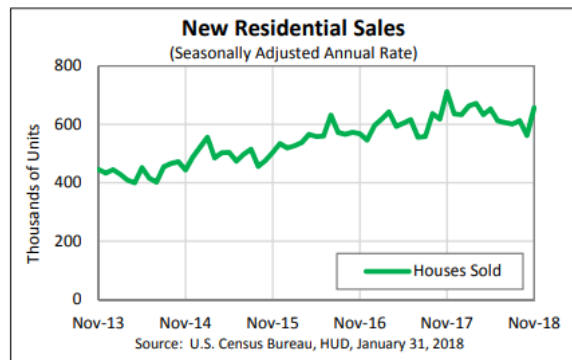


Economic Update, February 1, 2019
Submitted by Dave Keiser

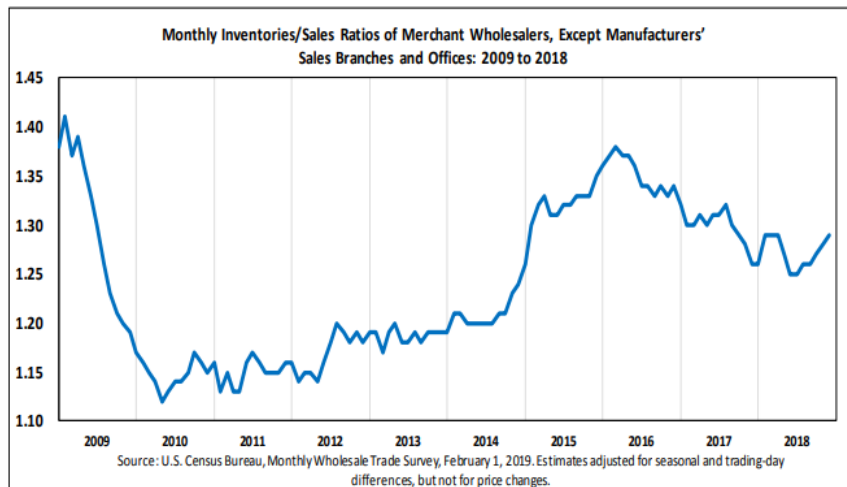
Summary: The economic news continues to be mixed. On one hand, job creation is up, and unemployment is at record lows. Wages are even up, and construction spending also increased. However, residential sales and mortgage applications are down slightly, and both consumer and investor confidence are down. In other economic news, the Federal Reserve is taking a patient approach to interest rates and didn't raise rates this week.

Census Bureau

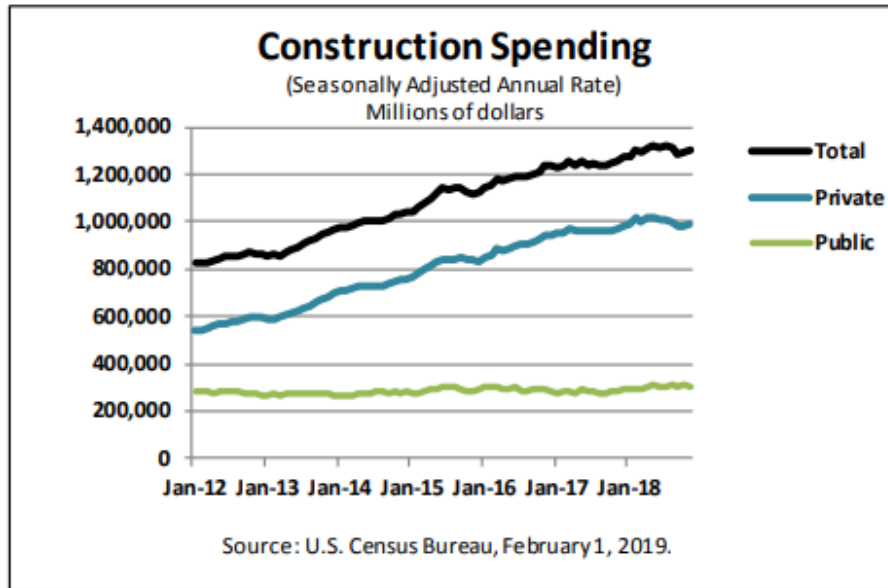
Thursday, [New Residential Sales](#): "Sales of new single-family houses in November 2018 were at a seasonally adjusted annual rate of 657,000. . . . This is 16.9 percent above the revised October rate of 562,000, but is 7.7 percent below the November 2017 estimate of 712,000. The median sales price of new houses sold in November 2018 was \$302,400. The average sales price was \$362,400."



