

Economic Update, August 4, 2017
Submitted by Reuben Kyle

Summary: It's the first Friday of the month, and the jobs report is of 209,000 jobs added in July. U.S. labor markets continue their strong record as confirmed by the monthly summaries for the Gallup daily surveys. The remainder of the extension economic news of the week is also largely positive. The only less-than positive numbers come from the motor vehicle sales figures.

Census Bureau

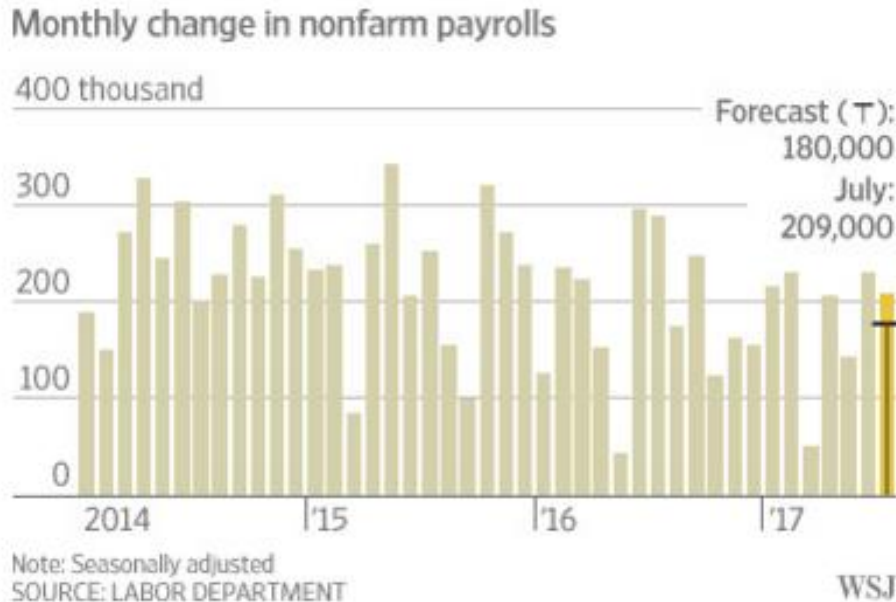
Tuesday, [Construction Spending](#): In June 2017, construction spending was 1.3% below the May level but 1.6% higher than in June 2016. Also, for the first six months of 2017, construction spending was 4.8% higher than in the same period in 2016. Private construction spending was 0.1% below that in May, and residential spending was down by 0.2%. Public construction spending declined by 5.4% from May with educational spending down by 5.5% and highway spending 6.6% lower than in the previous month.

Thursday, [Manufacturers' Shipments, Inventories, and Orders](#): In June 2017, new orders for manufactured goods increased by 3.0% from May. Shipments declined by 0.2%. Unfilled orders increased by 1.3%, and inventories rose by 0.2%. Transportation equipment was responsible for the movements in the cases of new orders, shipments, and unfilled orders.

Friday, [U.S. International Trade in Goods and Services](#): In June 2017, the U.S. Balance of Trade Deficit in Goods and Services fell by \$2.7 billion as exports increased by \$2.4 billion and imports declined by \$0.4 billion from May. The deficit in goods decreased by \$2.1 billion and the surplus in services increased by \$0.6 billion. "Year-to-date, the goods and services deficit increased \$26.7 billion, or 10.7 percent, from the same period in 2016. Exports increased \$64.9 billion or 6.0 percent. Imports increased \$91.7 billion or 6.9 percent."

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): In June 2017, compared with June 2016, unemployment rates were lower in 336 Metropolitan Statistical Areas (MSAs) of 388 MSAs, higher in 45, and unchanged in seven. The lowest unemployment rate of 2.1% was in Fort Collins, Colorado and the highest was in El Centro, California at 20.8%. Among the 10 Tennessee MSAs, all had higher unemployment rates in June than in May but all had lower rates than in June 2016. As usual the Nashville-Davidson-Murfreesboro-Franklin metro area had the lowest rate at 3.3% followed by the Knoxville MSA at 4.1%. Year-over-year, 342 MSAs had higher total nonfarm employment in June, while 39 had lower employment, and seven had the same employment level as in 2016. Nine of Tennessee's 10 MSAs had lower employment in June than in May, but all 10 had higher employment levels in June 2017 than in June 2016. Below is a [chart](#) of monthly employment since 2014.



