

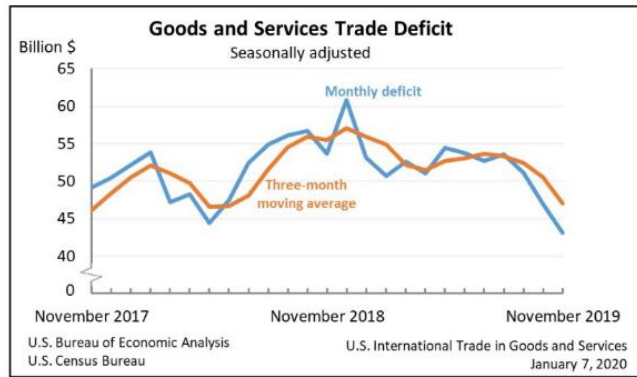
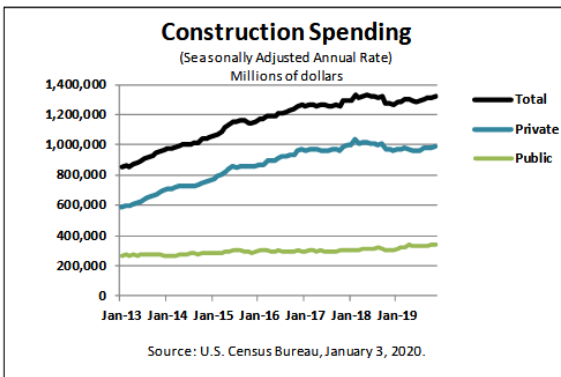
Economic Update, January 10, 2020
Submitted by Dave Keiser

Summary: Happy New Year! I hope everyone had a good holiday! Jobs numbers were very good, with 202,000 jobs added in December. Construction spending increased, and the trade deficit decreased. Gross domestic product was up 2.4 percent for Tennessee in the third quarter of 2019, and up 2.1 percent nationally. Shipments of manufactured goods were up as well, as was overall freight. Unemployment remains at record levels and unemployment insurance claims were down. Even though job cuts were down over the past month, they were up annually. Interestingly, CEO turnover hit record highs in 2019 and now CEO confidence is rebounding (nothing like a new perspective to keep this decade of economic prosperity going).

Census Bureau

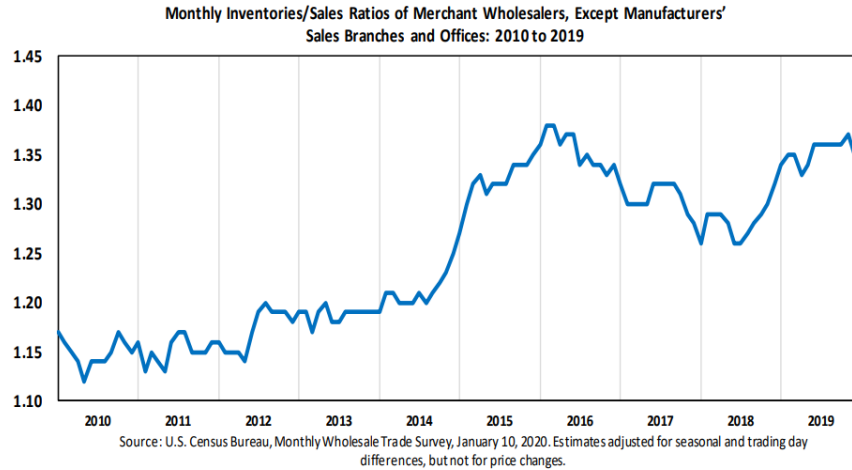
Friday, January 3, [Construction Spending](#): “Construction spending during November 2019 was estimated at a seasonally adjusted annual rate of \$1,324.1 billion, 0.6 percent above the revised October estimate of \$1,316.8 billion. The November figure is 4.1 percent above the November 2018 estimate of \$1,271.4 billion. During the first eleven months of this year, construction spending amounted to \$1,201.6 billion, 0.8 percent below the \$1,211.8 billion for the same period in 2018.”

