

Summary: It was another week of good and bad economic news. The bad included another month of a slowing manufacturing sector—except for the automobile and parts industry—and, according to one survey, slow growth in services. In the positive column were good news in Tennessee labor markets, a slight improvement in 4th quarter GDP growth, and higher personal income in Tennessee.

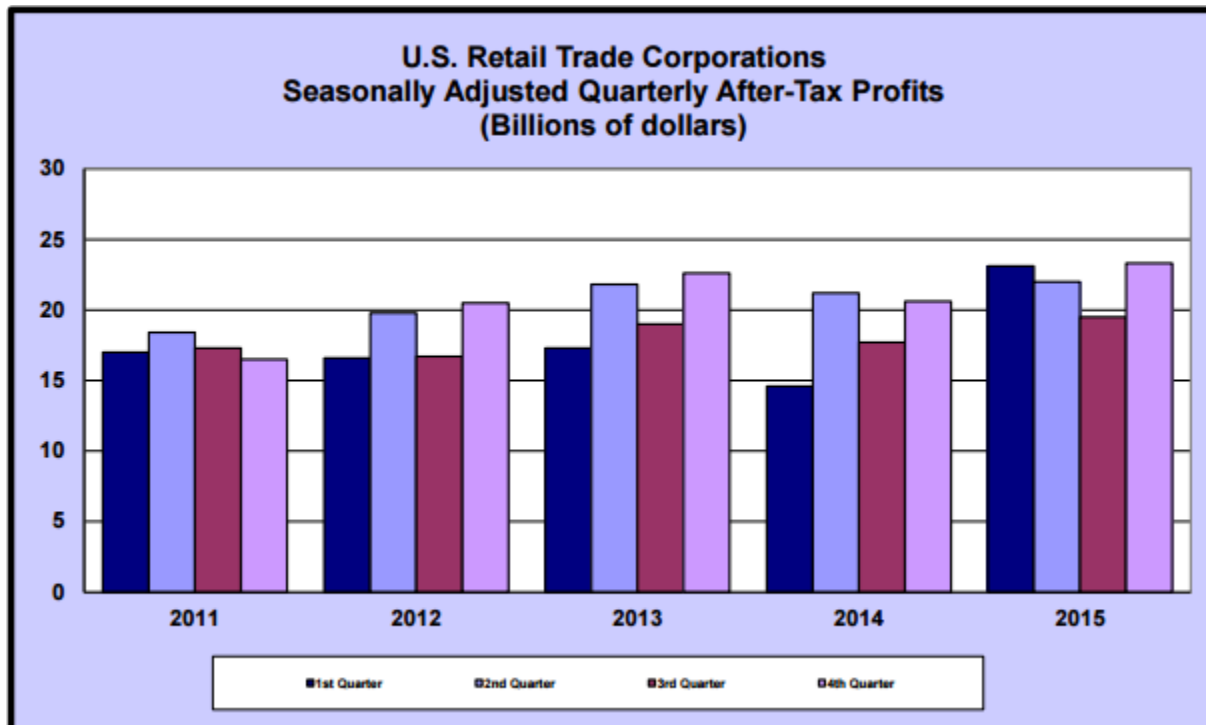
Dr. Ratajczak's [Weekly Commentary](#)

Tuesday: Dr. R begins this week with some lessons on petroleum economics. He explains the recent rise in oil and gasoline prices but also warns that there is still excess oil production in the world. His forecast for this week's "final" 4th quarter 2015 GDP growth rate is 1.5%. Also, he notes that initial claims are consistent with 200,000+ jobs but he is holding off any change in his own forecast.

Census Bureau

Monday, Quarterly Financial Report-[Manufacturing, Mining, Wholesale Trade, and Selected Service Industries](#): In the 4th quarter of 2015, seasonally-adjusted, after-tax profits of U.S. manufacturing corporations, with assets of \$50 million or more, were \$123.9 billion, \$17 billion less than in Q3 2015 and \$28.9 billion lower than in Q4 2014. Those profits for durable goods manufacturers were up by \$4.7 billion year-over-year. Mining corporations, with assets of \$50 million or more, were the principal leaders driving profits down with a drop of \$68.2 billion producing losses totaling \$85.3 billion.

Monday, Quarterly Financial Report-[Retail Trade](#): Fourth quarter 2015 seasonally-adjusted, after-tax profits retail corporations, with assets of \$50 million or more, were \$23.3 billion up by \$3.8 billion from the 3rd quarter and \$2.7 billion higher than in Q4 2014. The chart below shows quarterly profits since 2011.



Wednesday, [New Residential Sales](#): In February 2016, sales of new single-family houses were up by 2.0% from January but 6.1% lower than in February 2015. The median sales price of new houses was \$301,400 compared with \$283,900 in January and \$296,200 for all of 2015. The number of houses for sale increased by 36,000 from February 2015 and the supply of new houses increased from 4.5 months to 5.6 months.

