Economic Update, November 22, 2019
Submitted by Bob Moreo

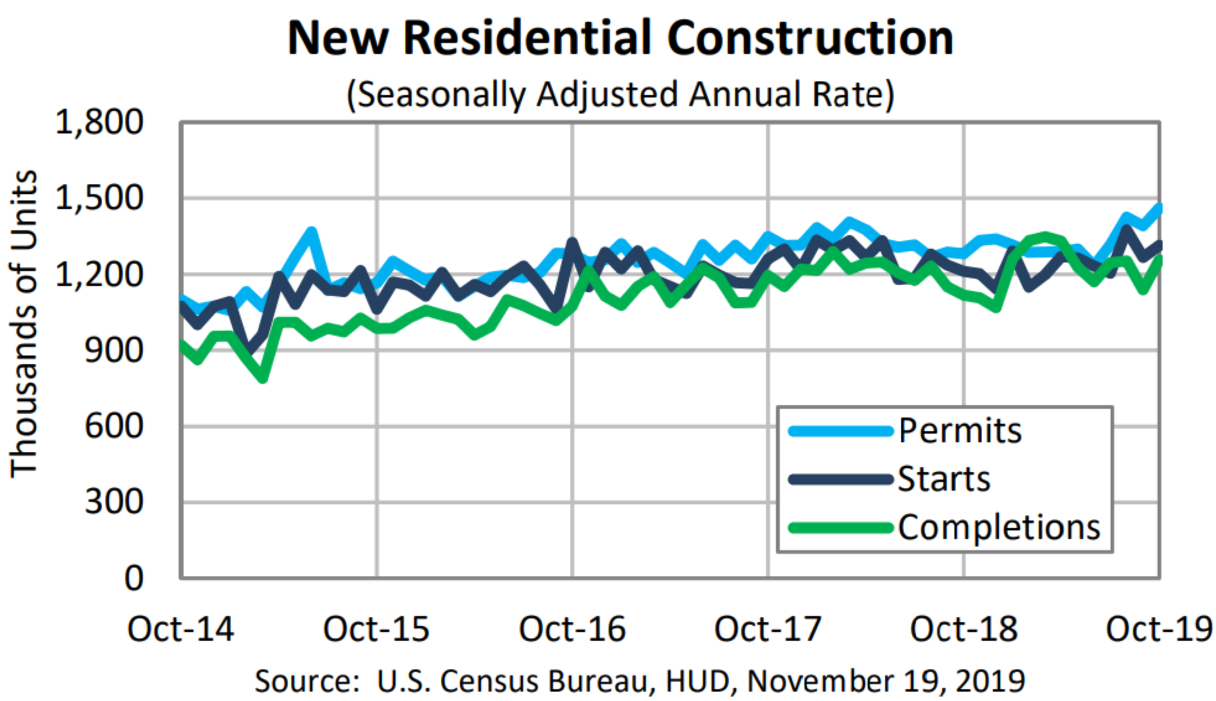
Summary: On Wednesday, the Federal Reserve released the minutes from its October 29-30 Open Market Committee meeting, at which the Fed cut interest rates by a quarter-point. "Participants generally viewed the economic outlook as positive," according to the minutes, and members believe "sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective" are likely, noting that "uncertainties associated with trade tensions as well as geopolitical risks had eased somewhat, though they remained elevated." The housing market appears to be gaining momentum, and the week ended optimistically with improving consumer sentiment and an uptick in business activity growth. In a presentation to the Tennessee State Funding Board last week, economists predicted continued growth in state revenue albeit at a slower rate than in recent years.

National Association of Home Builders

Monday, Housing Market Index: "Builder confidence in the market for newly-built single-family homes edged one point lower to 70 in November. . . . The past two months mark the highest sentiment levels in 2019." NAHB Chairman Greg Ugalde said, "Single-family builders are currently reporting ongoing positive conditions, spurred in part by low mortgage rates and continued job growth."

