

Economic Update, May 12, 2017  
Submitted by Reuben Kyle

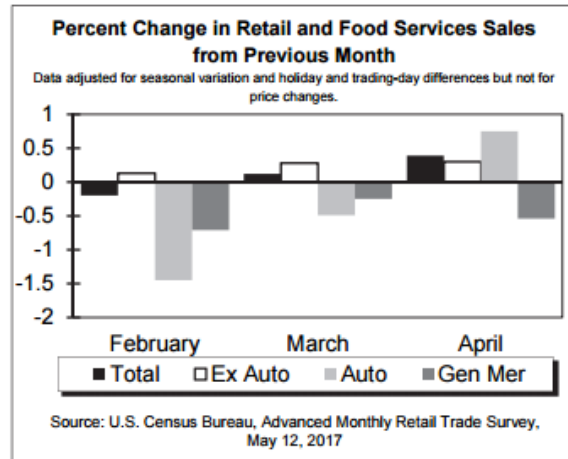
Summary: It was another week of good, not great, economic news. The U.S. economy continues to expand, if a little slower than earlier. Labor markets continue to be strong. Inflation measures are up but hardly to levels that should be of concern. Consumer confidence remains high.

Census Bureau

Tuesday, [Monthly Wholesale Trade, Sales and Inventory](#): In March 2017, sales by merchant wholesalers were “virtually unchanged” from February but were 9.1% higher than in March 2016. Inventories were up by 0.2% for the month and 3.0% higher than in March 2016. The inventory/sales ratio was 1.28, the same as in February but down from the 1.35 a year earlier.

Friday, [Advance Monthly Sales for Retail and Food Services](#): In April 2017, sales of retail and food service providers were up by 0.4% from March and by 4.5% from April 2016. The charts below give some detail.

| ADVANCE MONTHLY SALES   |                 |       |
|---|-----------------|-------|
| April 2017  | \$474.9 billion | 0.4%* |
| March 2017 (revised)  | \$473.1 billion | 0.1%* |
| Next release: June 14, 2017   |                 |       |
| * The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero.                               |                 |       |
| Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, May 12, 2017. |                 |       |



Friday, [Manufacturing and Trade, Inventories and Sales](#): In March 2017, combined sales of distributive trade providers and shipments of manufacturers were unchanged from February but 6.5% higher than in March 2016. Inventories increased by 0.2% for the month and by 2.6% from a year earlier. The inventory/sales ratio was 1.35 compared with 1.40 in March 2016.

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In March 2017, the number of job openings was 5.7 million, up only slightly from February, while the number of hires was 5.3 million, also little changed from the month before. Separations were literally the same at 5.0 million as in February. The quit rate was 2.1%, the same rate as in February, and very close to the 2.0% in March 2016. “Job openings increased in professional and business services (+126,000), other services (+55,000), and state and local government education (+27,000). Job openings decreased in educational services (-43,000) and mining and logging (-8,000). The number of job openings was little changed in all four regions.”

Tuesday, [Productivity and Costs by Industry, Manufacturing and Mining](#): “Labor productivity rose in 31 of the 90 NAICS 4-digit manufacturing and mining industries in 2016, the U.S. Bureau of Labor Statistics reported today. This was fewer than in 2015 when labor productivity rose in 41 industries. Output and hours worked also increased in fewer industries in 2016 than in the previous year. Unit labor costs, which reflect the total labor costs required to produce a unit of output, rose in 64 of the 86

NAICS 4-digit manufacturing industries and in 1 of the 4 mining industries. Eighteen industries with productivity increases recorded declines in unit labor costs.”

Wednesday, [U.S. Import and Export Price Indexes](#): In April 2017, the U.S. Import Price index rose by 0.5% after a 0.1% increase in March. The April increase was led by a 1.6% rise in fuel prices. The Export Index was up by 0.2%. Since April 2016, the import index has risen by 4.1% and the export index is 3.0% higher.