Tuesday, [International Trade](#): “The [US] goods and services deficit was \$43.1 billion in November, down \$3.9 billion from \$46.9 billion in October, revised. November exports were \$208.6 billion, \$1.4 billion more than October exports. November imports were \$251.7 billion, \$2.5 billion less than October imports. The November decrease in the goods and services deficit reflected a decrease in the goods deficit of \$3.9 billion to \$63.9 billion and a decrease in the services surplus of less than \$0.1 billion to \$20.8 billion. Year-to-date, the goods and services deficit decreased \$3.9 billion, or 0.7 percent, from the same period in 2018. Exports decreased less than \$0.1 billion or less than 0.1 percent. Imports decreased \$3.9 billion or 0.1 percent.”



Tuesday, [Manufacturing Shipments, Inventories, and New Orders](#): “New orders for manufactured goods in November, down three of the last four months, decreased \$3.6 billion or 0.7 percent to \$493.0 billion . . . This followed a 0.2 percent October increase. Shipments, up two consecutive months, increased \$1.7 billion or 0.3 percent to \$502.2 billion. This followed a 0.1 percent October increase. Unfilled orders, down two of the last three months, decreased \$4.9 billion or 0.4 percent to \$1,158.7 billion. This followed a virtually unchanged October increase. The unfilled orders-to-shipments ratio was 6.67, down from 6.68 in October. Inventories, up eleven of the last twelve months, increased \$2.0 billion or 0.3 percent to \$701.0 billion. This followed a 0.2 percent October increase. The inventories-to-shipments ratio was 1.40, unchanged from October.”

Friday, [Monthly Wholesale Trade](#): “November 2019 sales of merchant wholesalers . . . were \$500.7 billion, up 1.5 percent from the revised October level and were up 0.8 percent from the November 2018 level. Total inventories of merchant wholesalers . . . were \$674.9 billion at the end of November, down 0.1 percent from the revised October level. The November inventories/sales ratio for merchant wholesalers, except manufacturers’ sales branches and offices, based on seasonally adjusted data, was 1.35. The November 2018 ratio was 1.32.”



Bureau of Labor Statistics

Friday, January 3, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in November than a year earlier in 223 of the 389 metropolitan areas, higher in 137 areas, and unchanged in 29 areas. . . . A total of 153 areas had jobless rates of less than 3.0 percent and 2 areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 51 metropolitan areas and was essentially unchanged in the remaining 338 areas. The national unemployment rate in November was 3.3 percent, not seasonally adjusted, little changed from a year earlier.” Among Tennessee’s ten metropolitan areas, only Chattanooga had a lower unemployment rate in November 2019 (2.9 percent) than a year earlier (3.0 percent). The unemployment rate was unchanged in four areas (Jackson, Johnson City, Knoxville, and Nashville-Murfreesboro-Franklin), and higher in five (Clarksville, Cleveland, Kingsport-Bristol, Memphis, and Morristown).

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 145,000 in December, and the unemployment rate was unchanged at 3.5 percent. . . . Notable job gains occurred in retail trade and health care, while mining lost jobs.”

Chart 1. Unemployment rate, seasonally adjusted, December 2017 – December 2019

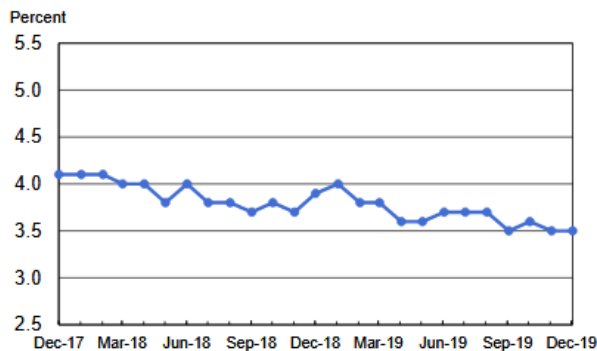
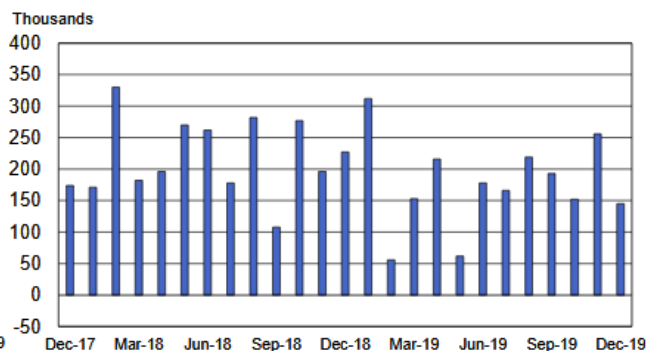


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, December 2017 – December 2019



The Conference Board

Tuesday, [CEO Confidence](#): CEO confidence “rebounded to a reading of 43 in the fourth quarter” after falling to 34 in the third quarter of 2019 (a reading of more than 50 points reflects more positive than negative responses). “CEO Confidence improved in the final quarter of 2019, after having declined to its lowest level in a decade in Q3,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “While the abatement of trade and tariff issues has helped improved confidence, CEOs still remain apprehensive about global growth prospects in early 2020.”

