

Summary: The economic news of the week was positive with several highs for the year. Manufacturing reports were strong at the last quarter of the year. The purchasing managers' surveys for the service-producing sector were also upbeat. Labor market indicators continue to be healthy. Consumer confidence measures were at their highs for the year. For the Tennessee economy, recent statistics are very good, with Williamson and Rutherford counties showing strong employment growth.

Census Bureau

Monday, [Quarterly Financial Report, Manufacturing, Mining, Wholesale Trade and Selected Service Industries](#): After-tax profits of U.S. manufacturing corporations increased in the 3<sup>rd</sup> quarter of 2016 by \$8.3 billion from Q2 but were statistically the same as in Q3 2015.

Monday, [Quarterly Financial Report, Retail Trade](#): In the 3<sup>rd</sup> quarter of 2016, after-tax profits of U.S. retail corporations with assets of \$50 million or more increased compared with Q2 as well as from Q3 2015. The chart below shows the quarterly profits since 2012.



Tuesday, [U.S. International Trade in Goods and Services](#): U.S. exports in October 2016 fell by \$3.4 billion from September, and U.S imports increased by \$3.0 billion so that the Balance of Trade in Goods and Services deficit increased by \$6.4 billion to \$43.6 billion. The deficit in goods rose by \$6.3 billion, while the surplus in services fell by \$0.1 billion.

Tuesday, [Manufacturers' Shipments, Inventories, and Orders](#): In October 2016, new orders for manufactured goods increased by 2.7%, led by transportation equipment for which new orders rose by 12.0%. Shipments rose by 0.4%, also led by transportation equipment. Unfilled orders increased by 0.7%, and inventories rose by less than 0.1%.

Thursday, [Quarterly Services Survey](#): In the 3<sup>rd</sup> quarter of 2016, the estimated sales revenue for selected service industries rose from the 2<sup>nd</sup> quarter by 1.6% to \$3,512.5 billion. This figure was 5.3%

higher than in Q3 2015. The strongest growth was in Utilities; Transportation and Warehousing; Educational Services; Arts, Entertainment, and Recreation; and Accommodations.

Friday, [Monthly Wholesale Trade](#): If you only looked at the “headline” for this report, it would say that the measure was down, but you would have missed the more important news. In October 2016, sales by merchant wholesalers was up by 1.4% from September and by 2.2% over October 2015. Sales of durable goods rose by 1.1% and sales on nondurables were up by 1.6%. In fact, inventories did fall by 0.4% for the month as well as year-over-year. The inventory/sales ratio was 1.30 compared with 1.32 the previous month and 1.33 in October 2015.

Bureau of Labor Statistics

Tuesday, [Productivity and Costs](#): In the 3<sup>rd</sup> quarter of 2016, nonfarm business output increased by 3.6% from Q2, and labor hours worked increased by 0.5%, with the result that productivity rose by 3.1%. From Q3 2015 to Q3 2016, productivity was unchanged. For the quarter, unit labor costs rose by 0.7%, and over the preceding four quarters, unit labor costs increased by 3.0%.

Wednesday, [County Employment and Wages](#): In the 2<sup>nd</sup> quarter of 2016, employment increased year-over-year in 291 of the 344 largest counties in the U.S. The largest percentage increase, at 6.7%, was in Williamson County, Tennessee, and the fifth largest percentage increase, at 4.6%, was in Rutherford County, Tennessee. The national average increase for the period was 1.5%. The average weekly wage for the nation was \$989, up by 2.2% from Q2 2015 to Q2 2016. The county with the highest average weekly wage in Tennessee was Williamson County at \$1,088, followed by Davidson County at \$1,013.

Wednesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In October 2016, the number of job openings was 5.5 million, about 100,000 lower than in September. The number of hires was 5.1 million, also just slightly lower than in the previous month, and the number of separations was also slightly lower than in September. The quit rate was 2.1%, unchanged in many months.

Thursday, [Employer Costs for Employee Compensation](#): In September 2016, average employer cost for employee compensation was \$34.15, with wages and salaries accounting for 68.6% of that total and benefits averaging 31.4%. The table below shows the relative share of cost of compensation.

