

Economic Update, September 16, 2016
Submitted by Reuben Kyle

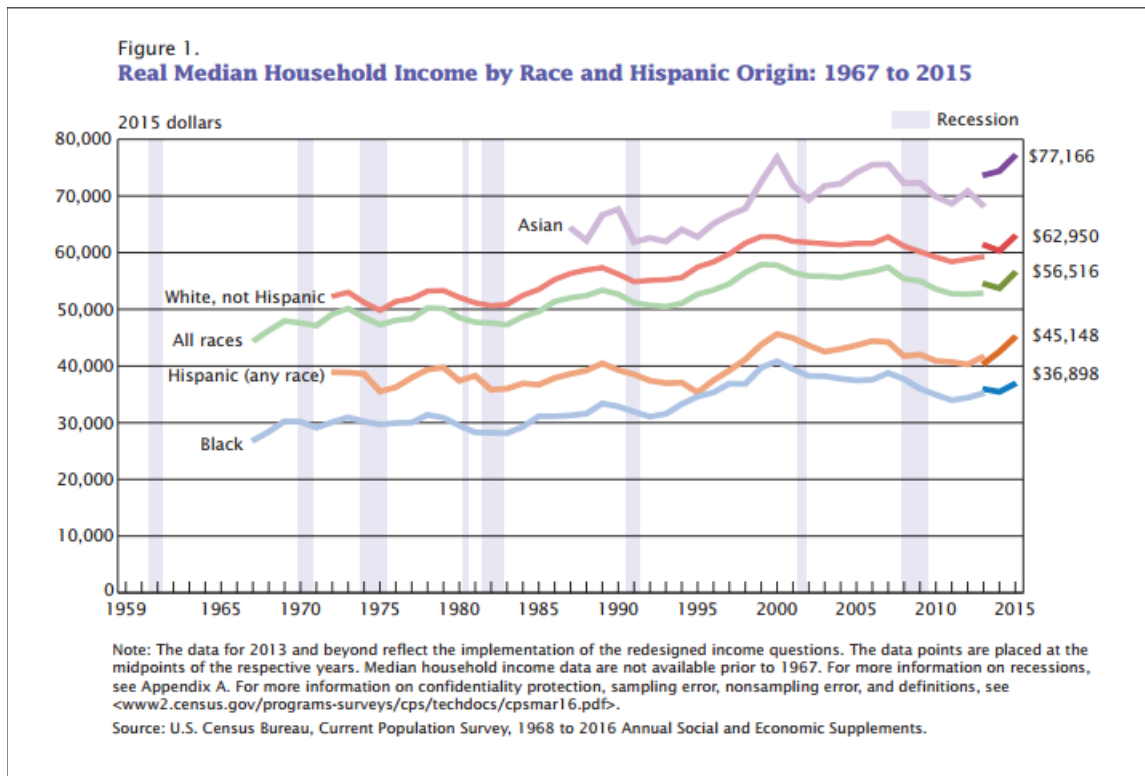
Summary: The week's economic news was mixed at best. On the down-side, retail sales and manufacturers' shipments declined as did industrial production. The price indexes—imports, exports, and CPI—still show few signs of inflation. And the consumer confidence indexes are pretty much stuck at the okay-not-great level. This week some interesting reports were released: the Census Bureau provided results on income and poverty noting that median household incomes rose by 5.2% from 2014 to 2015, and the USDOT published two reports on passenger and freight transportation. All three reports contain lots of statistics.

