

Economic Update, August 25, 2017
Submitted by Reuben Kyle

Summary: This week’s economic news was thin. Housing market data was down in the latest month. The early purchasing managers’ survey indicates that the service sector is the leading area of the economy. Consumer confidence remains strong. Included this week is a story about the geographic distribution of export activity, as the story notes, Tennessee metropolitan areas do well.

Census Bureau

Wednesday, [New Residential Sales](#): In July 2017, sales of new single-family houses were down 9.4% from those in June and 8.9% lower than in July 2016. The median sales price was \$313,700, and the mean price was \$371,200. Both were higher than in June. At the current sales rate, there is a 5.8 month supply of new houses available, and that is the highest supply since January of this year.

Friday, [Advance Report on Durable Goods Manufacturers’ Shipments, Inventories, and Orders](#): New orders for manufactured durable goods declined in July 2017 by 6.8% from June, led by a 19.0% decrease in transportation equipment. Shipments, on the other hand, increased by 0.4%, also prompted by an increase in shipments of transportation equipment. Unfilled orders fell by 0.3% and inventories rose by 0.3%. Nondefense capital goods followed a similar pattern, except that inventories dropped by 0.2%. In the case of defense capital goods, all categories increased, with new orders up by 14.7%.

Bureau of Labor Statistics

Thursday, [Number of Jobs, Labor Market Experience, and Earnings Growth: Results from a National Longitudinal Survey](#): This report is from the National Longitudinal Study of Youth 1979 and is based on a survey of 9,964 men and women who were between 14 and 22 in 1979 and between 44 and 58 when interviewed in 2014-2015. “Individuals born from 1957 to 1964 held an average of 11.9 jobs from ages 18 to 50. These baby boomers held an average of 5.5 jobs while ages 18 to 24. The average fell to 4.5 jobs from ages 25 to 34, to 2.9 jobs from ages 35 to 44, and to 1.7 jobs from ages 45 to 50. Jobs that span more than one age group were counted once in each age group, so the overall average number of jobs held from age 18 to age 50 is less than the sum of the number of jobs across the individual age groups.” The table below is a snippet from a section on the growth in earnings by level of education.

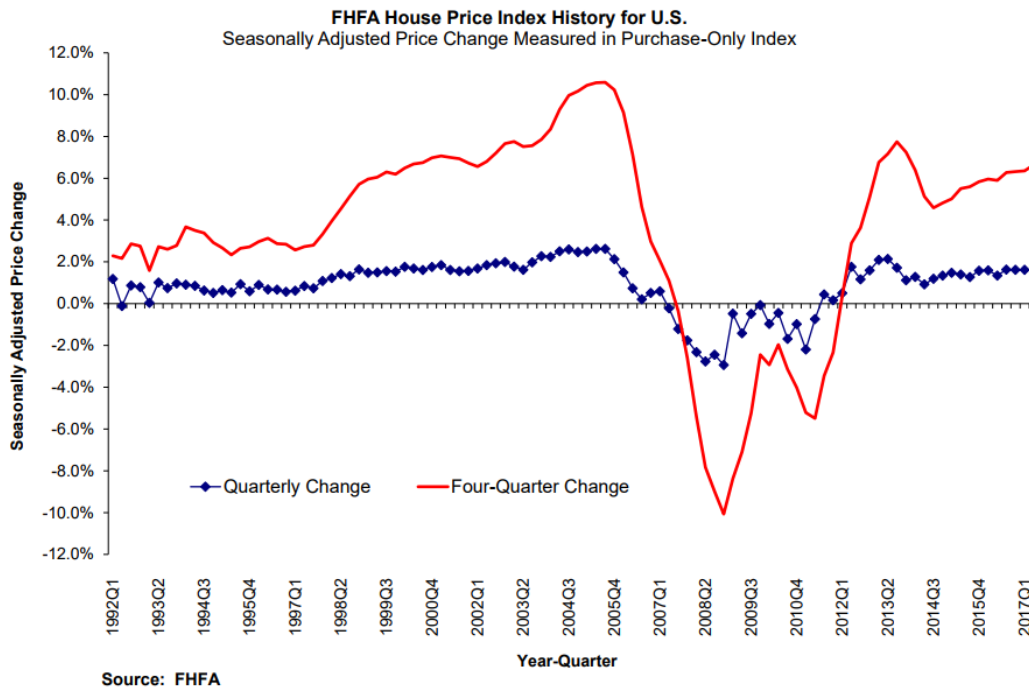
Characteristic	Average annual percent growth in hourly earnings			
	Ages 18 to 24(1)	Ages 25 to 34	Ages 35 to 44	Ages 45 to 50(2)
Total	6.4	3.3	1.8	-0.1
Less than a high school diploma	3.1	1.4	1.3	-.8
High school graduates, no college (3)....	4.9	2.2	1.7	-.2
Some college or associate degree	6.2	3.4	1.6	-.1
Bachelor's degree and higher (4).....	9.6	5.2	2.3	.4