Census Bureau

Tuesday, New Residential Construction: "Privately-owned housing units authorized by building permits in October were at a seasonally adjusted annual rate of 1,461,000. This is 5.0 percent above the revised September rate of 1,391,000 and is 14.1 percent above the October 2018 rate of 1,281,000. Single-family authorizations in October were at a rate of 909,000; this is 3.2 percent above the revised September figure of 881,000. Authorizations of units in buildings with five units or more were at a rate of 505,000 in October."



Tuesday, Advance Quarterly Services Report: "Advance U.S. selected services total revenue for the third quarter of 2019 was $4,106.3 billion, an increase of 1.4 percent from the second quarter of 2019 and up 4.9 percent from the third quarter of 2018." Revenue in the finance and insurance sector, the largest component of this report, "was $1,297.6 billion, an increase of 1.5 percent from the second quarter of 2019 and up 6.5 percent from the third quarter of 2018."

Bureau of Labor Statistics

Tuesday, State Employment and Unemployment: "Unemployment rates were lower in October in 4 states, higher in 2 states, and stable in 44 states and the District of Columbia. . . . Eight states had jobless rate decreases from a year earlier, 3 states had increases, and 39 states and the District had little or no change. The national unemployment rate, 3.6 percent, was little changed over the month and from October 2018. . . . Over the year, 27 states added nonfarm payroll jobs and 23 states and the District were essentially unchanged." Tennessee was among the states gaining jobs, adding 38,900 (1.3 percent) from October 2018 to October 2019.

Wednesday, County Employment and Wages: "From June 2018 to June 2019, employment increased in 279 of the 355 largest U.S. counties. . . . In June 2019, national employment (as measured by the QCEW program) increased to 149.1 million, a 1.1 percent increase over the year. . . . Among the 355 largest counties, 347 had over-the-year increases in average weekly wages. In the second quarter of 2019, average weekly wages for the nation increased to $1,095, a 3.8 percent increase over the year." Employment gains in Davidson (3.3 percent) and Williamson (3.2 percent) counties were the 10th and 14th highest percentage increases, respectively, among large U.S. counties from June 2018 to June 2019. A 5.1 percent increase in average weekly wages in Shelby County, from the second quarter 2018 to 2019, was the most in Tennessee, ranking 36th-best among large U.S. counties.

Mortgage Bankers Association

Wednesday, Mortgage Applications: For the week ending November 15, 2019, "mortgage applications decreased 2.2 percent from one week earlier." According to Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, the decrease was driven by an 8 percent slide in refinance activity. Added Kan, "Rates have stayed in the same narrow range of around 4 percent since July, so we may be starting to see the expected slowdown in refinancing as the pool of eligible homeowners shrinks. . . . Purchase applications were 7 percent higher than a year ago, which adds another solid data point to the recent increases in new home sales and housing starts. There may be signs that housing inventory is starting to meaningfully rise, which will help with affordability and provide more choices for potential homebuyers." The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($484,350 or less) decreased to 3.99 percent from 4.03 percent.

National Association of Realtors

Thursday, Existing-Home Sales: "Total existing-home sales . . . increased 1.9% from September to a seasonally-adjusted annual rate of 5.46 million in October. Despite lingering regional variances, overall sales are up 4.6% from a year ago (5.22 million in October 2018). Lawrence Yun, NAR's chief economist, said . . . 'We will likely continue to see sales climb as long as potential buyers are presented with an adequate supply of inventory.' The median existing-home price for all housing types in October was $270,900, up 6.2% from October 2018 ($255,100), as prices rose in all regions. October's price increase marks 92 straight months of year-over-year gains. Total housing inventory at the end of October sat at 1.77 million units, down approximately 2.7% from September and 4.3% from one year ago (1.85 million). Unsold inventory sits at a 3.9-month supply at the current sales pace, down from 4.1 months in September and from the 4.3-month figure recorded in October 2018."