Thursday, [Advance Report on Durable Goods Manufacturers' Shipments, Inventories and Orders](#): This preliminary report for February 2016 is pretty much a complete downer with new orders, shipments, unfilled orders, and inventories all declining from January. Capital goods, both defense and nondefense followed suit. In the case of new orders, shipments, and unfilled orders transportation equipment prompted the decrease. The only bright spot was a 0.5% increase in shipments of motor vehicles and parts, a mainstay of Tennessee's economy.

Bureau of Labor Statistics

Tuesday, [Employment Situation for Veterans](#), 2015: This report contains a lot of information about the 21.1 million veterans, 18 years and older. In 2015, the unemployment rate of veterans was 4.6%, which is below the 4.9% for the national economy. That difference may be accounted for by the proportion of male veterans as compared with males in the total labor force plus the higher age of veterans compared with the larger group. Among the younger Gulf War II veterans the unemployment rate was 5.8%.

Thursday, [Multifactor Productivity Trends](#): "Private nonfarm business sector multifactor productivity increased at a 0.7 percent annual rate in 2014..." By way of comparison, between 1987 and 2014 multifactor productivity grew at an average rate of 0.9% and between 2007 and 2014 that average was 0.4%. As a reminder, multifactor productivity, in contrast to the more familiar labor productivity, is a measure of the change in output "relative to the change in capital and labor used to produce that output.

Friday, [Regional and State Employment and Unemployment](#), February 2016: The unemployment rate fell from January to February in 22 states, rose in eight, and was unchanged in 20 states and the District of Columbia. Compared to a year ago, 37 states plus the District of Columbia had lower unemployment rates, 10 had higher rates, and three had no change. Tennessee's unemployment rate fell from 5.4% to 4.9% in February and is down from 6.0% in February 2015. Nonfarm employment increased in 36 states and the District of Columbia in February and fell in 14 states. Since February 2015 Tennessee has added 89,000 jobs or 3.3%, the third highest percentage increase in the country.

Bureau of Economic Analysis

Thursday, [State Personal Income, Quarterly and Annual 2015](#): Nationally, personal income in the U.S. grew by 4.4% in 2015. Compared with 2014, personal income in Tennessee ranked in the top quintile with an increase of 4.8%. In this period—in contrast to the recent past—North Dakota suffered a 0.2% decrease in personal income as a result of 5.2% national decline in earnings in mining. In the 4th quarter of 2015: "Growth in Michigan, and eight other states (Missouri, Kentucky, Ohio, Illinois, Texas, Indiana, Kansas, and Tennessee) was boosted by bonuses paid to workers represented by the United Auto Workers for ratifying new contracts."

Friday, [Gross Domestic Product](#) (GDP) and Corporate Profits, 4th Quarter and Annual 2015 (3rd estimate): Real GDP grew at an annual rate of 1.4% a revision from 0.7% in the advance estimate and 1.0% in the 2nd estimate. "The increase in real GDP in the fourth quarter reflected positive contributions from PCE, residential fixed investment, and federal government spending that were partly offset by negative contributions from nonresidential fixed investment, exports, private inventory investment, and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased." For all of 2015, real GDP increased by 2.4%, the same as in 2014. In current dollar terms

GDP was \$17,947 in 2015, an increase of 3.5% from 2014. The price index for gross domestic purchases increased by 0.4% in 2015 compared with 1.5% in 2014. In the 4th quarter, corporate profits fell by \$159.6 billion from the 3rd quarter and by \$64 billion for 2015 compared with 2014. Those profits amounted to \$2,008.9 billion in 2015 and \$2,072.9 billion in 2014. For complete details on GDP and corporate profits click [here](#). For a graph of real GDP growth since Q4 2005 click [here](#).

U.S. Department of Labor

Thursday, [Initial Claims](#): “Note: This week's release reflects the annual revision to the weekly unemployment claims seasonal adjustment factors. The seasonal adjustment factors used for the UI Weekly Claims data from 2011 forward, along with the resulting seasonally adjusted values for initial claims and continuing claims, have been revised.” For the week ending March 19, 2016 new claims numbered 265,000, an increase of 6,000 from the previous week and the four-week moving average was 259,750, an increase of 250. In the week ending March 12, one state reported an increase of 1,000 or more initial claims and three states reported decreases of 1,000 or more. Tennessee reported a decrease of 633.

Federal Housing Finance Agency (FHFA)

Tuesday, [House Price Index](#): In January 2016, this index was 0.5% higher than in December and from January 2015 to January 2016 the index was up by 6.0%. “The FHFA monthly HPI is calculated using home sales price information from mortgages sold to, or guaranteed by, Fannie Mae and Freddie Mac.” “The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 11 Federal Home Loan Banks. These government-sponsored enterprises provide nearly \$5.7 trillion in funding for the U.S. mortgage markets and financial institutions.”