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending August 19, 2017, increased by 2,000 from the previous week to 234,000, and the four-week moving average declined by 2,750 to 237,750. In the week ending August 12, no state reported an increase of 1,000 or more new claims, and four states reported decreases of 1,000 or more. Tennessee reported an increase of 154 initial claims from the previous week.

Federal Housing Finance Agency (FHFA)

Tuesday, [FHFA House Price Index](#): In the 2nd quarter of 2017, the index rose by 1.6% from Q1 and by 6.6% since Q2 2016. “U.S. house prices rose in nearly every state during the second quarter,” said FHFA Senior Economist William Doerner. “New home sales are climbing but, relative to the overall population, they still remain low from a historical perspective. The tight inventory is a major explanation for why house prices have been increasing every quarter over the last six years.” The graph below shows the index since 1992.



National Association of Home Builders

Thursday, [Existing Home Sales](#): The seasonally-adjusted, annual sales rate of existing homes was 5.44 million in July 2017, down 1.3% from June. Lawrence Yun, Chief NAR Economist, wrote: “Buyer interest in most of the country has held up strongly this summer and homes are selling fast, but the negative effect of not enough inventory to choose from and its pressure on overall affordability put the brakes on what should’ve been a higher sales pace...Contract activity has mostly trended downward since February and ultimately put a large dent on closings last month.”

Markit Economics

Wednesday, [Purchasing Managers' Index \(PMI\) Composite](#): The preliminary Index reading for August 2017 is 56.0, up from 54.6 in July, and the increase indicates “the fastest growth of overall activity since May 2015.” The service sector was the source of the increase. Rob Dobson, Director at HIS Markit, wrote: “The US economic growth story remained a tale of two sectors in August. The overall rate of expansion accelerated to a 27-month record, driven higher by strong and improved growth of business activity in the vast services economy. In contrast, the performance of manufacturing remained sluggish in comparison, with production volumes rising to the weakest extent in over a year.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 52.8, up from 51.2 the previous week. “The strength suggests that this month's violence in Virginia and tensions with North Korea are not hurting consumer psychology. Consumer confidence ultimately hinges on strength in the labor market.”

Brookings Institution

Monday, [Export Monitor, 2017](#): This report is an analysis of exports of goods and services from 381 metropolitan areas in 2016. U.S. exports fell in 2015 and 2016, largely due to the strong dollar but also to declining international demand. Exports have recovered somewhat in the first quarter of 2017 but not enough to offset the previous declines. Among the sectors experiencing declines over the years 2014-2016 were chemical manufacturing and transportation equipment, both of which are important to Tennessee’s economy. Sectors in which exports grew over that period included travel and tourism and educational and medical services, again important in Tennessee’s economy. A map showing the geographic distribution of exports across the country has export growth in East Tennessee, including the Chattanooga MSA and some section of Middle Tennessee. Otherwise, exports declined in most of the state.