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

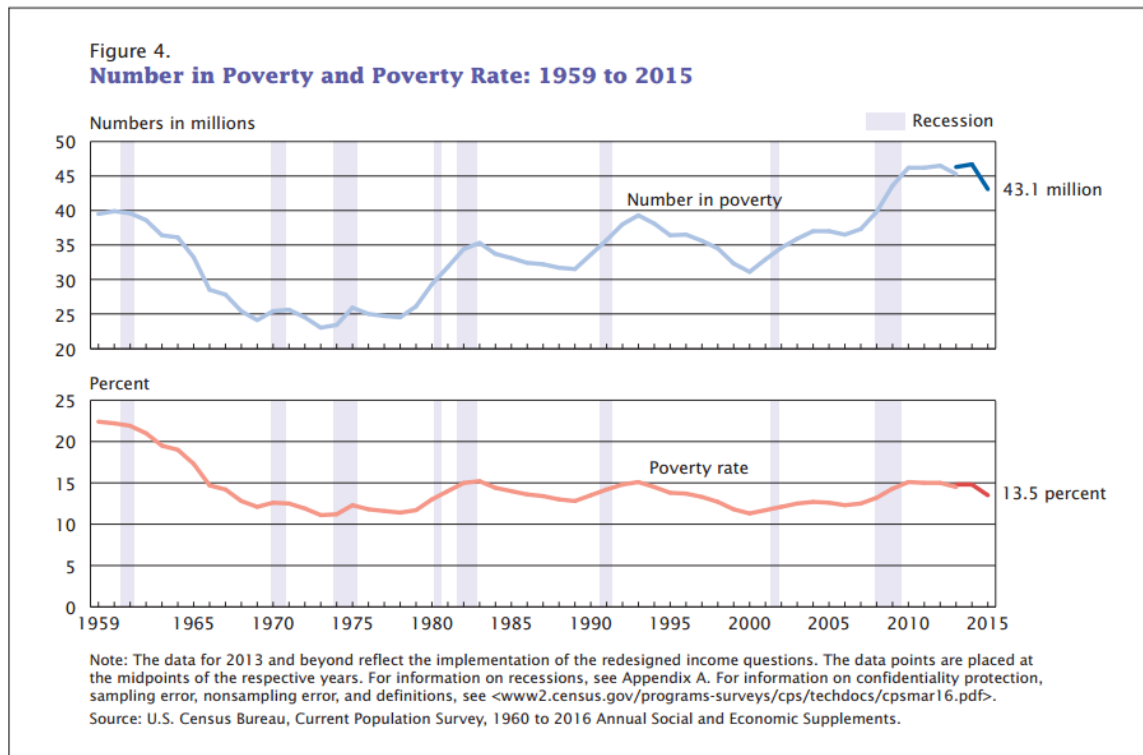
Monday: Dr. R gives a gloomy picture of the prospects for Europe, blaming the EU bureaucrats for poor economic policies. He reaffirms his prediction that the FOMC will wait until December to raise the fed funds rate. His outlook for the U.S. economy gets a once-over-lightly treatment with pretty much more of the same. He does predict that production will increase this fall. This development, he contends, will occur because the inventory "overhang" that did exist has been cut

Census Bureau

Tuesday, [Poverty and Income in the United States 2015](#): This report contains many, many statistics on income by almost every demographic characteristic over time periods dating back to 1960. The chart below shows median household income adjusted for inflation between 1967 through 2015. Real incomes increased from 2014 to 2015 for the first time since 2007, before the Great Recession.



The poverty rate fell by 1.2 percentage points to 13.55 from 2014 to 2015. The number of people living in poverty dropped by 3.5 million over that same period. The chart below shows both of those numbers since 1959.



The numbers for [Tennessee](#) are 973,000 people in a total population of 6.6 million or 14.7% living below 100% of the poverty level. (That level is different for different size households.) The rate for those below 50% of the poverty level is 6.8% compared to 6.1% for the nation. For related children under the age of 18, the poverty rate is 21.4% for Tennesseans below 100% of the poverty level compared with 19.2% nationally.

Thursday, [Advance Monthly Sales for Retail and Food Services](#): The preliminary report for August 2016 estimates retail and food service providers' sales down 0.3% from July but 1.5% higher than in August 2015. Retail sales alone were down 0.5% for the month though up by 1.4% from the previous August. Non-store retail sales were 10.9% above those of August 2015.

Thursday, [Manufacturing and Trade, Inventories and Sales](#): In July 2016, combined sales of distributors and manufacturers' shipments fell 0.2% from June and by 0.8% from July 2015. Inventories were unchanged from the previous month though up by 0.5% from July. The inventory/sales ratio was 1.39, the same as in June.

Bureau of Labor Statistics

Wednesday, [U.S. Import and Export Price Indexes](#): In August 2016, the U.S. Import Price Index fell by 0.2%, led by a 2.1% decline in fuel prices. Over the previous 12-month period, this index has dropped 2.2%, again prompted by a 12.2% decrease in fuel prices. The U.S. Export Price Index declined by 0.8%, with agricultural prices leading the decline with a 3.4% drop. From August 2015 to August 2016, the export index is down 2.4% with declines in both the agricultural index and the nonagricultural index.

Thursday, [Producer Price Index \(PPI\)](#): In August 2016, the PPI was unchanged from July and from August 2015. In the case of goods only, the index was down by 0.4% while for services it was up by 0.1%. Excluding food, energy, and trade services, the PPI is up by 1.2% over the previous 12-month period.

