Comfort Index](#): "This week, the index produced by Langer Research Associates stands at 41.4, essentially unchanged [from 41.6] for a second week straight and very near its low for the year, 41.3 two weeks ago. It's 1.9 points off its 2016 average and 3.9 points off its peak this year, 45.3 in mid-August. Among other indicators, new data show that wage growth slowed and consumer spending flattened in August, and last month manufacturing turned south."

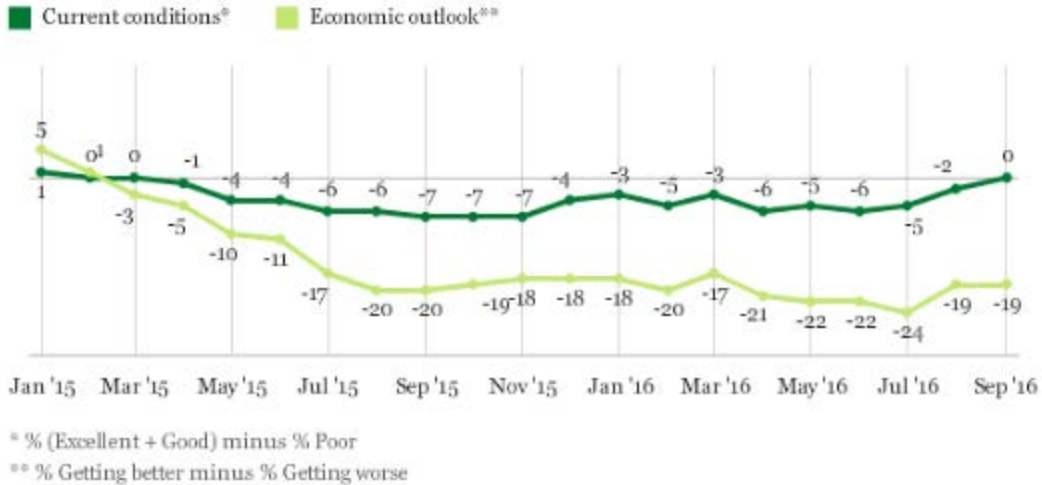
## Gallup.com

Monday, [U.S. Consumer Spending Measure](#): In September 2016, American consumers spent an average of \$91 per day, unchanged from August but the highest September average since 2008. Since 2010, September spending has dropped from August's. "American consumers this year avoided the September slump in spending typically seen in recent years. That has helped keep average spending for the first nine months of 2016 the highest for any year since 2008. Spending patterns of the past decade for the months of October, November and December suggest that spending will increase even further."

Tuesday, [U.S. Economic Confidence Index](#): The Gallup Economic Confidence Index was -10 in September 2016, virtually unchanged from the -11 in August. The chart below shows the components that make up the index since January 2015.

Gallup's U.S. Economic Confidence Index Components -- Monthly Averages

January 2015-September 2016



Wednesday, [Job Creation Index](#): The September 2016 index measuring the difference in the percentage of employers adding jobs minus the percentage laying people off was +33, the same as the previous five months and the highest level since Gallup began this measure.

Thursday, [Good Jobs Rate](#): In September 2016, the Gallup Good Jobs (GGJ) measure was 45.6% compared with 46.5% in August “but still higher than any other September rate Gallup has recorded since it began tracking this measurement in 2010. GGJ typically peaks in June and July with summer employment and falls through autumn, so the decline from the record 47.1% in July is in line with typical seasonal patterns.” This percentage is for the number of U.S. adults, 18 and over, who work fulltime—at least 30 hours per week—for an employer. As a result, it does not include the self-employed, the unemployed, or those working less than 30 hours per week.

*The New York Times*

Thursday, [Oil Glut? Here Comes Some More!](#) In the past week, oil prices have rebounded to above \$50 per barrel but there is still much more oil being produced than consumed. On top of that, this article points to two new discoveries, one in Alaska and another in Texas, that will add to the world supply once they come on-line. Does anyone remember the Club of Rome sponsored book [The Limits of Growth](#) published in 1972? It predicted that oil and natural gas reserves would be exhausted before 2016.