Friday, [Monthly Wholesale Trade](#): "November 2018 sales of merchant wholesalers, except manufacturers' sales branches and offices, after adjustment for seasonal variations and trading-day differences but not for price changes, were \$505.3 billion, down 0.6 percent from the revised October level, but were up 4.0 percent from the November 2017 level. . . . Total inventories of merchant wholesalers, except manufacturers' sales branches and offices, after adjustment for seasonal variations but not for price changes, were \$654.0 billion at the end of November, up 0.3 percent from the revised October level. Total inventories were up 6.5 percent from the revised November 2017 level."



Friday, [Monthly Construction Spending](#): “Construction spending during November 2018 was estimated at a seasonally adjusted annual rate of \$1,299.9 billion, 0.8 percent above the revised October estimate of \$1,289.7 billion. The November figure is 3.4 percent above the November 2017 estimate of \$1,257.3 billion. During the first eleven months of this year, construction spending amounted to \$1,200.7 billion, 4.5 percent above the \$1,149.3 billion for the same period in 2017.”



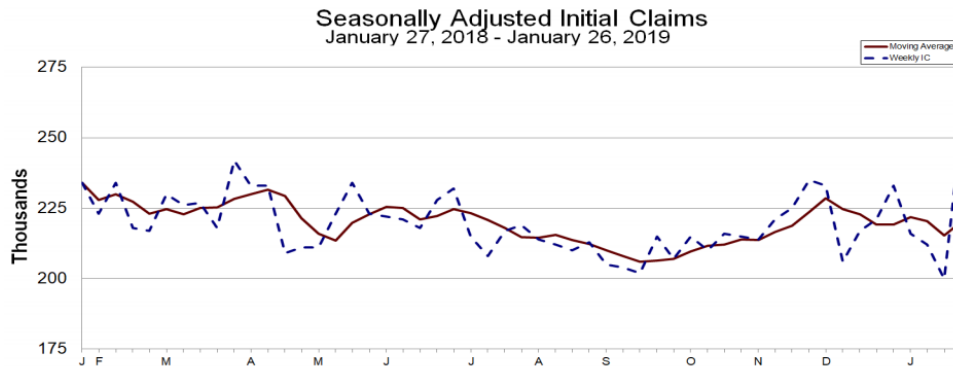
Bureau of Economic Analysis

Friday, [U.S. Net International Investment, 3rd Quarter](#): “The U.S. net international investment position decreased to $-\$9,627.2$ billion (preliminary) at the end of the third quarter of 2018 from $-\$8,845.1$ billion (revised) at the end of the second quarter. . . . The $\$782.1$ billion decrease reflected a $\$135.5$ billion increase in U.S. assets and a $\$917.6$ billion increase in U.S. liabilities.”



Department of Labor

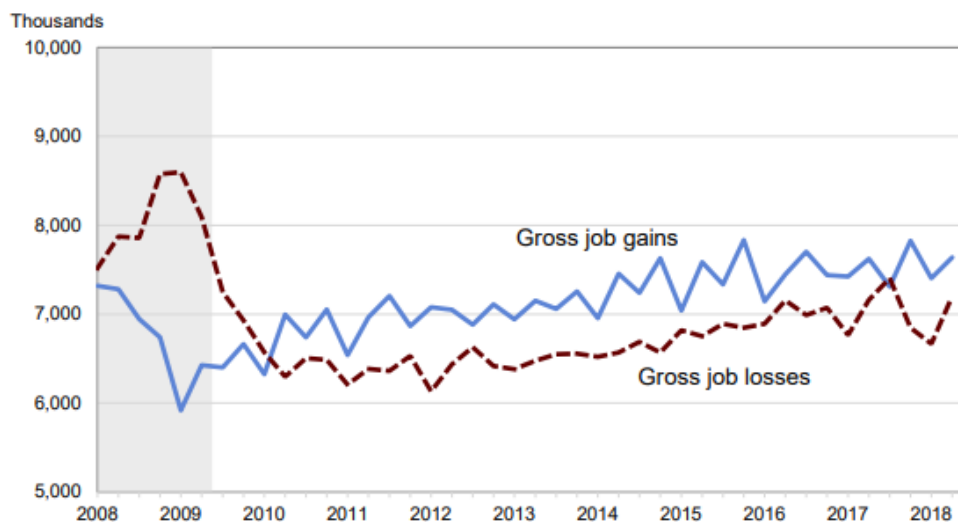
Thursday, [Initial Claims](#): “In the week ending January 26, the advance figure for seasonally adjusted initial claims was 253,000, an increase of 53,000 from the previous week’s revised level. This is the highest level for initial claims since September 30, 2017 when it was 254,000. The previous week’s level was revised up by 1,000 from 199,000 to 200,000. The 4-week moving average was 220,250, an increase of 5,000 from the previous week’s revised average. The previous week’s average was revised up by 250 from 215,000 to 215,250.”



