

## Economic Update, May 20, 2016

Submitted by Reuben Kyle

Summary: In contrast to last week, this week's economic news was largely positive. The housing market has strong numbers in both construction and sales of existing homes. Retail E-commerce sales continue to grow much faster than total retail sales. Initial claims fell, and labor markets are still improving with a 4.3% unemployment rate in Tennessee. Industrial production increased as did the Leading Economic Indicators. Finally, there is an excellent story on technological innovation in the US since the late 1800's.

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

Monday: This week Dr. R gives us a lesson on the perils of seasonal adjustment around Easter. Pretty interesting and a reminder not to get too excited about any one month's data. Because the Easter holiday is based on a lunar calculation, seasonal adjustment in March and April is not reliable. The bottom line is that there may be some revisions in data for those months. He gives his prediction of the revised estimate of 1<sup>st</sup> quarter GDP growth as 1% and his own forecast of 2<sup>nd</sup> quarter GDP growth as 2.6%. His latest forecast for May employment growth is 166,000, but that news is two weeks away.

### Census Bureau

Tuesday, [New Residential Construction](#): In April 2016, the number of building permits issued and the number of housing starts were both up for the month. Permits were up 3.6% from March though 5.3% below the number issued in April 2015. Starts increased 6.6% for the month but were down 1.7% from a year earlier. Housing completions were lower by 11.0% from March and by 7.4% from April 2015.

Tuesday, [Quarterly Retail E-Commerce Sales](#): In the 1<sup>st</sup> quarter of 2016, retail E-commerce sales grew 3.7% from Q4 2015 and 15.1% from Q1 2015. Over the period Q1 2015 to Q1 2016, total retail sales grew 2.2%. While retail E-commerce continues to grow rapidly, it accounts for only 7.8%, seasonally adjusted, of total retail sales.

Thursday, [City and Town Population Estimates](#): Among the fastest growing cities in the US between July 1, 2014, and July 1, 2015, was Murfreesboro, Tennessee. It ranked 13<sup>th</sup> with a 4.4% increase in population to 126,118. In the 1970 Census, the population of Murfreesboro was 26,000.

### Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#) (CPI): The April 2016 index rose 0.4% led by a 8.1% increase in the gasoline index. Over the previous 12 months, the CPI is up 1.1%. Excluding food and energy, the index was 0.2% higher for the month and 2.1% for the last 12 months.

Tuesday, [Real Earnings](#): Given the 0.4% increase in the CPI and a 0.3% increase in average hourly earnings, real average hourly earnings decreased 0.1%. For production and nonsupervisory workers, the decrease was 0.2%. From April 2015 to April 2016, real average hourly earnings increased 1.3%, while for production and nonsupervisory workers, the increase was 1.5%.

Thursday, [Labor Force Characteristics of Foreign-Born Workers](#): In 2015, the unemployment rate among foreign-born workers in the US declined from 5.6% in 2014 to 4.9%. Among native-born workers, the rate fell from 6.3% to 5.4%. In 2015, foreign-born workers accounted for 16.7% of the US labor force. Hispanics numbered 48.8% of those foreign-born and Asians accounted for 24.1%. "The median usual weekly earnings of foreign-born full-time wage and salary workers were \$681 in 2015, compared with \$837 for their native-born counterparts."

Friday, [Regional and State Employment and Unemployment](#), April 2016: “Beginning with this news release, the analysis has been updated to better reflect statistical significance.” So unemployment rates were statistically significantly lower in five states, higher in four, and unchanged in 41. South Dakota had the lowest unemployment rate at 2.5% followed by New Hampshire at 2.6%. Alaska and Illinois had the highest rates at 6.6%. [Tennessee’s](#) unemployment rate was 4.3% in April compared with 4.5% in March. Total nonfarm employment increased in statistically significant terms in 11 states, while six states had significantly lower employment in April. From March to April, Tennessee added 1,300 jobs, and over the previous 12 months, Tennessee has added 83,800 jobs. The biggest gain in Tennessee was in Professional/Business Services with 2,500 new jobs, and Mining/Logging/Construction lost 3,500.

### **US Department of Labor**

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending May 14, 2016, fell by 16,000 to 278,000, and the four-week moving average was 275,750, down 7,500 from the previous week. Four states reported increases of 1,000 or more initial claims in the week ending May 7, and three states reported decreases of 1,000 or more. Tennessee reported a decrease of 952.

### **Board of Governors of the Federal Reserve**

Tuesday, [Industrial Production](#): Following a decrease in industrial production in March, for April 2016, this index increased 0.7% with manufacturing up 0.3% and utilities up 5.8%. Mining production was down 2.3%. Capacity utilization increased by 0.5 percentage points to 75.4%. Once again, the index for Mining declined.

