

Economic Update, February 17, 2017
Submitted by Reuben Kyle

Summary: At first glance the economic news of the week was not very good: housing starts were down, initial claims increased, industrial production and capacity utilization fell, and inflation measures rose. But a closer look at the numbers indicates a continuing strength: building permits were up, initial claims remain at very low levels, industrial production in some key sectors increased, and the inflation measures have eliminated the concern about deflation. Add to those factors a healthy increase in the Leading Economic Indicators and continued strength in consumer confidence and the U.S. economy continues to expand as it has for the past 90+ months.


Census Bureau

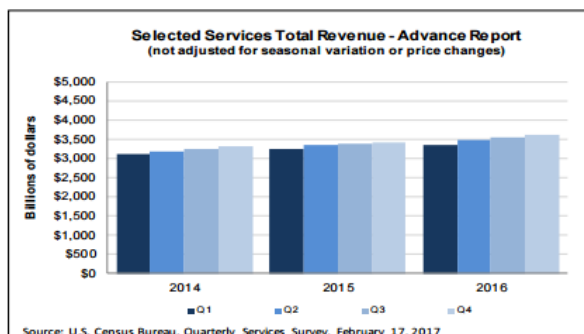
Wednesday, [Advance Monthly Sales for Retail and Food Services](#): In January 2017, preliminary estimates of sales by retail and food service providers were up by 0.4% from December and by 5.6% from January 2016. Retail sales rose by 0.2% for the month and 5.6% for the year with gasoline sales up by 14.2% and nonstore sales by 12.0%.

Wednesday, [Manufacturing and Trade: Inventories and Sales](#): In December 2016, combined sales of distributive trade and shipments of manufacturers increased by 2.0% from November and by 5.2% year-over-year. Inventories were up by 0.4% and the inventory/sales ratio was 1.35 compared with 1.38 in November.

Thursday, [New Residential Construction](#): In January 2017, the number of building permits issued rose from December by 4.6% and from January 2016 the latest figure is 8.2% higher. Housing starts fell by 2.6% from the previous month but were up by 10.5% compared with January 2016. Housing completions were down by 5.6% from December and by 0.9+% from a year earlier.

Friday, [Quarterly Selected Services Estimates, 4th Quarter 2016](#): The Advance Report for selected Q4 service sectors revenues were up by 2.4% from the 3rd quarter and by 6.1% from Q4 2015. These selected sectors cover 12 service industry sectors of the economy. The graphic below shows data over the past three years.

 SELECTED SERVICES TOTAL REVENUE – ADVANCE REPORT		
4Q 2016	\$3,617.5 billion	+2.4 %
3Q 2016 (revised)	\$3,533.1 billion	+1.8 %
Next release: March 9, 2017		
Data not adjusted for seasonal variation or price changes Source: U.S. Census Bureau, Quarterly Services Survey.		



Bureau of Labor Statistics

Tuesday, [Producer Price Index \(PPI\)](#): In January 2017, the PPI for final demand increased by 0.6% led by a 1.0% rise in the final demand for goods. In contrast, the index for final demand for services was up by 0.3%. Over the 12-month period, January 2016 through January 2017, the PPI for final demand was up by 1.6%. Excluding foods, energy, and trade that index was 0.2% higher in January and 1.6% over the prior 12 months.

Wednesday, [Consumer Price Index \(CPI\)](#): In January 2017, the CPI for All Urban Consumers increased by 0.6% from December while for the prior 12-month period it was 2.5% higher. Gasoline

prices which rose by 7.8% were responsible for about half the increase in the CPI. Excluding food and energy the index added 0.3% and over the previous 12 month increased by 2.3%.

Wednesday, [Real Earnings](#): With the 0.6% rise in the CPI for January 2017, real average hourly earnings fell by 0.5% as average hourly earnings increased by 0.1% for the month. For production and nonsupervisory workers' average hourly earnings rose by 0.2% so that their real average hourly earnings declined by 0.4%.

U.S. Department of Labor

Thursday, [Initial Claims](#) for unemployment insurance increased by 5,000 to 239,000 in the week ending February 11, 2017 and the four-week moving average increased by 500 to 245,250. For the week ending February 4, no state reported an increase of 1,000 or more new claims and six states reported a decrease of 1,000 or more. Tennessee reported a decline of 11 in the number of new claims.

Board of Governors of the Federal Reserve

Wednesday, [Industrial Production](#): In January 2017, industrial production declined by 0.3% though manufacturing production increased by 0.2%, construction output rose by 0.9%, and mining production was up by 2.8%. Capacity utilization fell by 0.3 percentage points to 75.3% and that is 4.6 percentage points lower than the long-term average of 79.9%.

The Conference Board

Friday, [Leading Economic Indicators \(LEI\)](#): In January 2016, the LEI was 125.5 (2010=100) up by 0.6%. "The U.S. Leading Economic Index increased sharply again in January, pointing to a positive economic outlook in the first half of this year," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "The January gain was broad based among the leading indicators. If this trend continues, the U.S. economy may even accelerate in the near term." The Coincident Economic Indicator was up by 0.1% to 114.4 (2010=100).

"The ten components of The Conference Board Leading Economic Index® for the U.S. include: Average weekly hours, manufacturing; Average weekly initial claims for unemployment insurance; Manufacturers' new orders, consumer goods and materials; ISM® Index of New Orders; Manufacturers' new orders, nondefense capital goods excluding aircraft orders; Building permits, new private housing units; Stock prices, 500 common stocks; Leading Credit Index™; Interest rate spread, 10-year Treasury bonds less federal funds; Average consumer expectations for business conditions." Note that the components change whenever one no longer appears to lead economic activity.

National Association of Home Builders

Wednesday, [Housing Market Index](#): In February 2017, the home builders index was down two points to 65. NAHB Chief Economist Robert Dietz is quoted: "With much of the decline this month resulting from a decrease in buyer traffic, builders continue to struggle to minimize costs while dealing with supply side challenges such as a lack of developed lots and labor shortages,...Despite these constraints, the overall housing market fundamentals remain strong and we expect to see continued growth this year as some of these concerns are addressed."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index was 48.1 up from 47.2 the previous week. "The consumer comfort index is up nearly 1 full point, to 48.1 in the February 12 week and a new high for the economic cycle. Strength in consumer confidence reflects strength in the jobs outlook."