

Economic Update, July 13, 2018
Submitted by Dave Keiser

Summary: This week most economic indicators remained positive with no dramatic increases to report. The economy seems stable; however, there were fewer job openings this period. The Bureau of Economic Analysis reports that new foreign direct investment saw a significant decrease from 2016 to 2017, returning to 2008 levels, though it remains well above its 2002 level, which was the lowest reported since 1995. Also, consumers are worrying more about the negative impact that tariffs could have on their pocketbooks.

Census Bureau

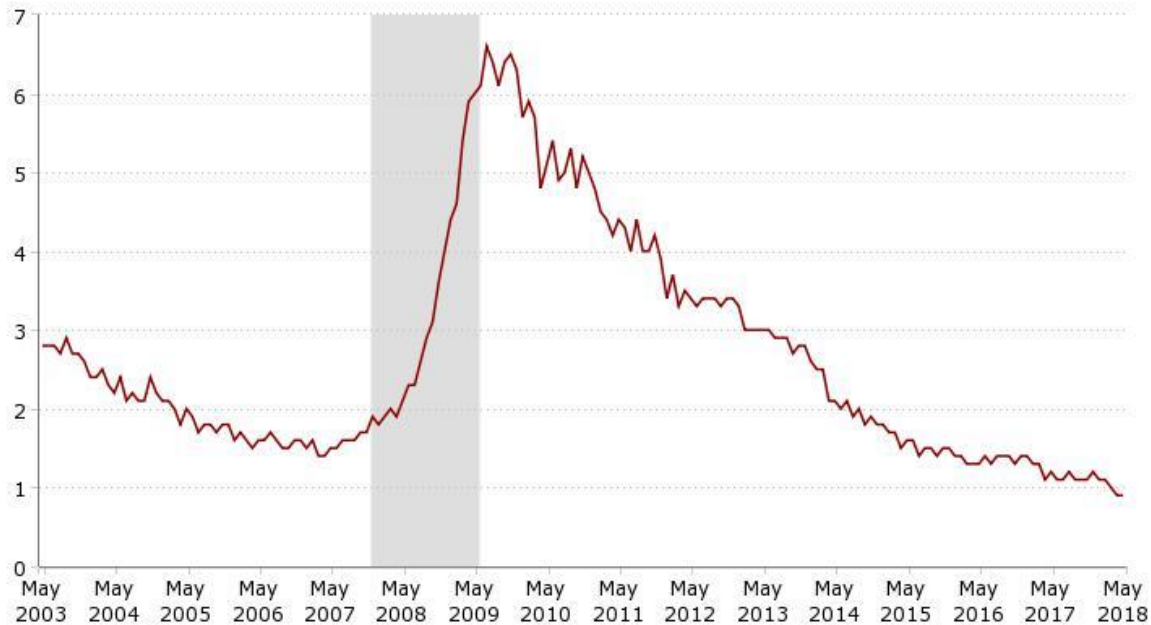
Wednesday, [Monthly Wholesale Trade, Sales and Inventories](#): “May 2018 sales of merchant wholesalers . . . were \$509.0 billion, up 2.5 percent from the revised April level and were up 11.8 percent from the May 2017 level. . . . Total inventories of merchant wholesalers . . . were \$633.5 billion at the end of May, up 0.6 percent from the revised April level.”

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): “The number of job openings edged down to 6.6 million on the last business day of May. . . . Over the month, hires and separations were little changed at 5.8 million and 5.5 million, respectively. Within separations, the quits rate and the layoffs and discharges rate were little changed at 2.4 percent and 1.1 percent, respectively.”

Number of unemployed persons per job opening, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

Wednesday, [Producer Price Index \(PPI\)](#): “The Producer Price Index for final demand rose 0.3 percent in June, seasonally adjusted. . . . Final demand prices advanced 0.5 percent in May and 0.1 percent in April. On an unadjusted basis, the final demand index moved up 3.4 percent for the 12 months ended in June, the largest 12-month increase since climbing 3.7 percent in November 2011.”