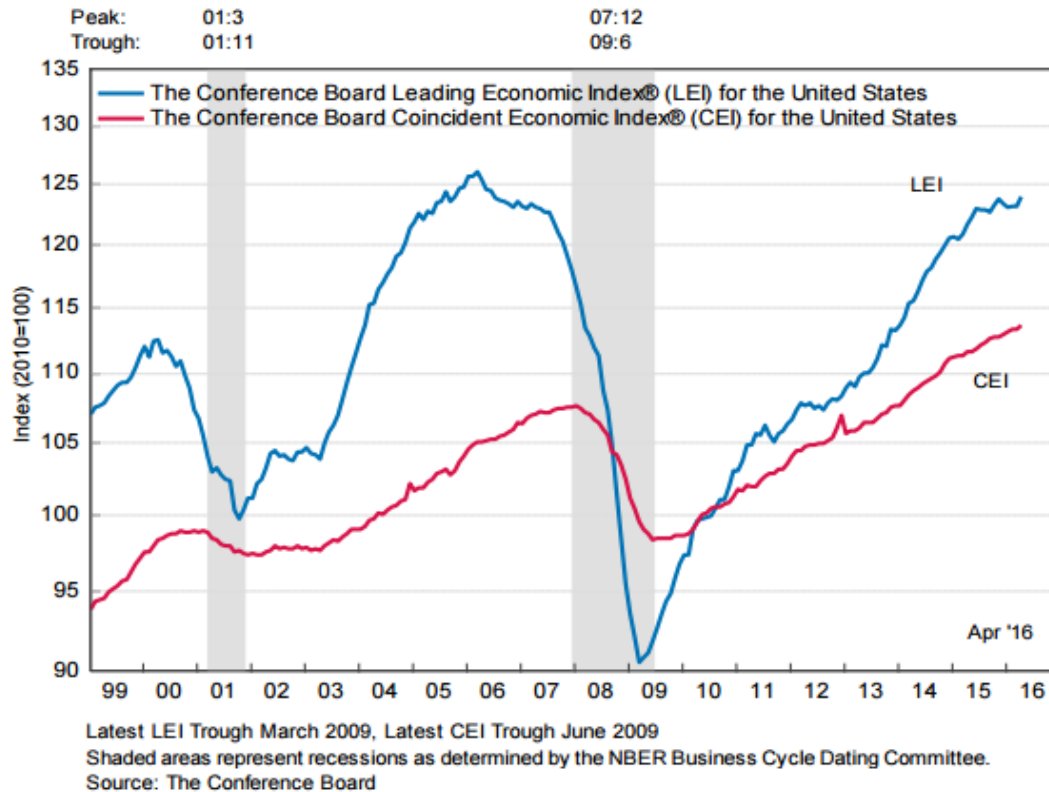
Wednesday, [Minutes of the Federal Open Market Committee Meeting](#): These are minutes of the FOMC meetings held April 26-27, 2016. The meetings begin with a presentation by the committee staff on economic and financial conditions. This presentation is followed by a discussion among the participants about those conditions, and the minutes reflect a particularly long discussion with a lot of differing opinions among the group. In the end, the “participants generally saw maintaining the target range for the federal funds rate at  $\frac{1}{4}$  to  $\frac{1}{2}$  percent at this meeting and continuing to assess developments carefully as consistent with setting policy in a data-dependent manner and as leaving open the possibility of an increase in the federal funds rate at the June FOMC meeting.” There was one dissenting vote. One interesting part of the discussion concerned the news release following the meeting. “In its postmeeting (sic) statement, rather than stating that global economic and financial developments continued to pose risks, the Committee decided to indicate that it would continue to closely monitor inflation indicators and global economic and financial developments. This change in language was intended to convey the Committee’s sense that the risks associated with global developments had diminished somewhat since the March FOMC meeting without characterizing the overall balance of risks.” There was a time, some years ago, when the committee did not make public statements about their deliberations for months after the meetings. That led to all manner of tricks, including attempts to bug the room, by outsiders to gain this information in order to anticipate movements of the financial markets. As a result of these surreptitious efforts, the decision was made to make the committee’s deliberations more transparent. That explains the concerns over the wording of the press release.

### **The Conference Board**

Thursday, [Leading Economic Indicators](#) (LEI): The April 2016 LEI increased 0.6% following no change in March. “‘The US LEI picked up sharply in April, with all components except consumer expectations contributing to the rebound from an essentially flat first quarter,’ said Ataman Ozyildirim,

director of business cycles and growth research at The Conference Board. ‘Despite a slow start in 2016, labor market and financial indicators, and housing permits all point to a moderate growth trend continuing in 2016.’” The Coincident Economic Index increased 0.3%. Below is a graph of the index since 1999.

**The Conference Board Leading Economic Index® (LEI) for the U.S. Increased in April**



**National Association of Home Builders**

Monday, [Housing Market Index](#), May 2016: For the fourth consecutive month, this index has remained at 58. “The fact that future sales expectations rose slightly this month shows that builders are confident that the market will continue to strengthen,’ said NAHB Chief Economist Robert Dietz. ‘Job creation, low mortgage interest rates, and pent-up demand will also spur growth in the single-family housing sector moving forward.’”

**National Association of Realtors**

Friday, [Existing Home Sales](#): In April 2016, existing home sales increased 1.7% to a seasonally adjusted, annual rate of 5.45 million homes compared with 5.36 million in March. It was the second consecutive monthly increase in home sales. Sales are 6% higher than in April 2015. Dr. Lawrence Yun, chief NAR economist, said, "Primarily driven by a convincing jump in the Midwest, where home prices are most affordable, sales activity overall was at a healthy pace last month as very low mortgage rates and modest seasonal inventory gains encouraged more households to search for and close on a home. . . Except for in the West—where supply shortages and stark price growth are hampering buyers the most—sales are meaningfully higher than a year ago in much of the country."

**Bloomberg.com**

Thursday, [Consumer Comfort Index](#): The latest index reading was 42.6 up, from 41.7 the previous week. “Americans’ ratings of the national economy snapped back this week, making up most of last week’s decline and pulling the Bloomberg Consumer Comfort index off its 2016 low.” The average for 2016 is 43.6.

***The New York Times***

Monday, [What Was the Greatest Era for Innovation? A Brief Guided Tour](#): This fascinating story describes the development of technological innovations since 1870. It isn’t exactly an economic history lesson, but it is a fun story.