Table A. Relative importance of employer costs for employee compensation, September 2016

Compensation component	Civilian workers(1)	Private industry	State and local government
Wages and salaries	68.6%	69.8%	63.3%
Benefits	31.4	30.2	36.7
Paid leave	6.9	6.9	7.1
Supplemental pay	3.1	3.6	0.8
Insurance	8.8	8.0	12.1
Health benefits	8.4	7.6	11.8
Retirement and savings	5.2	3.9	10.9
Defined benefit	3.2	1.7	10.0
Defined contribution	1.9	2.2	0.8
Legally required	7.5	7.9	5.8

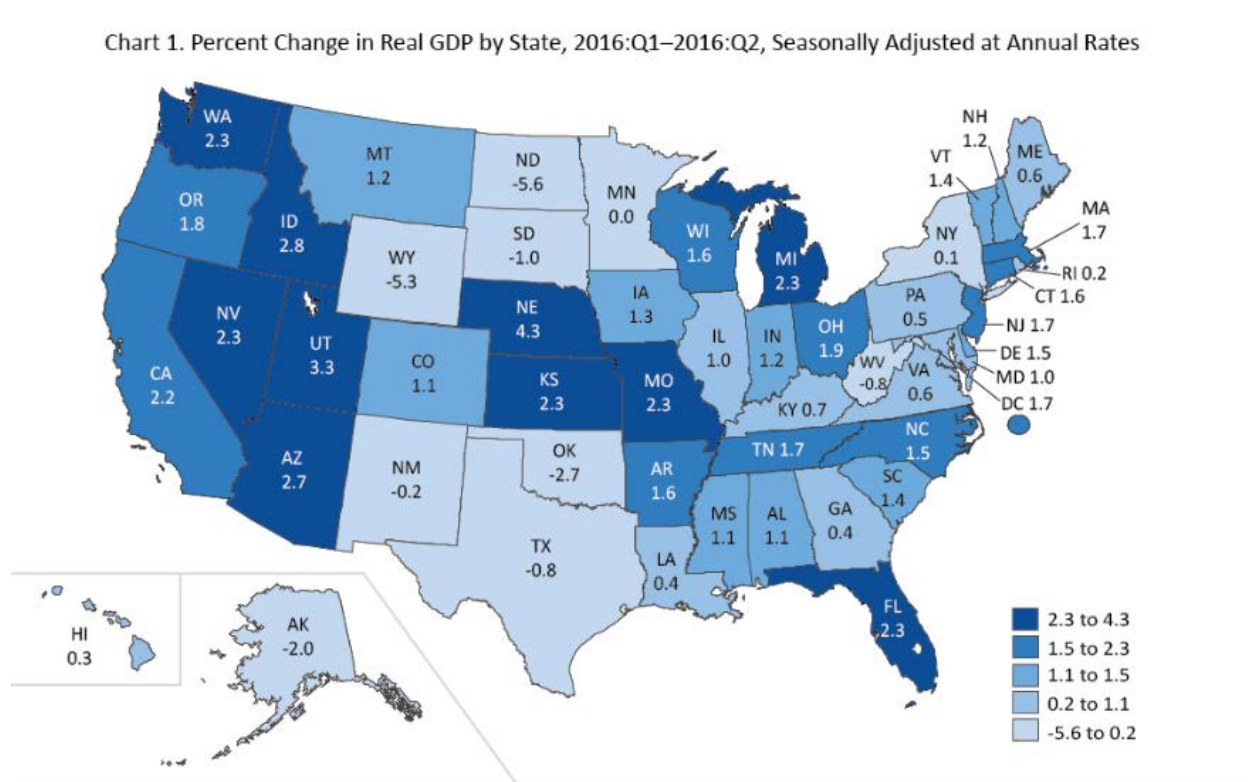
1 Includes workers in the private nonfarm economy except those in private households, and workers in the public sector, except the federal government.

Friday, [Work Experience of the Population](#): “A total of 162.3 million persons worked at some point during 2015, the U.S. Bureau of Labor Statistics reported today. The proportion of the civilian non-institutional population age 16 and over who worked at some time during 2015 rose to 64.2 percent, up from 63.6 percent in 2014. The number of persons who experienced some unemployment during 2015

declined by 783,000 to 16.9 million.” This report includes lots of data on work experience for many different demographic groups.

#### Bureau of Economic Analysis

Monday, [Gross Domestic Product by State](#): In the 2<sup>nd</sup> quarter of 2016, inflation-adjusted GDP increased in 41 states and the District of Columbia. The highest rate was in Nebraska with 4.3% and the lowest was North Dakota at -5.6%. Tennessee’s GDP grew by 1.7%. The map below shows the growth rates for each state from Q1 to Q2 2016.



U.S. Bureau of Economic Analysis

#### U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending December 3, 2016, were 258,000, a decline of 10,000 from the previous week, and the four-week moving average was 252,500, an increase of 1,000. In the prior week, ending November 26, three states reported increases of 1,000 or more initial claims, and 14 states reported decreases of 1,000 or more. Tennessee reported a decline of 252 new claims.

#### Board of Governors of the Federal Reserve

Monday, [Labor Market Conditions Index](#): The November 2016 index is 1.5, up from 1.4 in October, and the index has now been positive every month since June of this year. Evidently, the component measures are revised periodically, and some negative values have turned positive.

