

Economic Update, May 19, 2017
Submitted by Reuben Kyle

Summary: Most economic measures were positive this week. Labor markets continue to be strong even if the latest numbers for Tennessee were off somewhat. The Leading Economic Indicators were up, and consumer confidence remains high. Housing numbers were down in April but builders' confidence is still strong. Included this week is an interesting WSJ story about metro areas that are still struggling. Fortunately, there were no Tennessee MSAs among them.

Census Bureau

Tuesday, [Quarterly Retail E-Commerce Sales](#): In the 1st quarter of 2017, retail E-commerce sales were 4.1% higher than in Q4 2016 and 14.7% above those sales in Q1 2016. Total retail sales in the 1st quarter of 2017 were estimated to be \$1,250 billion, up by 1.0% over the previous quarter while retail E-commerce sales were \$105.7 billion or 8.4% of total retail sales.

Tuesday, [New Residential Construction](#): In April 2017, the number of building permits issued was 2.5% below that in March with single-family permits 4.5% lower than in March. Housing starts fell 2.6% from the prior month but single-family starts were 0.4% higher than in March. Housing completions were down by 8.5% from March but 15.1% above the number a year earlier.

Friday, [Advance Quarterly Services Report](#): In the 1st quarter of 2017, the total revenue of a selected group of service industries declined by 1.2% from the 4th quarter of 2016 but were up by 6.4% from Q1 2016. Among those industries with falling revenues were: transportation and warehousing, information, real estate and rental and leasing, and health care and social assistance. Those with increased revenues included: utilities, finance and insurance, and educational services.

Bureau of Labor Statistics

Thursday, [Labor Force Characteristics of Foreign-born Workers](#): In 2016, the unemployment rate among foreign-born workers in the U.S. was 4.3%, down from 4.9% in 2015. By comparison, the unemployment rate among native-born workers was 5.0% in 2016 and 5.4% in 2015. In 2016, there were 27.0 million foreign-born workers in the country and that represents 16.9% of the labor force. The median wage of foreign-born full-time workers was \$775 per week compared with \$860 for native-born workers. There is a lot more in this report.

Thursday, [Productivity and Costs by Industry, Selected Service Providing Industries](#): This report covers 28 selected service industries in 2016, and of them, 17 experienced an increase in productivity. Those figures compare with increased productivity in 14 of 28 service-producing industries in 2015. Unit labor costs declined in five industries, all of which experienced productivity increases. That means unit labor costs increased in 12 industries in which productivity increased. Recall last week's obituary for William Baumol, who predicted, in *The Cost Disease*, that costs would rise in service-producing industries. The worst [example](#) was for software publishers, in which productivity declined by 2.1% while unit labor costs increased by 10.4%.

Friday, [State and Region Employment and Unemployment](#): In the month of April 2017, 10 states had significantly lower unemployment rates, one state had a higher rate, and 39 states plus the District of Columbia had stable rates. [Tennessee's](#) unemployment rate fell from 5.1% in March to 4.7% in April, and that change was statistically significant. Colorado had the lowest unemployment rate at 2.3% and New Mexico had the highest rate at 6.7%. Total nonfarm employment increased significantly in nine states, decreased in one state, and was stable in 40 states and the District of Columbia. Employment fell in Tennessee by 5,900 but that change was not statistically significant. From April 2016 to April 2017, employment in Tennessee increased by 57,000. In Tennessee, construction lost 200 jobs while manufacturing gained 800. Government employment fell by 5,700 in April.

U.S. Department of Labor

Thursday, [Initial Claims](#): For the week ending May 13, 2017, new claims for unemployment insurance declined by 4,000 to 232,000, and the four-week moving average fell 2,750 to 240,750. “The continuing claims side of the report tells the same [story](#), down 22,000 in lagging data for the May 6 week to 1.898 million. This is a 29-year low for this reading. The 4-week average is down 20,000 to 1.946 million which is a 43-year low.” In the week ending May 6, five states reported increases of 1,000 or more initial claims and one state reported a decrease of 1,000 or more. Tennessee reported an increase of 216 new claims over the previous week.

Board of Governors of the Federal Reserve

Tuesday, [Industrial Production](#): “Industrial production advanced 1.0 percent in April for its third consecutive monthly increase and its largest gain since February 2014. Manufacturing output rose 1.0 percent as a result of widespread increases among its major industries.” Construction production was down by 0.1%. Capacity utilization increased by 0.6 percentage points to 76.1% compared to its long-term average from 1972-2016 of 79.9%.

National Association of Home Builders (NAHB)

Monday, [Housing Market Index](#) (HMI): In May 2017, the builders’ confidence index was 70, up two points from April. NAHB Chief Economist Robert Dietz is quoted: “The HMI measure of future sales conditions reached its highest level since June 2005, a sign of growing consumer confidence in the new home market, ...Especially as existing home inventory remains tight, we can expect increased demand for new construction moving forward.”

The Conference Board

Thursday, [Leading Economic Indicators \(LEI\)](#): In April 2017, the LEI increased by 0.3% to 126.3 (2010 = 100). Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board is quoted: “The recent trend in the U.S. LEI, led by the positive outlook of consumers and financial markets, continues to point to a growing economy, perhaps even a cyclical pickup, ...First quarter’s weak GDP growth is likely a temporary hiccup as the economy returns to its long-term trend of about 2 percent. While the majority of leading indicators have been contributing positively in recent months, housing permits followed by average workweek in manufacturing have been the sources of weakness among the U.S. LEI components.” The Coincident Economic Index also increased by 0.3% to 115.2 (2010 = 100).

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 50.2, up from 49.7 the previous week.

The Wall Street Journal

Wednesday, [“Where Jobs Have Yet to Recover Since the Recession”](#): Here is some analysis from last week’s BLS report on metro employment. The good news is that no Tennessee cities are in the negative group. The closest of those cities was in north Alabama.