ADP

Wednesday, [Employment Report](#): “Private sector employment increased by 202,000 jobs from November to December . . .”

“As 2019 came to a close, we saw expanded payrolls in December,” said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. “The service providers posted the largest gain since April, driven mainly by professional and business services. Job creation was strong across companies of all sizes, led predominantly by mid-sized companies.” Mark Zandi, chief economist of Moody’s Analytics, said, “Looking through the monthly vagaries of the data, job gains continue to moderate. Manufacturers, energy producers and small companies have been shedding jobs. Unemployment is low, but will begin to rise if job growth slows much further.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending January 4, the advance figure for seasonally adjusted initial claims was 214,000, a decrease of 9,000 from the previous week’s revised level [of] 223,000. The 4-week moving average was 224,000, a decrease of 9,500 from the previous week’s revised average [of] 233,500.”

Challenger, Gray & Christmas

Thursday, January 2, [Job Cuts](#): “Job cuts announced by U.S.-based employers fell for the second consecutive month, to 32,843, the lowest monthly total since 27,122 cuts were announced in July 2018. . . . Last month’s total is 26.3% lower than the 44,569 cuts announced in November and 25.2% lower than the 43,884 announced in the same month last year. Employers announced plans to cut 592,556 jobs from their payrolls in 2019, 10% higher than the 538,695 cuts announced in 2018. It is the highest annual total since 2015, when 598,510 cuts were announced. 2019 was the fourth-highest year for job cut announcements this decade.”

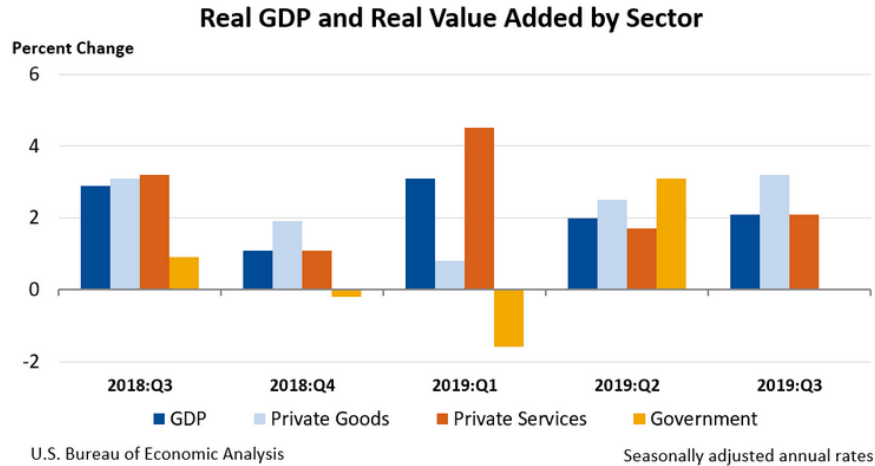
Wednesday, [CEO Report](#): “Chief Executive Officer turnover jumped 8%, from 148 in November to 160 in December, the second-highest monthly total since Challenger began tracking CEO departures in 2002 . . . Last month’s total is 29% higher than the 129 CEOs who left their posts in December 2018. In 2019, 1,640 CEOs left their posts, according to Challenger tracking, 12.9% higher than the 1,452 CEOs who announced their exits in 2018. It is the highest total since the firm began tracking in 2002.” Andrew Challenger, Vice President of Challenger, Gray & Christmas, Inc., called the number “staggering.”