#### Institute for Supply Management

Monday, [November 2016 Non-Manufacturing ISM Report on Business](#): The latest index was 57.2% compared with 54.8% in October; the non-manufacturing sector has expanded for 82 consecutive

months. Of the 18 nonmanufacturing industry sectors surveyed 14 reported expanding and two reported contracting. The table below gives the details for both the manufacturing and non-manufacturing surveys.

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS* NOVEMBER 2016									
	Non-Manufacturing						Manufacturing		
Index	Series Index Nov	Series Index Oct	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Nov	Series Index Oct	Percent Point Change
<b>NMI®/PMI®</b>	57.2	54.8	+2.4	Growing	Faster	82	53.2	51.9	+1.3
<b>Business Activity/Production</b>	61.7	57.7	+4.0	Growing	Faster	88	56.0	54.6	+1.4
<b>New Orders</b>	57.0	57.7	-0.7	Growing	Slower	88	53.0	52.1	+0.9
<b>Employment</b>	58.2	53.1	+5.1	Growing	Faster	6	52.3	52.9	-0.6
<b>Supplier Deliveries</b>	52.0	50.5	+1.5	Slowing	Faster	11	55.7	52.2	+3.5
<b>Inventories</b>	51.5	52.0	-0.5	Growing	Slower	3	49.0	47.5	+1.5
<b>Prices</b>	56.3	56.6	-0.3	Increasing	Slower	8	54.5	54.5	0.0
<b>Backlog of Orders</b>	51.0	52.0	-1.0	Growing	Slower	3	49.0	45.5	+3.5
<b>New Export Orders</b>	57.0	55.5	+1.5	Growing	Faster	3	52.0	52.5	-0.5
<b>Imports</b>	54.0	53.0	+1.0	Growing	Faster	10	50.5	52.0	-1.5
<b>Inventory Sentiment</b>	60.5	62.0	-1.5	Too High	Slower	234	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	49.0	49.5	-0.5
<b>Overall Economy</b>				Growing	Faster	88			
<b>Non-Manufacturing Sector</b>				Growing	Faster	82			

\* **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.

\*\* Number of months moving in current direction.

#### Markit Economics

Monday. [PMI Services Index](#): In November 2016, this index was 54.6, just slightly lower than the 54.8 in October. Chief Markit Economist, Chris Williamson, wrote: "The US economy is seeing robust growth, with the business surveys pointing to encouragingly solid rates of expansion in both manufacturing and services."

“Looked at together, the two PMI surveys point to the pace of economic growth holding steady on October’s 11-month high, indicating that GDP is set to rise by 0.6% (2.5% annualized) in the fourth quarter. Both sectors are benefitting primarily from stronger domestic demand.”

“The solid business survey readings not only add to the widely held view that the Fed is near certain to raise interest rates at its December meeting, but also raise the prospect of more aggressive than previously anticipated interest rate hikes in 2017.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 45.1, compared with 44.9 the previous week. “The CCI’s in its longest stretch of peak or near-peak scores of the year and almost certain to end 2016 with its highest annual average since the end of the Great Recession. Its current 2016 average, 43.4, still lags its pre-recession average, 45.3 from late 1985 through November 2007. But its average score the past seven weeks, 44.8, is very close.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The preliminary index reading for December 2016 is 98.0, up from the final 93.8 in November. “Consumer confidence surged in early December to just one-tenth of an Index point below the 2015 peak—which was the highest level since the start of 2004.”

Gallup.com

Monday, [U.S. Consumer Spending Measure](#): In November 2016, average daily spending was reported to be \$98, up from \$93 in October and the highest level for November since Gallup began collecting this measure in 2010.

Tuesday, [Economic Confidence Index](#): The weekly average for this index ending December 4, 2016, was +8, the highest weekly average since Gallup began tracking the index in January 2008. For the month of November, the index averaged +1, compared with -11 in October. “Since 2008, the index has mostly been in negative territory. The major exception came during an eight-week period from late December 2014 through mid-February 2015 when U.S. consumers reacted to a sustained drop in gasoline prices and the weekly average for Gallup's index reached as high as +5.”

Wednesday, [Job Creation Index](#): The November 2016 index was +33, up a tick from the +32 in October, and matching the highest level recorded since January 2008.

MTSU/TACIR Tracking Tennessee’s Economy

Tuesday, [Economic Indicators](#): The Tennessee indicators have now been updated through October 2016. Initial claims continue to trend down, with the seasonally adjusted monthly total for October at 3,120. At the depth of the recession, this number exceeded 15,000. The moving average number of single-family building permits continues to climb, with the October average at 2,195. The peak in November 2005 was 3,717, and the trough in November 2008 was 526. State sales tax collections were up by 3.2% for the month, and at \$715.1 million, were \$31 million higher than in October 2015. Total statewide nonfarm employment exceeded 3 million in the month. The chart below shows employment since January 2006. Average hourly earnings increased by 6.1% year-over-year to \$22.50.

# Tennessee

## Nonfarm Employment

