

Economic Update, January 17, 2020
Submitted by Bob Moreo

Summary: While unemployment remains historically low with fewer new claims this week, the number of people collecting unemployment has been trending upward, and a [significant decrease in job openings](#) raised eyebrows on Friday. Reports this week also illustrate the cat-and-mouse relationship between workers' earnings and the prices we pay for goods and services—particularly fuel and housing. Retail sales were up, as were new business applications, and manufacturing showed signs of improvement. Residential construction was stronger in 2019 than the year before, and a [big jump in new starts](#) may signal more growth in 2020. Mortgage rates remain low, and loan applications were up both for new-construction loans and across the board. Speaking this week to the Home Builders Association of Greater Kansas City, [Federal Reserve governor Michelle Bowman said](#), “Both new and existing home sales moved up strongly in the second half of 2019, and . . . expected sales within the next six months have approached all-time highs. . . . The national indicators suggest a positive growth outlook for the housing sector over the next several quarters.”

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2 percent in December on a seasonally adjusted basis after rising 0.3 percent in November. . . . The indexes for gasoline, shelter, and medical care all rose in December, accounting for most of the increase. . . . The all items index increased 2.3 percent for the 12 months ending December, the largest 12-month increase since the period ending October 2018.”

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.1 percent from November to December . . . [resulting] from an increase of 0.1 percent in average hourly earnings combined with an increase of 0.2 percent in the Consumer Price Index. . . . Real average hourly earnings increased 0.6 percent, seasonally adjusted, from December 2018 to December 2019.”

Wednesday, [Producer Price Index](#): “The Producer Price Index for final demand edged up 0.1 percent in December. . . . The final demand index moved up 1.3 percent in 2019, after a 2.6-percent advance in 2018. The December increase in the final demand index was the result of a 0.3-percent rise in prices for final demand goods. The index for final demand services was unchanged.”

Thursday, [US Import / Export Price Index](#): “The price index for U.S. imports rose 0.3 percent in December, the largest monthly advance since the index increased 0.6 percent in March. Prices for imports rose 0.5 percent in 2019, after decreasing 0.9 percent in 2018. The 12-month advance in December was the largest over-the-year increase since the index rose 0.7 percent between November 2017 and November 2018. . . . U.S. export prices fell 0.2 percent in December following a 0.2-percent increase in November. . . . Prices for overall exports declined 0.7 percent in 2019 following a 1.1-percent increase in 2018 . . . the first calendar-year fall since the index declined 6.6 percent in 2015.”

Friday, [Job Openings and Labor Turnover](#): “The number of job openings fell to 6.8 million (–561,000) on the last business day of November. . . . Over the month, hires and separations were little changed at 5.8 million and 5.6 million, respectively. Within separations, the quits rate was unchanged at 2.3 percent and the layoffs and discharges rate was little changed at 1.1 percent. . . . Over the 12 months ending in November, hires totaled 69.8 million and separations totaled 67.5 million, yielding a net employment gain of 2.3 million.”

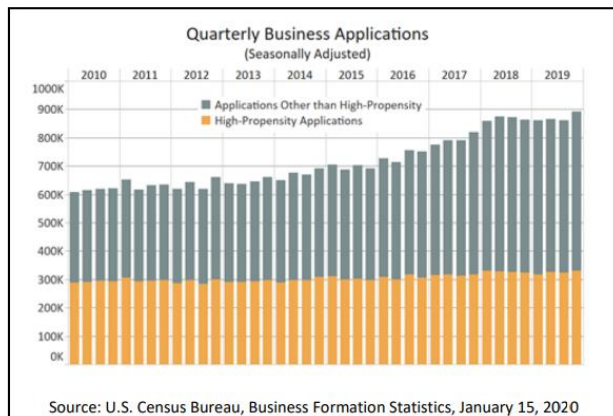
Friday, [Usual Weekly Earnings](#): “Median weekly earnings of the nation’s 118.3 million full-time wage and salary workers were \$936 in the fourth quarter of 2019. . . . This was 4.0 percent higher than a year earlier, compared with a gain of 2.0 percent in the Consumer Price Index for All Urban Consumers

(CPI-U) over the same period. . . . Seasonally adjusted median weekly earnings were \$933 in the fourth quarter of 2019, little changed from the previous quarter (\$924).”