Thursday, [Productivity and Costs by Industry](#): In calendar year 2016, labor productivity increased by 1.2% in wholesale trade, by 4.6% in retail trade, and by 1.3% in food services and drinking places. “Productivity increased in all of the 16 3-digit NAICS industries studied in 2016 except for health and personal care stores. Seven industries had productivity gains of at least 4.0 percent. Nonstore retailers, which includes electronic shopping and mail-order houses, had the largest increase in output (12.6 percent).” Per unit labor costs increased in food services and drinking places and fell in both wholesale and retail trade. There is a great deal more detail in this report.

Friday, [Employment Situation](#): In July 2017, the U.S. economy added 209,000 jobs, and the unemployment rate was 4.3%. From the Household Survey, the labor force increased by 349,000, and the Labor Force Participation Rate ticked up to 62.9%. Unemployment rates for most demographic groups changed little and the number of persons working part-time for economic reasons was essentially unchanged. From the [Establishment Survey](#), private sector employment increased by 205,000, and government employment rose by 4,000. Construction added 6,000 jobs, manufacturing added 16,000 with motor vehicles and parts employment up by 1,600. In the service-producing sector, leisure and hospitality gained 62,000 jobs...—these data are seasonally adjusted, professional and business services was up by 49,000, and health care and social assistance added 45,000. The diffusion indexes, both total and manufacturing, were strong at 63.2 and 59.6, respectively. [Just a reminder, those last numbers are the percentage of 4-digit industries with increased employment for the month.]

ADP.com

Wednesday, [Employment Report](#): In July 2017, private sector employment increased by 178,000 jobs with construction adding 6,000 jobs while manufacturing lost 4,000. The service-providing sector gained 174,000 jobs.

Bureau of Economic Analysis

Tuesday, [Personal Income and Outlays](#): In June 2017, Personal Income and Disposable Personal Income (DPI) were unchanged from May while real DPI fell by 0.1%. Personal Consumption Expenditures (PCE) increased by 0.1% or unchanged when adjusted for inflation. The PCE Price Index was also unchanged for the month.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending July 29, 2017, fell by 5,000 to 240,000, and the four-week moving average fell by 2,500 to 241,750. In the previous week ending July 22, one state reported an increase of 1,000 or more new claims, and 12 states plus Puerto Rico reported decreases of 1,000 or more. Tennessee reported a decrease of 671 initial claims from the prior week.

Autodata.com

Tuesday, [Motor Vehicle Sales](#): In July 2017, the seasonally-adjusted, annual rate of light motor vehicle sales was 16.73 million units compared with 16.64 million in June and 17.81 million in July 2016. July was the fifth consecutive month that sales were below 17 million vehicles. Tennessee assemblers did not have a good month with General Motors car sales falling 31.5% from a year earlier, Nissan car sales declining by 11.2% year-over-year, and even Volkswagen sales dropping 5.8%. Year-to-date sales for each are down 20.2% for GM, 11.5% for Nissan, while VW's sales are up by 5.9%.

TACIR/MTSU Department of Economics & Finance

Thursday, [Tracking Tennessee's Economy](#): Dr. David Penn has updated all the Tennessee economic indicators through June 2017. He writes: "Economic activity is generally positive in June for Tennessee, with housing construction and state sales tax collections substantially higher over the year and initial claims for unemployment insurance down from last month. The unemployment rate declined and the nonfarm employment growth rate is unchanged." Single-family housing building permits issued in June numbered 2,829 compared to the pre-recession peak of 3,903 in March 2006 and the trough of 526 in November 2008. State sales tax collections while down for the month after seasonal adjustment are up by 6.7% for the year.

Institute for Supply Management

Tuesday, [July 2017 Manufacturing ISM Report on Business](#): The July 2017 Purchasing Managers' Index was 56.3%, down 1.5 percentage points from the 57.8% in June. Despite the decline, the manufacturing sector expanded for the 11th consecutive month, and the overall U.S. economy expanded for the 98th consecutive month. Of the 18 manufacturing industry sectors surveyed, 15 reported expanding in July while three reported contracting. A few of respondents' comments are below.

- "Orders are strong, and quote activity is just as strong. Gearing up for [a] strong third quarter." (Chemical Products)
- "In regard to sales, we have had our best year ever. Demand still exceeds supply in our category. Competitors are investing in capital expansion." (Food, Beverage & Tobacco Products)
- "We are having huge sales numbers, and backlog is growing." (Computer & Electronic Products)
- "Strong demand for our products has our manufacturing plants focusing on uptime and production." (Nonmetallic Mineral Products)

Thursday, [July 2017 Non-Manufacturing ISM Report on Business](#): In July 2017, the Non-Manufacturing index dropped 3.5 percentage points from 57.4% to 53.9%. It was the 91st consecutive month of expansion by the non-manufacturing sector. A reading above 50% indicates the non-manufacturing sector economy is generally expanding. Here again, 15 of the 18 industry sectors surveyed reported growing, and two reported contracting. The table below gives details from both surveys.