Friday, [Consumer Price Index \(CPI\)](#): In August 2016, the CPI rose 0.2% from July and by 1.1% since August 2015. Excluding food and energy, the index rose 0.3% for the month and 2.3% over the past 12 months. Gasoline prices fell in August as did “Food at Home.” Medical care commodities and medical care services pushed the index up, commodities by 1.1% and services by 0.9%.

Friday, [Real Earnings](#): In August 2016, real average hourly earnings fell by 0.1% as nominal earnings rose by 0.1% and the CPI increased by 0.2%. In the case of Production and Nonsupervisory Workers, the real average hourly earnings were unchanged as nominal average hourly earnings increased by 0.2%, offsetting the 0.2% increase in the CPI for Urban Wage Earners and Clerical Workers.

Bureau of Economic Analysis

Thursday, [U.S. International Transactions](#): The deficit in the U.S. Current Account decreased from 2.9% of Gross Domestic Product to 2.6% in the 2nd quarter of 2016.

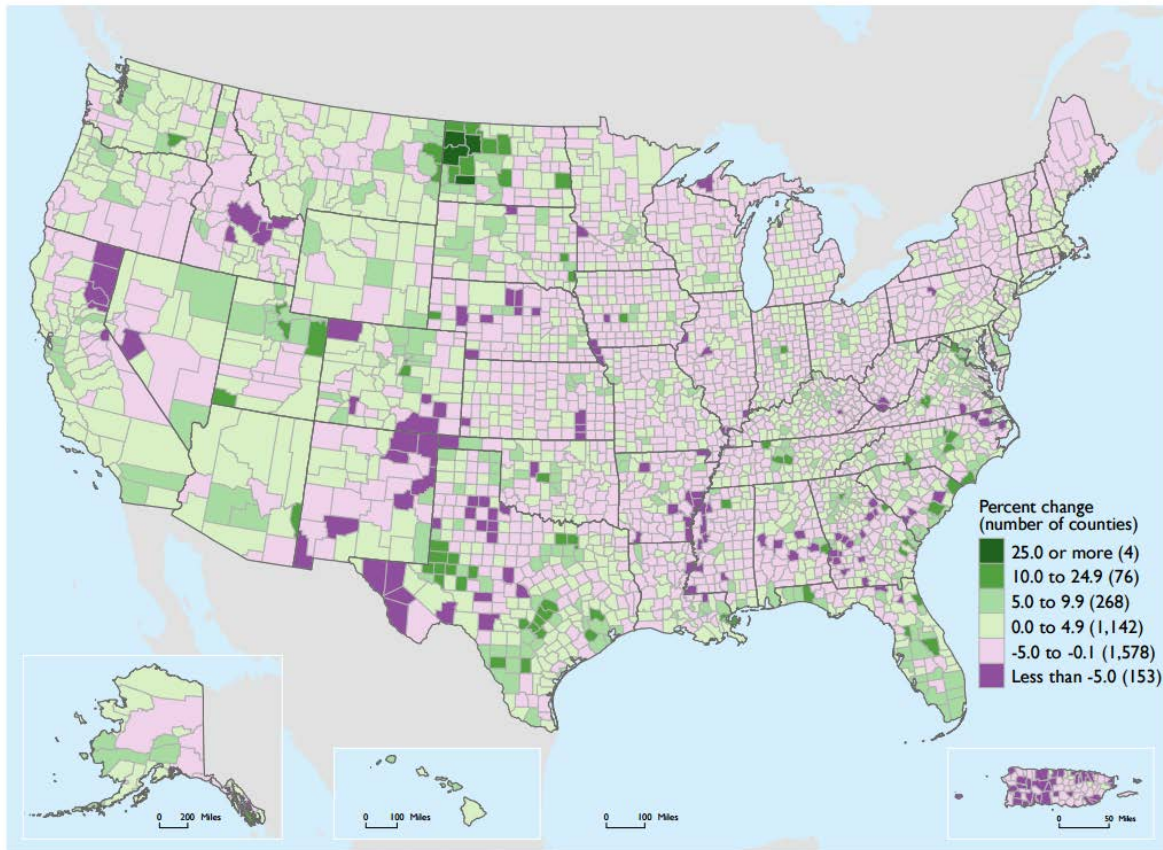
U.S Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance increased by 1,000 to 260,000 for the week ending September 10, 2016, while the four-week moving average fell by 750 to 260,750. In the previous week ending September 3, four states reported increases of 1,000 or more initial claims, and three states reported decreases of 1,000 or more. Tennessee reported an increase of 55 new claims.

