

Economic Update, March 23, 2018
Submitted by Michael Mount

Summary: Trade tensions with China continued to [increase](#) this week. The Atlanta Fed's "nowcast" of first quarter real (adjusted for inflation) GDP has decreased to 1.8 percent growth (see chart below). The Blue Chip consensus, another forecast of real GDP growth, is predicting 2.5 percent growth, but its forecasts have also been decreasing. Real GDP growth in the fourth quarter of 2017 was 2.5 percent.

Census

Monday, [Retail Trade Profits](#): US retail trade corporations' after-tax profits were \$28.2 billion in the fourth quarter of 2017, an increase from \$20.0 billion in the third quarter and from \$28.1 billion in the fourth quarter of 2016.

Monday, [Manufacturing Profits](#): US manufacturing corporations' after-tax profits were \$117.6 billion in the fourth quarter of 2017, a decrease from \$148.4 billion in the third quarter and from \$135.0 billion in the fourth quarter of 2016.

Friday, [Durable Goods](#): New orders for durable goods increased to a total of \$247.7 billion in February 2018, up 3.1 percent from January. This is a rebound from the 3.5 percent decrease from December 2017 to January 2018.

Friday, [New Residential Sales](#): From January to February 2018, the annual rate of new houses sold decreased 0.6 percent, from 622,000 to 618,000. "The median sales price of new houses sold in February 2018 was \$326,800. The average sales price was \$376,700."

Bureau of Economic Analysis

Thursday, [State Personal Income](#): "State personal income increased 3.1 percent on average in 2017, after increasing 2.3 percent in 2016." Tennessee's 2017 increase was 3.2 percent.

Bureau of Labor Statistics

Tuesday, [Employer Cost for Employee Compensation](#): "Employer costs for employee compensation averaged \$35.87 per hour worked in December 2017. . . . Wages and salaries averaged \$24.49 per hour worked and accounted for 68.3 percent of these costs, while benefit costs averaged \$11.38 and accounted for the remaining 31.7 percent. Total employer compensation costs for private industry workers averaged \$33.72 per hour worked in December 2017. Total employer compensation costs for state and local government workers averaged \$49.19 per hour worked in December 2017."

Wednesday, [Multifactor Productivity Trends](#): "Private nonfarm business sector multifactor productivity increased 0.9 percent in 2017. . . . This 2017 increase reflects a 2.9-percent increase in output and a 2.0-percent increase in the combined inputs of capital and labor. Capital services grew by 2.2 percent and labor input . . . grew by 1.9 percent. The increase in multifactor productivity followed a 0.6-percent decrease in 2016."

Thursday, [Employment Situation of Veterans](#): "The unemployment rate for veterans who served on active duty in the U.S. Armed Forces at any time since September 2001—a group referred to as Gulf War-era II veterans—edged down to 4.5 percent in 2017. . . . The jobless rate for all veterans declined from 4.3 percent to 3.7 percent in 2017."

Friday, [State Employment and Unemployment](#): "The national unemployment rate was unchanged from January at 4.1 percent but was 0.6 percentage point lower than in February 2017." Tennessee's unemployment rate stayed at 3.4 percent. It was 4.4 percent in February 2017.

Department of Labor

Thursday, [Initial Claims](#): “In the week ending March 17, the advance figure for seasonally adjusted initial claims was 229,000, an increase of 3,000 from the previous week's unrevised level of 226,000.”