Thursday, [Consumer Price Index \(CPI\)](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in June on a seasonally adjusted basis after rising 0.2 percent in May. . . . Over the last 12 months, the all items index rose 2.9 percent before seasonal adjustment. The indexes for shelter, gasoline, and food all rose to lead to the seasonally adjusted increase in the all items index. The food index increased 0.2 percent in June, with the indexes for food at home and food away from home both rising 0.2 percent. Despite a 0.5-percent increase in the gasoline index, the energy index declined 0.3 percent, with the indexes for electricity and natural gas both falling.”

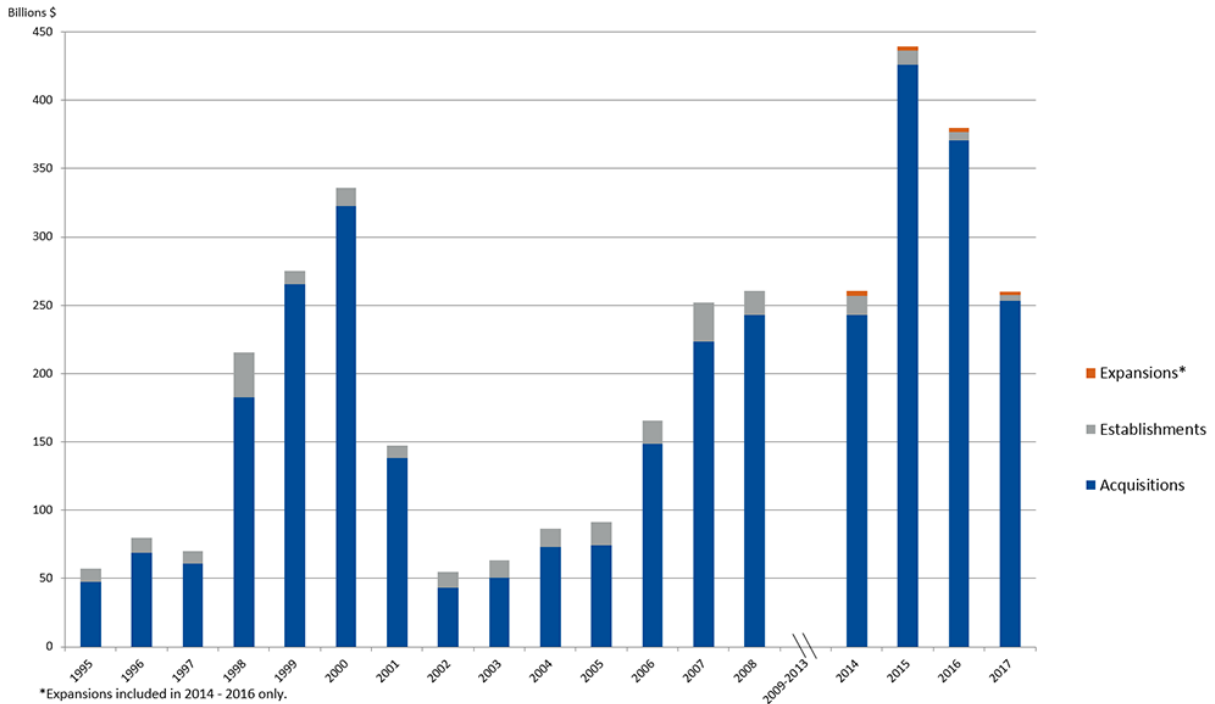
Thursday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.1 percent from May to June, seasonally adjusted. . . . This result stems from a 0.2-percent increase in average hourly earnings combined with a 0.1-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U). Real average weekly earnings increased 0.1 percent over the month due to the change in real average hourly earnings combined with no change to the average workweek. Real average hourly earnings were unchanged, seasonally adjusted, from June 2017 to June 2018. Real average hourly earnings combined with a 0.3-percent increase in the average workweek resulted in a 0.2-percent increase in real average weekly earnings over this period.”