Mortgage Bankers Association

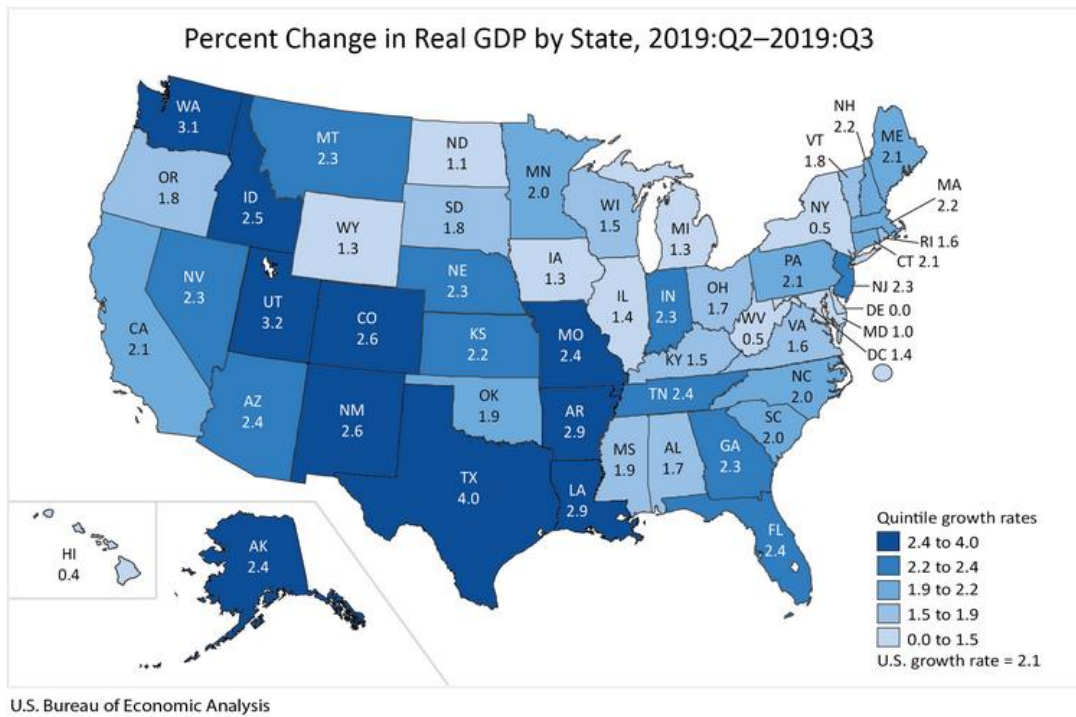
Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 1.5 percent from two weeks earlier . . . For the week ending January 3, 2020 . . . the average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$484,350 or less) decreased to 3.91 percent from 3.95 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.35 percent from 3.37 percent.”

Bureau of Economic Analysis

Thursday, [Gross Domestic Product by Industry](#): “Nondurable goods manufacturing; retail trade; and professional, scientific, and technical services were the leading contributors to the increase in U.S. economic growth in the third quarter of 2019. . . . Both private services- and goods-producing industries contributed to the increase; the government sector increased slightly. Overall, 17 of 22 industry groups contributed to the 2.1 percent increase in real GDP in the third quarter.”



Friday, [Gross Domestic Product by State](#): “Real gross domestic product (GDP) increased in 49 states and the District of Columbia in the third quarter of 2019. . . . The percent change in real GDP in the third quarter ranged from 4.0 percent in Texas to 0.0 percent in Delaware.” Real GDP increased 2.4 percent in Tennessee.



Federal Reserve

Friday, January 3, [Federal Open Market Committee Meeting Minutes](#): Federal Reserve staff reported “the December 10-11 meeting indicated that labor market conditions remained strong and that real gross domestic product (GDP) was increasing at a moderate rate in the second half of 2019. Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), remained below 2 percent in October. Survey-based measures of longer-run inflation expectations were little changed.”

“Federal Reserve communications over the intermeeting period were viewed as suggesting that additional near-term changes to the target range for the federal funds rate were less likely than had previously been expected . . . and implied about a 25-basis-point decline in the federal funds rate by the end of 2020.”

Institute for Supply Management

Friday, January 3, [Purchasing Managers Index](#): The December index “registered 47.2 percent, a decrease of 0.9 percentage point from the November reading of 48.1 percent. This is the PMI's lowest reading since June 2009, when it registered 46.3 percent. . . . December was the fifth consecutive month of PMI contraction, at a faster rate compared to the prior month.”

