

Economic Update, June 29, 2018
Submitted by Bob Moreo

Summary: U.S. consumers appear to remain hesitantly optimistic. Bloomberg's Consumer Comfort Index and the University of Michigan Index of Consumer Sentiment each ticked up, though the Conference Board notes a slight decrease in consumer confidence. Unemployment continues to shrink, and the Nashville area is tied for the lowest unemployment rate in the nation among metropolitan areas with 2010 census populations of at least 1 million.

Census Bureau

Monday, [New Residential Sales](#): "Sales of new single-family houses in May 2018 were at a seasonally adjusted annual rate of 689,000. . . . This is 6.7 percent above the revised April rate of 646,000 and 14.1 percent above the May 2017 estimate of 604,000. The median sales price of new houses sold in May 2018 was \$313,000. The average sales price was \$368,500."

Wednesday, [Advance Report on Durable Goods](#): "New orders for manufactured durable goods in May decreased \$1.4 billion or 0.6 percent to \$248.8 billion. . . . This decrease, down two consecutive months, followed a 1.0 percent April decrease." Shipments of manufactured durable goods in May decreased \$0.2 billion or 0.1 percent to \$246.9 billion, down after nine consecutive monthly increases.

Wednesday, [Advance U.S. International Trade in Goods](#): The advance international trade deficit in goods decreased to \$64.8 billion in May from \$67.3 billion in April as exports increased more than imports. "Exports of goods for May were \$143.6 billion, \$2.9 billion more than April exports."

Bureau of Economic Analysis

Thursday, [Gross Domestic Product and Corporate Profits](#): "Real gross domestic product (GDP) increased at an annual rate of 2.0 percent in the first quarter of 2018, according to the 'third' estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 2.9 percent." Corporate profits from current production "increased \$39.5 billion in the first quarter, in contrast to a decrease of \$1.1 billion in the fourth quarter."

Friday, [Personal Income and Outlays](#): "Personal income increased \$60.0 billion (0.4 percent) in May . . . personal consumption expenditures (PCE) increased \$27.8 billion (0.2 percent)."

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): "Unemployment rates were lower in May than a year earlier in 350 of the 388 metropolitan areas, higher in 20 areas, and unchanged in 18 areas. . . . The national unemployment rate in May was 3.6 percent, not seasonally adjusted, down from 4.1 percent a year earlier." Of the 51 metropolitan areas nationwide with a 2010 Census population of 1 million or more, Nashville-Davidson—Murfreesboro—Franklin was one of four tied for the lowest unemployment rate, at 2.3 percent. May unemployment rates in Tennessee's nine other metropolitan areas ranged from 2.7 percent in Knoxville to 3.8 percent in Memphis.

Department of Labor

Thursday, [Initial Claims](#): "In the week ending June 23, the advance figure for seasonally adjusted initial claims was 227,000, an increase of 9,000 from the previous week's unrevised level of 218,000. The 4-week moving average was 222,000."

Federal Reserve

Monday, [Chicago Fed National Activity Index](#): “Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to –0.15 in May from +0.42 in April. The index’s three-month moving average . . . decreased to +0.18 in May from +0.48 in April.”

Wednesday, [National Financial Conditions Index](#): Indicating steady financial conditions in the week ending June 22, the index was unchanged at –0.81. “Negative values have been historically associated with looser-than-average financial conditions.”

S&P Dow Jones

Tuesday, [Home Price Index](#): “Data released for April 2018 shows that home prices continued their rise across the country over the last 12 months.” The index “reported a 6.4% annual gain in April, down from 6.5% in the previous month.” According to David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, “The favorable economy and moderate mortgage rates both support recent gains in housing. One factor pushing prices up is the continued low supply of homes for sale.”

The Conference Board

Tuesday, [Consumer Confidence](#): The index “decreased in June, following an increase in May. The Index now stands at 126.4, down from 128.8 in May. The Present Situation Index was relatively flat, 161.1 versus 161.2 last month, while the Expectations Index declined from 107.2 last month to 103.2 this month.” Lynn Franco, director of economic indicators at The Conference Board said that “while expectations remain high by historical standards, the modest curtailment in optimism suggests that consumers do not foresee the economy gaining much momentum in the months ahead.”

State Street

Tuesday, [Investor Confidence](#): The Global Index “decreased to 101.7, down 2.1 points from May’s revised reading of 103.8. The decline in sentiment was driven by a 10.8 [point] drop in the European ICI to 90.8 along with a 0.8 point decrease in the Asian ICI to 102.6. By contrast, the North American ICI rose by 0.8 points to 105.7.” Kenneth Froot, of State Street Associates, commented that “escalating trade tensions across the globe, increasing protectionism, and diverging monetary policy between the major central banks have coincided with more cautious investor positioning.” Also, according to Timothy Graf, head of Macro Strategy, EMEA, State Street Global Markets, “European political turmoil continues to take a toll on investor sentiment. Faced with a confident, populist government in Italy and the possibility of a more fragile coalition in Germany, European investors retreated from risk once again in June and dragged the broader, global aggregate down to its lowest levels this year.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): Mortgage applications for the week ending June 22 decreased 4.9 percent from one week earlier. “The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) increased to 4.84 percent from 4.83 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 4.29 percent from 4.27 percent.”

National Association of Realtors

Wednesday, [Pending Home Sales Index](#): “Pending home sales decreased modestly in May and have now fallen on an annualized basis for the fifth straight month.” The index decreased 0.5 percent to 105.9 in May from 106.4 in April. “The lackluster spring, according to [NAR chief economist Lawrence] Yun, has primarily been a supply issue, and not one of weakening demand.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): The index increased 0.2 points to 98.2 in June 2018 from May and sits 3.2 points above the June 2017 reading of 95.0. “Consumer sentiment retreated in late June to just above the May reading largely due to concerns about the potential impact of tariffs on the domestic economy. The falloff in confidence was minor, as the Sentiment Index has been virtually unchanged for the past three months. The persistent strength has been due to favorable assessments of jobs and incomes.”

Bloomberg

Thursday, [Consumer Comfort Index](#): “Americans’ sentiment improved to the best level in two months on brighter views of the economy and personal finances.” The index increased from 56.5 to 57.3, the third straight advance.