

Economic Update, December 30, 2016  
Submitted by Reuben Kyle

Summary: This last week of the year the economic news was pretty thin but not negative. Happy New Year!

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

Monday: Dr. R is back after more than a month. He starts with his assessment of stock market conditions, and I leave that for your reading pleasure. Next, he dissects GDP growth and gives his 4<sup>th</sup> quarter forecast at 1.9%. Also, he maintains that the Fed's preferred inflation measure—the Personal Consumption Expenditure Price Index—still may not reach 2% in 2017. As a result, he is not anticipating another increase in the fed funds rate anytime soon.

Census Bureau

Thursday, [Advance Wholesale Inventories and Advance Retail Inventories](#): In November 2016, wholesale inventories were up by 0.9% from October and by 1.2% from November 2015. Retail inventories rose by 1.0% from October and by 4.1% from November 2015.

Bureau of Labor Statistics

Friday, [Metropolitan Area Employment and Unemployment](#): In November 2016, unemployment rates declined in 271 of 387 Metropolitan Statistical Areas (MSAs), increased in 90, and were unchanged in 26. The lowest unemployment rate was in Ames, Iowa at 1.7%, and the highest rate was 20.3% in El Centro, California. All 10 Tennessee MSAs had lower unemployment rates in November compared with October 2016 and November 2015. The Nashville-Davidson-Murfreesboro-Franklin MSA had the lowest rate at 3.6% following by the Cleveland MSA at 4.1%. Nonfarm employment increased in 303 of the 387 MSAs nationally, while 73 had lower employment, and 11 had no change in employment year-over-year. Of the 10 Tennessee MSAs, eight had increased employment from October to November, and since November 2015, nine saw higher employment.

U.S. Department of Labor

Thursday, [Initial Claims](#) for unemployment insurance in the week ending December 24, 2016, fell by 10,000 to 265,000, and the four-week moving average dropped by 750 to 263,000. In the previous week, ending December 17, seven states reported increases of 1,000 or more initial claims and two states reported decreases of 1,000 or more. Tennessee reported an increase of 26 new claims.

Standard & Poor's

Tuesday, [S&P Corelogic Case-Shiller House Price Index](#): In October 2016, the National Home Price Index was up by 5.6%, on an annual basis, compared with September's 5.4% rate. "Home prices and the economy are both enjoying robust numbers," says David M. Blitzer, Managing Director & Chairman of the Index Committee at S&P Dow Jones Indices. "However, mortgage interest rates rose in November and are expected to rise further as home prices continue to outpace gains in wages and personal income. Affordability measures based on median incomes, home prices, and mortgage rates show declines of 20-30% since home prices bottomed in 2012. With the current high consumer confidence numbers and low unemployment rate, affordability trends do not suggest an immediate reversal in home price trends. Nevertheless, home prices cannot rise faster than incomes and inflation indefinitely."

National Association of Realtors

Wednesday, [Pending Home Sales](#): In November 2016, the sales index fell by 2.5% to 107.3 from 110.0. Chief NAR Economist, Lawrence Yun, stated "ongoing supply shortages and the surge in mortgage rates took a small bite out of pending sales in November. 'The budget of many prospective buyers last month was dealt an abrupt hit by the quick ascension of rates immediately after the

election,...Already faced with climbing home prices and minimal listings in the affordable price range, fewer home shoppers in most of the country were successfully able to sign a contract.”

The Conference Board

Tuesday, [Consumer Confidence Index](#): In December 2016, this index rose to 113.7 from 109.4 in November (1985=100). “Consumer Confidence improved further in December, due solely to increasing Expectations which hit a 13-year high (Dec. 2003, 107.4),” said Lynn Franco, Director of Economic Indicators at The Conference Board. “The post-election surge in optimism for the economy, jobs and income prospects, as well as for stock prices which reached a 13-year high, was most pronounced among older consumers. Consumers’ assessment of current conditions, which declined, still suggests that economic growth continued through the final months of 2016. Looking ahead to 2017, consumers’ continued optimism will depend on whether or not their expectations are realized.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 46.0, down slightly from the 46.7 the prior week. “The latest data mark the best Christmas week for the CCI since 2006, with the robust finish to the year breaking out of what had been a mostly flat 2016 after an up-and-down 2015. The results are in step with economic expectations this month; as reported last week, they’re their best in nearly two years.” This report will be the last one we get unless I locate a new source or unless one of you would like to put up \$1,750 for a subscription. Better do it soon as the rate goes up to \$2,500 on Sunday. (Do you think that Langer & Associates will learn about the price elasticity of demand on Monday?)