Census Bureau

Wednesday, [Business Formation Statistics](#): “Business Applications for the fourth quarter of 2019, adjusted for seasonal variation, were 891,286, an increase of 3.4 percent compared to the third quarter of 2019. Projected Business Formations (within 4 quarters) for the fourth quarter of 2019, adjusted for seasonal variation, were 81,642, an increase of 4.5 percent compared to the third quarter of 2019.”

| BUSINESS APPLICATIONS | | |
|---|---------|-------------------|
| U.S. Business Applications: | 2019 Q4 | 2019 Q4 / 2019 Q3 |
| Total | 891,286 | 3.4%° |
| High-Propensity | 330,329 | 1.9%° |
| With Planned Wages | 114,969 | -2.3%° |
| From Corporations | 137,532 | 2.4%° |
| Next release: April 15, 2020 | | |
| (*) Statistical significance is not applicable or not measurable. | | |
| Data adjusted for seasonality. | | |
| Source: U.S. Census Bureau, Business Formation Statistics, January 15, 2020 | | |



Thursday, [Advance Monthly Retail Trade Report](#): “Advance estimates of U.S. retail and food services sales for December 2019, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$529.6 billion, an increase of 0.3 percent from the previous month, and 5.8 percent above December 2018. Total sales for the 12 months of 2019 were up 3.6 percent from 2018. Total sales for the October 2019 through December 2019 period were up 4.1 percent from the same period a year ago.”

Thursday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for November was estimated at \$1,465.7 billion, up 0.7 percent from October 2019 and was up 1.0 percent from November 2018.” End-of-month inventories were an estimated \$2,037.4 billion, “down 0.2 percent from October 2019, but were up 2.8 percent from November 2018.”

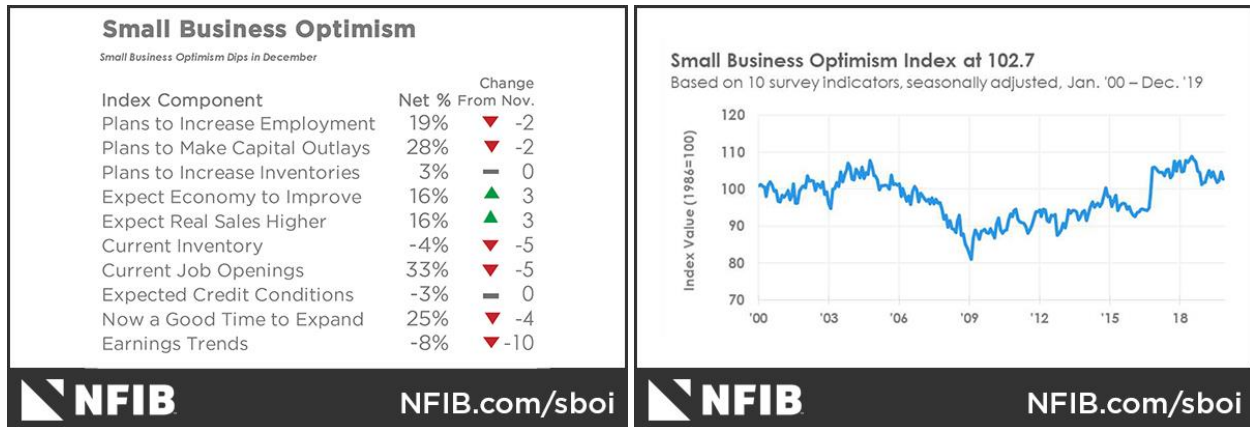
Friday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 1,416,000. This is 3.9 percent below the revised November rate of 1,474,000 but is 5.8 percent above the December 2018 rate of 1,339,000. . . . An estimated 1,368,800 housing units were authorized by building permits in 2019 . . . 3.9 percent above the 2018 figure of 1,317,900. Privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,608,000. This is 16.9 percent above the revised November estimate of 1,375,000 and is 40.8 percent above the December 2018 rate of 1,142,000. . . . An estimated 1,289,800 housing units were started in 2019 . . . 3.2 percent above the 2018 figure of 1,249,900. Privately-owned housing completions in December were at a seasonally adjusted annual rate of 1,277,000. This is 5.1 percent above the revised November estimate of 1,215,000 and is 19.6 percent above the December 2018 rate of 1,068,000. . . . An estimated 1,250,600 housing units were completed in 2019 . . . 5.6 percent above the 2018 figure of 1,184,900.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending January 11, the advance figure for seasonally adjusted initial claims was 204,000, a decrease of 10,000 from the previous week’s unrevised level of 214,000. The 4-week moving average was 216,250, a decrease of 7,750 from the previous week’s unrevised average of 224,000.”