U.S. Department of Transportation

Monday, [Passenger Travel Facts and Figures 2016](#): Here is an interesting report on all things related to passenger transportation through 2014. A companion report [Freight Facts and Figures 2015](#) was published earlier. The map below shows population changes by county over the period 2010-2014. Notice that only three Tennessee counties are in the dark green, or with the largest percentage increases, and all three are in Middle Tennessee. Most disturbing is the number of Tennessee counties that lost population over that period. Those are the counties shown in pink.

Figure I-1 Population Change by County: 2010–2014

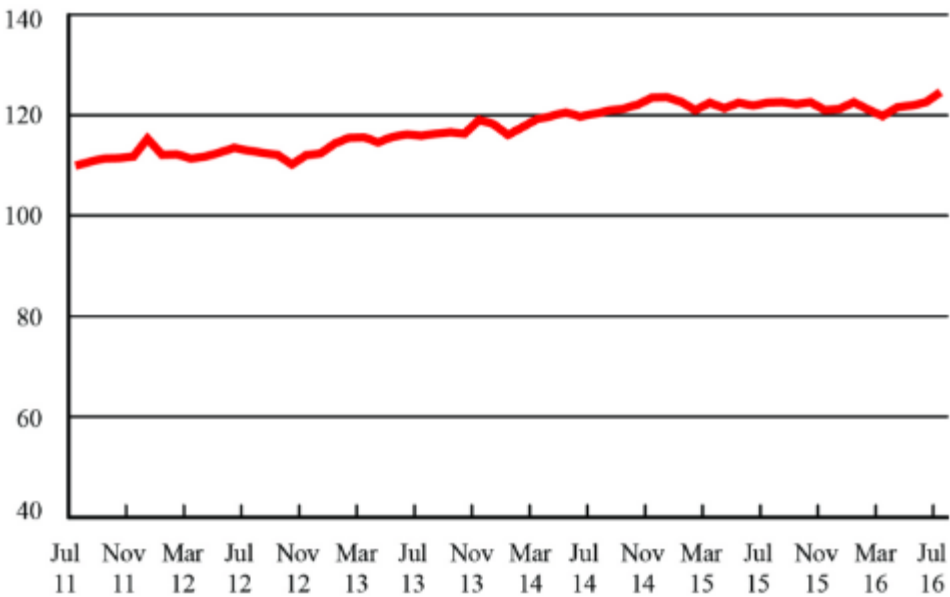


SOURCE: Developed by the Bureau of Transportation Statistics based on data from U.S. Department of Commerce, Census Bureau, Population Division, available at www.census.gov as of February 2016.

Wednesday, [July 2016 Freight Transportation Services Index](#): The index rose by 1.6% from June to 124.6, an all-time high, and this was fourth consecutive monthly increase. Below is a chart covering the period July 2011 through July 2016.

Freight Transportation Services Index, July 2011 - July 2016

Monthly average of 2000 = 100



Board of Governors of the Federal Reserve

Thursday, [Industrial Production](#): In August 2016, industrial production fell by 0.4%, and over the past 12 months, the index is down by 1.1%. Construction was down 0.6%, and manufacturing was down by 0.4%. Capacity utilization fell by 0.4 percentage points to 75.5% in August. Compared with the long-term average for the period 1972-2015 of 80.0%, capacity utilization is now 4.5 percentage points lower.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index is 42.2, down from 44.0 the previous week and below the average of 43.4 for 2016. This drop of 1.8 points followed a drop of 1.9 points the week before. These changes reversed increases in August. “[The] index has moved more in the past five weeks than it did in the full first half of the year. Moreover, this much movement—meaningful change in four weeks out of five—has occurred only eight times previously in weekly data since late 1985.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-September 2016 index is 89.8, unchanged from the final August reading. “Confidence was unchanged in early September from the August final and barely different from the July reading. ...Overall, consumers remain reasonably optimistic about their economic prospects. Real personal consumption expenditures can be expected to grow by 2.6% through mid 2017.”

The Wall Street Journal

Thursday, [For Cities Getting Richer the Fastest, Look to the South](#): This story is an analysis of the Census Bureau’s report on income—see above. “Among America’s 50 biggest metropolitan areas, the biggest household income gains were witnessed in Nashville, Tenn., Birmingham, Ala., and Atlanta.” Median household income in the Nashville-Davidson-Murfreesboro-Franklin MSA grew by 10.0% from 2014 to 2015. In the Memphis, TN-MS-AR MSA the increase was 5.7%, also above the national rate of 5.2%. The report goes on to point out that, growth rates notwithstanding, the richest cities are still on the coasts, led by San Jose, California and Washington, D.C.