Friday, [U.S. Import and Export Price Indexes](#): “U.S. import prices decreased 0.4 percent in June . . . following a 0.9-percent advance in May. Lower prices for nonfuel and fuel imports contributed to the June decline. Prices for U.S. exports rose 0.3 percent in June, after rising 0.6 percent the previous month.”

Bureau of Economic Analysis

Wednesday, [New Foreign Direct Investment in the U.S.](#): “Expenditures by foreign direct investors to acquire, establish, or expand U.S. businesses totaled \$259.6 billion (preliminary) in 2017. Expenditures were down 32 percent from \$379.7 billion (revised) in 2016 and were below the annual average of \$359.9 billion for 2014-2016. As in previous years, acquisitions of existing businesses accounted for a large majority of total expenditures. . . . By industry, expenditures for new direct investment were distributed widely. Expenditures in manufacturing, at \$103.7 billion, accounted for 40 percent of total expenditures, the largest share among major industries. Within manufacturing, expenditures were largest in food manufacturing (\$34.0 billion). There were also large expenditures in information (\$25.7 billion) and in real estate, rental, and leasing (\$17.0 billion). By country of ultimate beneficial owner (UBO), a small number of countries accounted for most of the investment. The largest investing country was Canada, with expenditures of \$66.2 billion, followed by the United Kingdom (\$40.9 billion), Japan (\$34.0 billion), and France (\$23.1 billion). By region, Europe contributed 40 percent of the new investment in 2017.”

New Foreign Direct Investment Expenditures by Type, 1995-2017



U.S. Bureau of Economic Analysis

U.S. Department of Labor

Thursday, [Initial Claims for Unemployment Insurance](#): “In the week ending July 8, the advance figure for seasonally adjusted initial claims was 247,000, a decrease of 3,000 from the previous week’s revised level. . . . The 4-week moving average was 245,750, an increase of 2,250 from the previous week’s revised average.” In Tennessee, initial claims increased 1,136 from last week and are down 18 from this point last year.

U.S. Department of Transportation

Thursday, [May 2018 Freight Transportation Services Index](#): “The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, rose 1.0 percent in May from April, reaching a new all-time high after falling slightly in April. The May 2018 index level (135.6) was 43.0 percent above the April 2009 low during the most recent recession.”

The Hamilton Project

“Educational and occupational choices matter for your earnings, but where you work matters, too. Employment opportunities and wages in some occupations vary substantially from state to state, county to county, and city to city. One location might be a great place to earn a living as a nurse, but not-so-great as a construction worker (e.g., New Orleans), while in a different place, Utica, New York, for example, it could be exactly the opposite.” Check out the interactive chart [here](#).

Bloomberg.com

Wednesday, [U.S. Producer Price Index](#): “U.S. wholesale prices rose in the 12 months ended in June by the most since November 2011 as the costs of services accelerated. . . . The figures, which measure wholesale and other selling prices at businesses, indicate that inflation pressures in the production pipeline are firming amid rising demand and tariffs on steel and other goods. The June index

for final demand services climbed 0.4 percent from a month earlier, the most since January, and 2.8 percent from the same month a year ago. More than 40 percent of the advance was due to higher retail margins for fuel.”

Thursday, [Consumer Comfort Index](#): “Weekly index increased to 58, the highest since mid-April and matching the second-strongest reading since February 2001, from 57.6. . . . Confidence continues to strengthen. . . . Those gains outweighed dimmer evaluations of the state of the economy, which eased slightly from a three-month high the prior week, responses through July 8 showed.”

The University of Michigan

Friday, [Consumer Sentiment Index](#): “Consumer sentiment slipped in early July but remained nearly equal to the average in the prior twelve months (97.7) and since the start of 2017 (97.4). The continuing strength has been due to favorable job and income prospects, with consumers under age 45 anticipating the largest income gains since July 2000. So far, the strength in jobs and incomes has overcome higher inflation and interest rates. The darkening cloud on the horizon, however, is due to rising concerns about the potential negative impact of tariffs on the domestic economy. Negative concerns about the impact of tariffs have recently accelerated, rising from 15% in May, to 21% in June, and 38% in July.”

Negative References to Potential Impact of Tariffs