Department of Labor

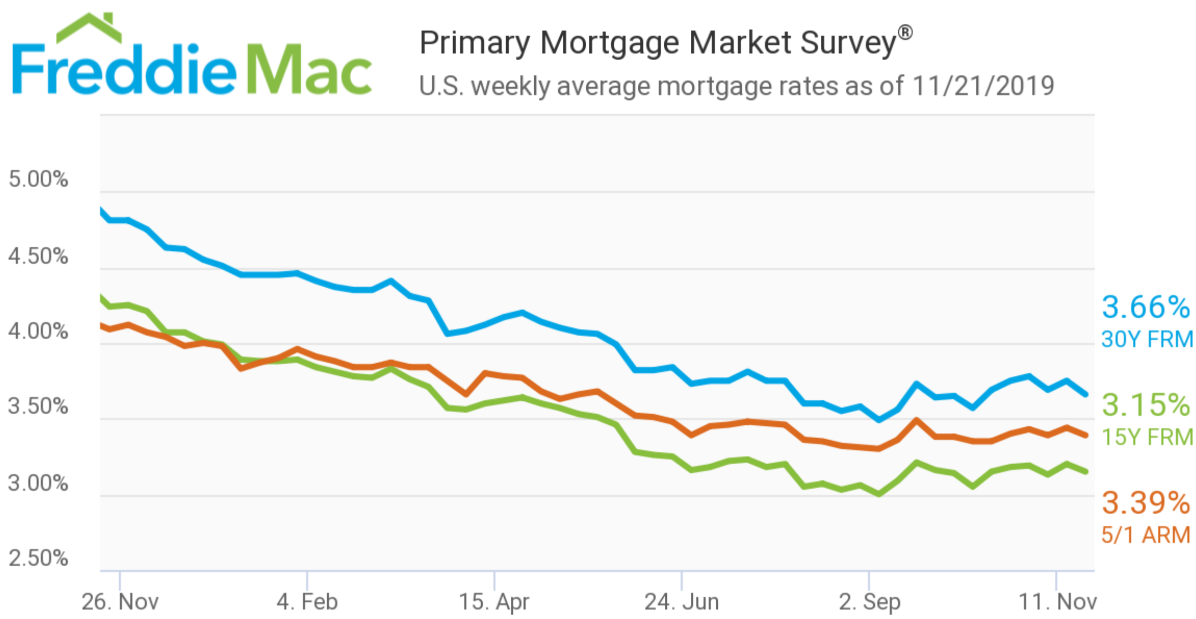
Thursday, Initial Claims: "In the week ending November 16, the advance figure for seasonally adjusted initial claims was 227,000, unchanged from the previous week's revised level. . . . The 4-week moving average was 221,000, an increase of 3,500 from the previous week's revised average."

The Conference Board

Thursday, U.S. Leading Economic Index: The index declined 0.1 percent in October to 111.7 following a 0.2 percent decline in both September and August, "driven by weaknesses in new orders for manufacturing, average weekly hours, and unemployment insurance claims," according to Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. He says the index "suggests that the economy will end the year on a weak note, at just below 2 percent growth."

Freddie Mac

Thursday, Primary Mortgage Market Survey: Mortgage rates ticked back down this week, with the U.S. average rate for a 30-year fixed-rate mortgage coming in at 3.66 percent.



University of Michigan

Friday, Surveys of Consumers: The final Index of Consumer Sentiment for November 2019 was 96.8, up from 95.5 in October, but lower than the 97.5 reported in November 2018. Surveys of Consumers chief economist, Richard Curtin, said that "In 30 of the past 35 months the Sentiment Index was 95.0 or higher, a level of optimism second only to when the Index was above 100.0 for 34 out of 36 months from January 1998 to December 2000, averaging 106.0."

IHS Markit

Friday, Flash U.S. Composite PMI: The index "posted 51.9 in November, up from 50.9 during October, to signal the fastest expansion in private sector output since July. That said, the pace of growth was well below the series trend and only marginal overall." Commenting on the data, Chris Williamson, Chief Business Economist at HIS Markit, said, "A welcome upturn in the headline index from the flash PMI adds to evidence that the worst of the economy's recent soft patch may be behind us."

Encouragingly, he added, "firms took on staff again after two months of headcount reductions, primarily to help deal with rising backlogs of work. A recovery of manufacturing production growth to a ten-month high is especially welcome news, helping to lift service sector activity growth from recent lows. However, although improving, the picture of current business conditions remains subdued by standards seen over the past decade and the business mood somber in relation to prospects for the year ahead."