National Federation of Independent Business

Tuesday, [Small Business Optimism](#): “The Optimism Index fell 2 points in December to 102.7, a historically strong reading and just below the average for the year. Small businesses ended another year taking full advantage strong consumer spending, and federal tax and regulatory relief. The economic expansion continues its historic run as it enters 2020. . . . Actual job creation in December matched November’s reading, as small businesses continued to hire and create new jobs.”

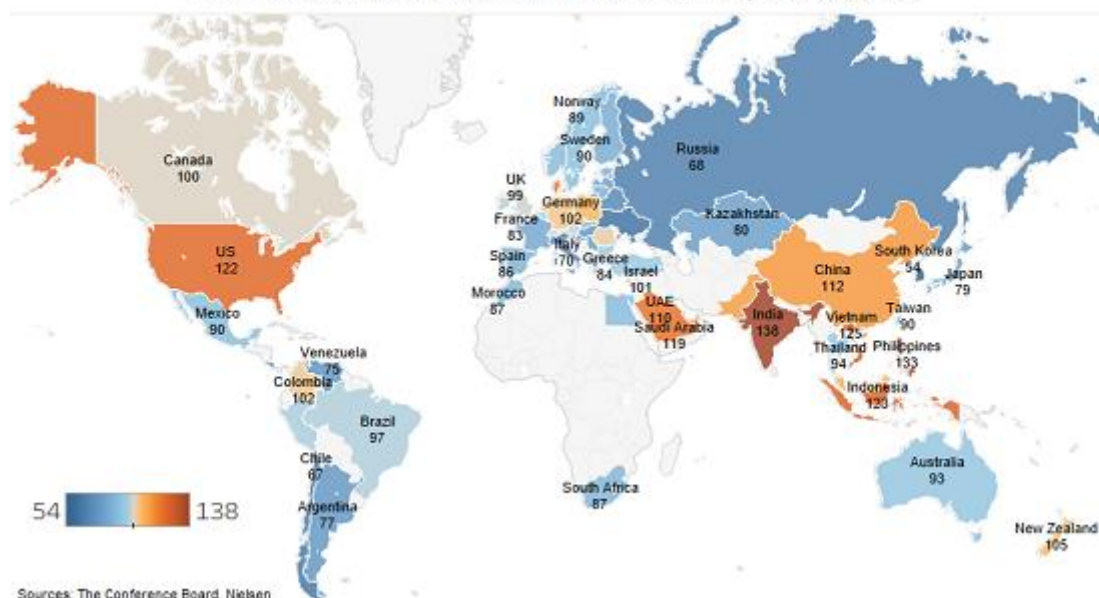


The Conference Board

Monday, [Employment Trends Index](#): The index “declined in December, following an increase in November. The index now stands at 109.68, down from 110.51 (an upward revision) in November. The decrease marks a 1.2 percent decline in the ETI over the past 12 months.” According to Gad Levanon, Head of The Conference Board Labor Markets Institute, “a flat index is consistent with an ongoing labor market expansion. We expect job growth to remain solid and the labor market to continue tightening.”