Mortgage Bankers Association

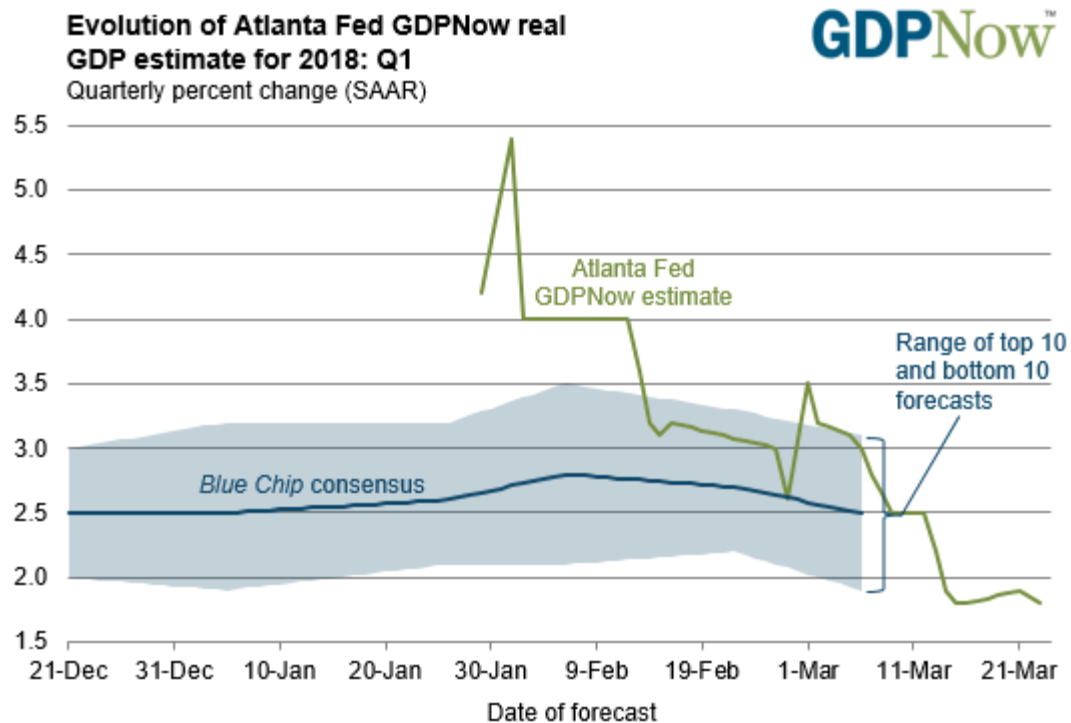
Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 1.1 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) decreased to 4.68 percent from 4.69 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to its highest level since April 2011, 4.12 percent, from 4.07 percent.”

National Association of Realtors

Wednesday, [Existing Home Sales](#): “Despite consistently low inventory levels and faster price growth, existing-home sales bounced back in February after two straight months of declines. . . . Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, grew 3.0 percent to a seasonally adjusted annual rate of 5.54 million in February from 5.38 million in January. After last month’s increase, sales are now 1.1 percent above a year ago.”

Federal Reserve

Last Friday, [GDPNow](#): The Atlanta Fed’s “GDPNow” forecast of GDP for the first quarter of 2018 has decreased to 1.8 percent from its initial 4.2 percent on January 29. The advance estimate of first quarter GDP will be [released](#) on April 27, 2018.



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Wednesday, [FOMC Statement](#): “[T]he labor market has continued to strengthen and . . . economic activity has been rising at a moderate rate. Job gains have been strong in recent months, and the unemployment rate has stayed low. . . . Growth rates of household spending and business fixed investment have moderated. . . . Both overall inflation and inflation for items other than food and energy have continued to run below 2 percent.”

Federal Housing Finance Agency

Thursday, [House Price Index](#): “U.S. house prices rose in January, up 0.8 percent from the previous month. . . . The previously reported 0.3 percent increase in December was revised upward to 0.4 percent.”

HIS Markit

Thursday, [PMI Composite Flash](#): The purchasing managers’ index decreased from 55.8 in February to 54.3 in March 2018. The index “has remained above the 50.0 no-change threshold for just over two years. The latest upturn in business activity was faster than the average over this period, driven by solid rises in both manufacturing production and service sector output.”

Bloomberg

Thursday, [Consumer Comfort](#): The index increased from 54.5 to 56.0. “While the pickup in sentiment this year hasn’t been accompanied by stronger household purchases, sustained optimism and faster income growth may allow spending to accelerate in coming months.”

The Conference Board

Thursday, [Leading Indicators](#): “The U.S. LEI rose again, despite a sharp downturn in stock markets and weakness in housing construction in February,” said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. “The LEI points to robust economic growth throughout 2018. Its six-month growth rate has not been this high since the first quarter of 2011. While the Federal Reserve is on track to continue raising its benchmark rate for the rest of the year, the recent weakness in residential construction and stock prices—important leading indicators—should be monitored closely.”