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE									
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS*									
July 2017									
	Non-Manufacturing						Manufacturing		
Index	Series Index Jul	Series Index Jun	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jul	Series Index Jun	Percent Point Change
NMI®/PMI®	53.9	57.4	-3.5	Growing	Slower	91	56.3	57.8	-1.5
Business Activity/Production	55.9	60.8	-4.9	Growing	Slower	96	60.6	62.4	-1.8
New Orders	55.1	60.5	-5.4	Growing	Slower	96	60.4	63.5	-3.1
Employment	53.6	55.8	-2.2	Growing	Slower	41	55.2	57.2	-2.0
Supplier Deliveries	51.0	52.5	-1.5	Slowing	Slower	19	55.4	57.0	-1.6
Inventories	56.5	57.5	-1.0	Growing	Slower	4	50.0	49.0	+1.0
Prices	55.7	52.1	+3.6	Increasing	Faster	2	62.0	55.0	+7.0
Backlog of Orders	52.0	52.5	-0.5	Growing	Slower	6	55.0	57.0	-2.0
New Export Orders	53.0	55.0	-2.0	Growing	Slower	6	57.5	59.5	-2.0
Imports	51.5	51.0	+0.5	Growing	Faster	2	56.0	54.0	+2.0
Inventory Sentiment	67.5	62.0	+5.5	Too High	Faster	242	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	49.0	50.5	-1.5
Overall Economy				Growing	Slower	96			
Non-Manufacturing Sector				Growing	Slower	91			

* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

** Number of months moving in current direction.

Markit Economics

Tuesday, [IHS Markit U.S. Manufacturing Purchasing Managers' Index \(PMI\)](#): The final index for July was 53.3, up from 52.0 in June. "Production at US manufacturers increased for the fourteenth month running in July." Chief Economist Chris Williamson states: "The second half of the year got off to a good start for US manufacturers, with the health of the sector improving at the fastest rate for four months. Output, new orders, employment and buying activity all grew at increased rates. The only real blot on the copybook was a decline in exports for the first time since last September." He also predicts that 3rd quarter GDP growth will be near 3%.

Thursday, [PMI Services Index](#): The July 2017 index was 54.7, up from 54.2 in June. The graph below shows this index since 2010.

Service sector business activity (seasonally adjusted)



Source: IHS Markit

Economist Chris Williamson stated: "The PMI surveys have now shown growth accelerating for four consecutive months, meaning the economy started the third quarter with the strongest momentum since January. This is also a broad-based improvement, with the upturn in service sector activity coming on the heels of news of faster manufacturing growth....Hiring meanwhile remains encouragingly buoyant, with the July PMI surveys indicating a payroll rise in the region of 200,000."

National Association of Realtors

Monday, [Pending Home Sales](#): In June 2017, the Pending Home Sales Index rose 1.5% to 110.2 from 108.6 in May. Lawrence Yun, Chief NAR Economist, stated: "The first half of 2017 ended with a nearly identical number of contract signings as one year ago, even as the economy added 2.2 million net new jobs...Market conditions in many areas continue to be fast paced, with few properties to choose from, which is forcing buyers to act almost immediately on an available home that fits their criteria....Low supply is an ongoing issue holding back activity. Housing inventory declined last month and is a staggering 7.1 percent lower than a year ago."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 49.6, up from 48.6 the previous week. "Strength in consumer confidence points to strength in the labor market."

Gallup.com

Tuesday, [Economic Confidence Index](#) (ECI): The July 2017 ECI was +4 compared with +3 in May and June. While these recent readings have been low compared with earlier in the year, "[s]till July marked the ninth consecutive month that Americans rated the economy more positively than negatively -- the longest such streak since Gallup began tracking economic confidence in 2008."

Wednesday, [Job Creation Index](#): The July 2017 index is +37, up from +36 in June. "Gallup's U.S. Job Creation Index returned to its all-time high of +37 in July, a sign that the job market remains strong"

relative to the past decade.... The Job Creation Index has been on steady climb since falling to -5 in February 2009 during the Great Recession. Most recently it has averaged +30 or above in each of the past 17 months and has held steady between 36 and 37 for each of the past five months.”

Thursday, [Good Jobs Rate](#): In July 2017, the Gallup Good Jobs Rate (GGJ) was 47.0% compared with 46.3% in June. This current rate virtually ties the 47.1% in July 2016, the highest rate since Gallup began collecting this measure in 2010. The record low was 41.7% in February 2011.