Thursday, [Global Consumer Confidence](#): In the fourth quarter of 2019, “global consumer confidence was unchanged at 107, suggesting more optimistic than pessimistic consumers; however, out of 64 markets surveyed, 30 saw a decline in confidence. . . . ‘The continued lack of momentum in global consumer confidence raises concerns about the durability of consumer spending as a major source of growth in 2020,’ says Bart van Ark, Chief Economist of The Conference Board. ‘While The Conference Board projects global economic growth to improve slightly to 2.5 percent in 2020—up from 2.3 percent in 2019—we should not take it for granted that consumer spending will continue to prop up the economy.’”

GLOBAL CONSUMER CONFIDENCE INDEX, Q4 2019: 107



National Association of Home Builders

Wednesday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes edged one point lower to 75 in January. The last two monthly readings mark the highest sentiment levels since July 1999. ‘Low interest rates and a healthy labor market combined with a need for additional inventory are setting the stage for further home building gains in 2020,’ said NAHB Chairman Greg Ugalde.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): The Market Composite Index for the week ending January 10, 2020, “increased 30.2 percent on a seasonally adjusted basis from one week earlier.” Joel Kan, Associate Vice President of Economic and Industry Forecasting, said “the mortgage market saw a strong start to 2020. Applications increased across the board, and the 30-year fixed mortgage rate hit its lowest level since September 2019.” The weekly survey showed that “[t]he average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$510,400 or less) decreased to the lowest level since September 2019, 3.87 percent, from 3.91 percent.”

Thursday, [Builder Application Survey](#): “[D]ata for December 2019 shows mortgage applications for new home purchases increased 38.7 percent compared to December 2018. Compared to November 2019, applications decreased by 5 percent.” According to MBA’s Associate Vice President of Economic and Industry Forecasting Joel Kan, “the sizeable year-over-year increase in new home purchase activity in December capped off what was a strong 2019 overall. . . . The housing market is seeing signs of a more significant recovery in new residential construction, which is a promising sign for prospective homebuyers. Even though supply continues to lag, we expect to see another year of gradual growth in new home sales, supported by rising household formation and the healthy job market.”