Thursday, [Producer Price Index \(PPI\)](#): In April 2017, the PPI for Final Demand gained 0.5%, following a 0.1% rise in March and a 0.3% increase in February. The index for final demand goods rose by 0.5%, and the final demand services was up by 0.4%. Over the 12-month period since April 2016, the final demand PPI, excluding food, energy, and trade increased by 2.1%.

Friday, [Consumer Price Index \(CPI\)](#): This index rose by 0.2% in April 2017 and is up by 2.2% from April 2016. Energy prices were the principal mover in April with gasoline increasing by 14.3% over the past 12 months. The All-Item index excluding food and energy was 1.9% higher than in April 2016.

Friday, [Real Earnings](#): In April 2017, real average hourly earnings increased by 0.1% as average hourly earnings were up by 0.3% and the CPI rose by 0.2%. For Production and Nonsupervisory Workers, the index was unchanged even though their average hourly earnings were 0.3% higher and the CPI for Urban Wage Earners was 0.2% higher.

#### Bureau of Economic Analysis

Thursday, [Gross Domestic Product \(GDP\) by State, 4<sup>th</sup> Quarter 2016 and Annual 2016](#): In the 4<sup>th</sup> quarter of 2016, real U.S. GDP increased by 1.9% but by state that rate varied from 3.4% in Texas to 0.1% in Kansas and Mississippi. Tennessee’s real GDP increased by 1.5% in 2016 Q4. For the calendar year of 2016, U.S. real GDP increased by 1.5%, down from 2.6% in 2015. Tennessee’s 2.0% increase in real GDP exceeded the national average. The big contributors to Tennessee’s growth in GDP from 2015 to 2016 were: durable goods manufacturing, real estate and rental and leasing, transportation and warehousing, wholesale trade, and retail trade. Government contributed a negative 0.1 percentage points.

#### U.S. Department of Labor

Thursday, [Initial Claims](#) for unemployment insurance in the week ending May 6, 2017 declined by 2,000 to 236,000, and the four-week moving average rose by 500 to 243,500. The four-week moving average for the number of insured unemployed was 1,965,500, the lowest level since **February 2, 1974**. In the prior week, ending April 29, 2017, no states reported an increase of 1,000 or more new claims, and seven states reported decreases of 1,000 or more. Tennessee reported an increase of 432 initial claims.

#### Board of Governors of the Federal Reserve

Monday, Labor Market Conditions Index: The April 2017 index is 3.5 down slightly from 3.6 in March. With the latest revisions, the index has been positive since June 2016 and 3.0 and above for the months of February through April. This index is a composite of 19 measures and the authors of the [original analysis](#) note that the index will be revised each month for [three different reasons](#): new data is received each month and not all data is for the most current month, the measures themselves are often revised, and the method for calculating the index is based on its past history so that past months are revised.

#### The Conference Board

Monday, [Employment Trends Index](#): The Conference Board’s version of labor market trends is a composite of eight measures, and its April 2017 reading is 132.64, up from 131.58 in March. “The Employment Trends Index has been expanding rapidly in 2017, suggesting that robust job growth will

continue into the summer,' said Gad Levanon, Chief Economist, North America, at The Conference Board. 'A tight labor market is about to get much tighter, with solid employment growth occurring at a time when there is almost no growth in the working-age population.'" Thanks to [The Wall Street Journal](#) for reminding me of this measure.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 49.7 compared with 50.9 the previous week.

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-May 2017 index stands at 97.7 up slightly from the 97.0 at the end of April.

*The New York Times*

Thursday, [William J. Baumol, 95, 'One of the Great Economists of His Generation,' Dies](#): Baumol spent most of his career at Princeton University but was also a faculty member at New York University. Among his many contributions was his analysis of the differences in the costs of services versus the cost of goods. He offered the example of the time it takes for a string quartet to perform a work by Beethoven. It would take the same amount of time in 2017 as it would have in 1817. But, today's performers could not survive on the same wages as those of 1817. There are many instances where the same situation would occur in the production of services. In contrast, productivity in the manufacture of almost all things improves steadily. Just look at the report on Productivity and Costs above. Baumol argued that there was no cure for what he termed [The Cost Disease](#). Economics' students of my generation relied on Baumol to teach us a great deal about managerial behavior.