Tuesday, [Services Index](#): “Economic activity in the non-manufacturing sector grew in December for the 119th consecutive month.” The December index “registered 55 percent, which is 1.1 percentage points higher than the November reading of 53.9 percent.”

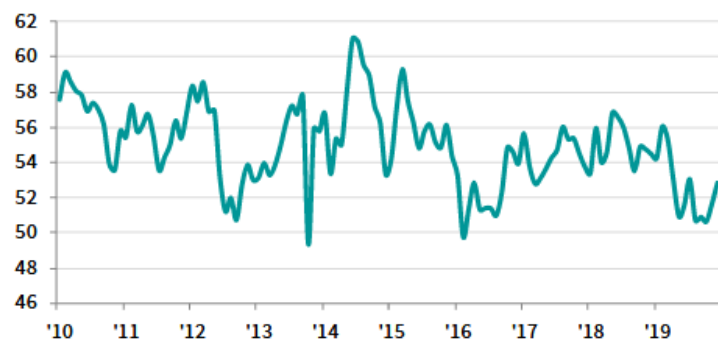
Markit Economics

Monday, [US Services PMI](#): “U.S. service sector firms indicated a moderate expansion in business activity at the end of 2019, with growth driven by a stronger rise in new orders. Foreign client demand also picked up, as new export orders increased for the first time since July. Subsequently, the rate of job creation ticked up to a five-month high despite only fractional pressure on capacity. Business confidence, however, remained well below the series average.”

Wednesday, [US Sector PMI](#): Six of the seven categories of US private sector activity recorded growth in December. The financial sector led the way with the most growth while the basic materials sector was the only sector to decline in volume.

Services Business Activity Index

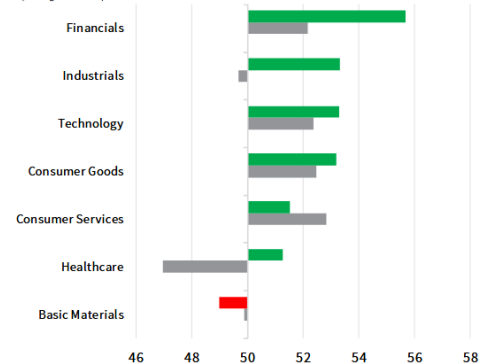
sa, >50 = growth since previous month



Sources: IHS Markit.

Output Index / Employment Index, Dec'19

sa, >50 = growth since previous month



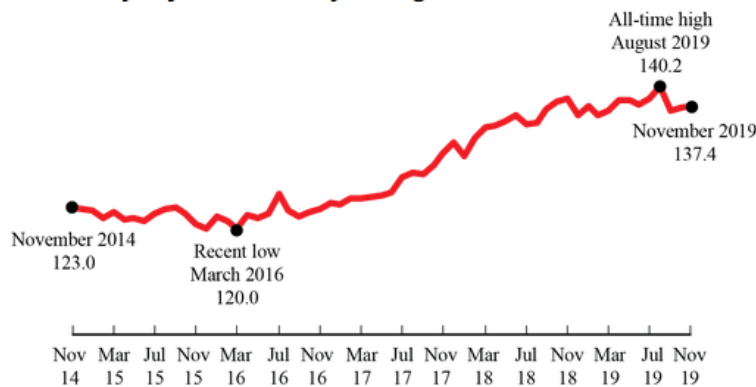
Source: IHS Markit

Bureau of Transportation Statistics

Thursday, [Transportation Services](#): “The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, rose 0.1% in November from October, rising for the second consecutive month. . . . From November 2018 to November 2019, the index fell 0.8% compared to a rise of 5.8% from November 2017 to November 2018.”

Freight Transportation Services Index, November 2014 - November 2019

(Seasonally Adjusted, Monthly Average of 2000 = 100)



Source:

Bureau of Transportation Statistics

University of Michigan

Friday, [Consumer Sentiment Index](#): The index “remained largely unchanged in late December at the same very favorable level recorded at mid-month,” said Surveys of Consumers chief economist, Richard Curtin. “Most of the December gain was among upper income households, with those in the top third of the income distribution gaining 7.5% from last month and those in the bottom two-thirds posting a gain of just 0.8%. The recent shift favoring higher income households is in the opposite direction when compared with all-time peaks in the late 1990's. The impeachment hearing had a barely noticeable impact on economic expectations, as it was mentioned by just 2% of all consumers in the December survey.”