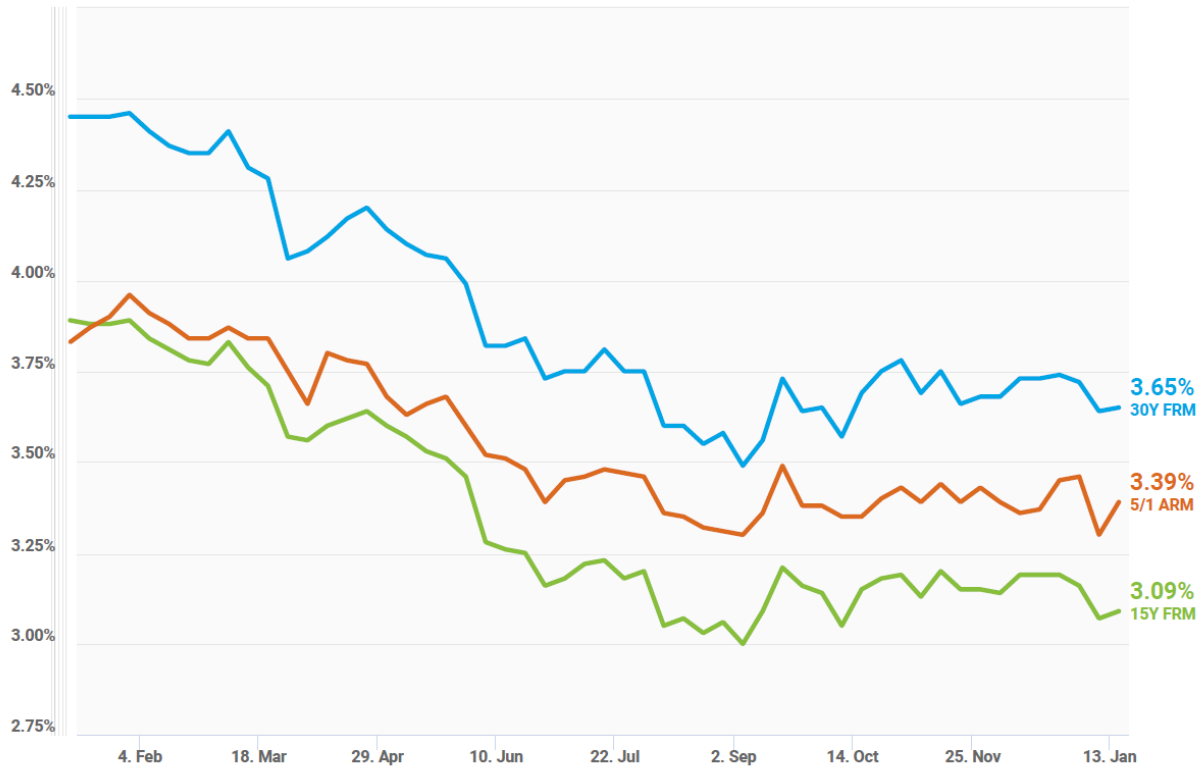
Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Mortgage rates inched up by one basis point this week with the 30-year fixed-rate mortgage averaging 3.65 percent. By all accounts, mortgage rates remain low and, along with a strong job market, are fueling the consumer-driven economy by boosting

purchasing power, which will certainly support housing market activity in the coming months. While the outlook for the housing market is positive, worsening homeowner and rental affordability due to the lack of housing supply continue to be hurdles, and they are spreading to many interior markets that have traditionally been affordable.”



Primary Mortgage Market Survey®
U.S. weekly average mortgage rates as of 01/16/2020