National Association of Realtors

Monday, [Existing Home Sales](#): In February 2016, sales of single-family homes, townhomes, condominiums and co-ops fell 7.1% to a seasonally-adjusted annual rate of 5.08 million units compared with 5.47 million in January but still 2.2% higher than in 2015. Lawrence Yun, NAR chief economist, “says existing sales disappointed in February and failed to keep pace with what had been a strong start to the year. ‘Sales took a considerable step back in most of the country last month, and especially in the Northeast and Midwest...The lull in contract signings in January from the large East Coast blizzard, along with the slump in the stock market, may have played a role in February's lack of closings. However, the main issue continues to be a supply and affordability problem. Finding the right property at an affordable price is burdening many potential buyers.’” The median sales price for all types of units was \$210,800, 4.4% higher than in February 2015.

Markit Economics

Tuesday, Purchasing Managers Index (PMI) [Manufacturing Index Flash](#): In mid-March 2016, the index was 51.4 slightly higher than the 51.3 in February. The headline on the report is: “Subdued pace of manufacturing growth persists in March.” Chris Williamson, Chief Markit Economist, stated: “US factories continue to endure their worst spell for three and a half years. Headwinds include reduced spending by the struggling energy sector, the strength of the dollar, persistent weak global demand and growing uncertainty caused by the looming presidential election.”

Thursday, [PMI Services Index Flash](#): The preliminary index for March 2016 was 51.0 up from 49.7 in February. The Markit Flash U.S. Composite Output Index was 51.1 up from 50.0 in February. Chief Economist Williamson stated: “The US economy is going through its worst growth spell for three and a half years.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest reading of this index is 43.6 down from the 44.3 reported last week. “Consumer sentiment pointed in opposite directions this week, as evaluations of the national economy and the buying climate hit 2016 lows while perceptions of personal finances reached a more-than-five-month high.”

MTSU Business & Economic Research Center

Monday, [Global Commerce](#): The issue for the 4th quarter 2015 is devoted to foreign direct investment in Tennessee. Dr. Steve Livingston, editor of the newsletter, reports that: “New or expanded foreign-owned operations led to 6,685 jobs (358 more than the previous year). Twenty foreign firms either initiated new operations or significantly expanded existing ones in 2015, four more than in 2014. These firms came from eight different countries.” The largest new investment was a \$400 million expansion of the Denso plant supplying automotive parts in Maryville, Tennessee and the largest employment gain was the expansion of the Nissan supplier park in Smyrna, Tennessee adding 1,000 jobs. Automotive-related companies are the major contributors to the growth in 2005 with 4,635 new jobs of the total mentioned above. Canada, China, and Japan were the largest sources of new investment in 2015 with China establishing five new operations in Tennessee. While Tennessee’s exports suffered along with U.S. exports in 2015, our state’s loss was much smaller than the national economy’s. The report includes interactive maps showing the location of new investments around the state along with graphics and tables detailing Tennessee’s foreign trade.

Here are a couple of interesting tables from the U.S. DOT [North American Freight Numbers](#) report regarding Tennessee trade with Canada and Mexico.

Table 3. Top 10 States Freight Flows with Canada by All Modes of Transportation

Ranked by 2015 Value
(millions of current dollars)

State	2014		2015		Percent Change 2014 -2015
	Value	Rank	Value	Rank	
Michigan	74,249	1	69,059	1	-7.0
Illinois	67,086	2	47,166	2	-29.7
California	46,129	4	44,783	3	-2.9
Texas	48,551	3	41,311	4	-14.9
Ohio	37,785	5	33,913	5	-10.3
New York	34,168	6	30,413	6	-11.0
Pennsylvania	24,707	8	22,302	7	-9.7
Washington	25,264	7	21,548	8	-14.7
Indiana	20,338	9	18,819	9	-7.5
Tennessee	14,595	12	14,406	10	-1.3

Source: Bureau of Transportation Statistics, TransBorder Freight Data, <http://transborder.bts.gov/transborder/> as of February 2016.

NOTE: Percent change based on numbers prior to rounding.

Table 5. Top 10 States Freight Flows with Mexico by All Modes of Transportation

Ranked by 2015 Value
(millions of current dollars)

State	2014		2015		Percent Change 2014 -2015
	Value	Rank	Value	Rank	
Texas	192,761	1	177,997	1	-7.7
California	66,669	2	71,889	2	7.8
Michigan	53,283	3	55,009	3	3.2
Illinois	21,272	4	22,195	4	4.3
Arizona	15,943	5	16,760	5	5.1
Ohio	13,797	6	14,683	6	6.4
Tennessee	11,486	7	11,995	7	4.4
Indiana	10,153	9	10,059	8	-0.9
Georgia	9,049	10	9,732	9	7.5
Pennsylvania	7,254	14	8,392	10	15.7

Source: Bureau of Transportation Statistics, TransBorder Freight Data, <http://transborder.bts.gov/transborder/> as of February 2016.

NOTE: Percent change based on numbers prior to rounding.