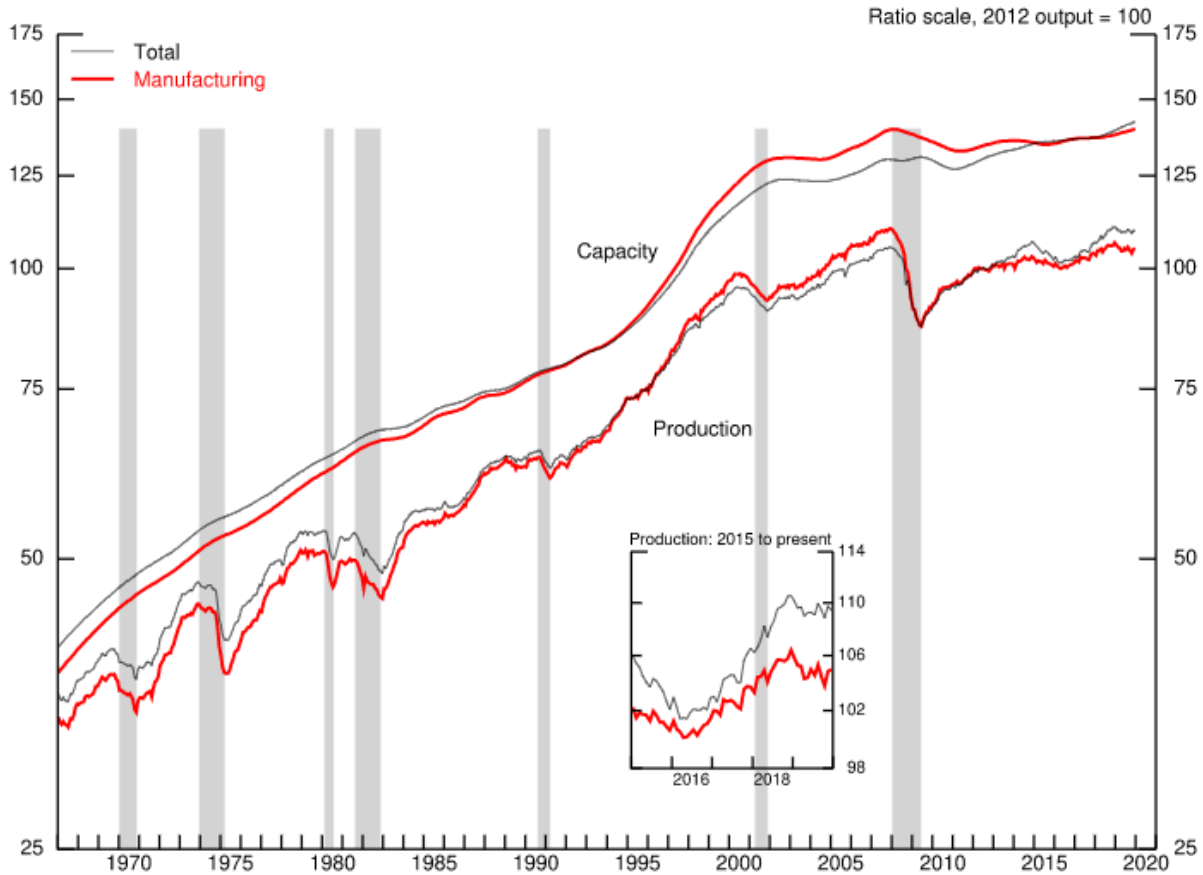
Federal Reserve

Wednesday, [Beige Book](#): “Economic activity generally continued to expand modestly in the final six weeks of 2019. . . . Consumer spending grew at a modest to moderate pace, with a number of Districts noting some pickup from the prior reporting period. On balance, holiday sales were said to be solid. . . . Employment was steady to rising modestly in most Districts, while labor markets remained tight throughout the nation. Most Districts cited widespread labor shortages as a factor constraining job growth, and, in a few cases, business expansion. . . . Wage growth was characterized as modest or moderate in most Districts.” Tennessee is split between two Federal Reserve Districts; in the Sixth District (Atlanta), “economic conditions improved modestly.” In the Eighth District (St. Louis), “economic conditions have slightly improved.”

Friday, [Industrial Production and Capacity Utilization](#): “Industrial production declined 0.3 percent in December, as a decrease of 5.6 percent for utilities outweighed increases of 0.2 percent for manufacturing and 1.3 percent for mining. The drop for utilities resulted from a large decrease in demand for heating, as unseasonably warm weather in December followed unseasonably cold weather in November.” The increase in manufacturing “came despite a decrease of 4.6 percent for motor vehicles and parts; assemblies of light motor vehicles fell from 11.2 million units (annual rate) in

November to 10.3 million units in December. Excluding the motor vehicle sector, factory output rose 0.5 percent.”

1. Industrial production, capacity, and utilization



Bloomberg

Thursday, [Consumer Comfort Index](#): “U.S. consumer confidence advanced last week to the highest level in more than 19 years on increased optimism about the economy, personal finances and the buying climate. Bloomberg’s index of consumer comfort rose to 66 in the week ended Jan. 12, the best reading since October 2000, from 65.1.

University of Michigan

Friday, [Preliminary Consumer Sentiment Index](#): The University of Michigan’s preliminary sentiment index for January edged down to 99.1 from a [seven-month high of 99.3](#) in December. Economists polled by [MarketWatch](#) had expected a reading of 99.6. Sentiment of current conditions increased slightly to 115.8 while the expectations index ticked down to 88.3. Surveys of Consumers chief economist Richard Curtin says, “the current expansion has established a new record length largely due to consumer spending,” and he believes consumers “will continue to sustain the expansion due to their favorable judgements about their current and prospective financial situation.”