Bureau of Labor Statistics

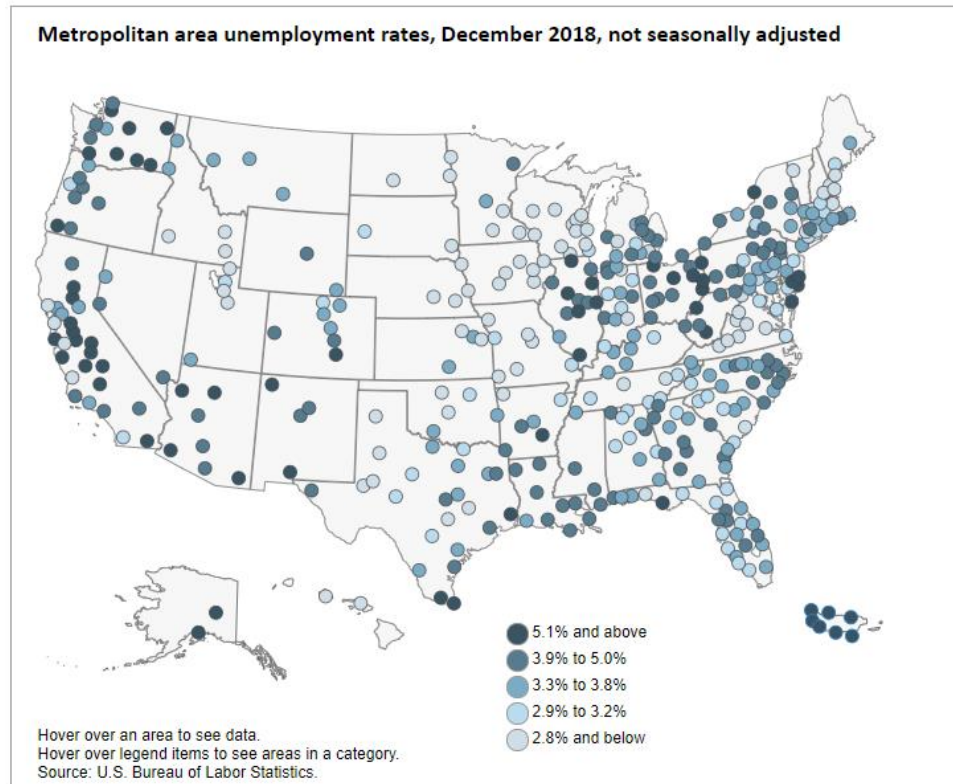
Wednesday, [Business Employment Dynamics, 2nd Quarter 2018](#): “From March 2018 to June 2018, gross job gains from opening and expanding private-sector establishments were 7.6 million, an increase of 233,000 jobs from the previous quarter. . . . Over this period, gross job losses from closing and contracting private-sector establishments were 7.2 million, an increase of 536,000 jobs from the previous quarter. The difference between the number of gross job gains and the number of gross job losses yielded a net employment gain of 437,000 jobs in the private sector during the second quarter of 2018.”

Chart 1. Total private sector gross job gains and gross job losses, seasonally adjusted
March 2008 - June 2018



NOTE: Shaded area represents National Bureau of Economic Research (NBER) defined recession period.

Wednesday, [Metropolitan Area Unemployment, Dec. 2018](#): “Unemployment rates were lower in December than a year earlier in 250 of the 388 metropolitan areas, higher in 116 areas, and unchanged in 22 areas. . . . A total of 89 areas had jobless rates of less than 3.0 percent and 3 areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 61 metropolitan areas and was essentially unchanged in 327 areas. The national unemployment rate in December was 3.7 percent, not seasonally adjusted, down from 3.9 percent a year earlier.” In Tennessee, unemployment rates decreased from a year earlier in Chattanooga (3.1), Clarksville (3.5), Jackson (3.2), Johnson City (3.4), Kingsport-Bristol-Bristol (3.3), Knoxville (2.8), Morristown (3.2), Nashville-Davidson-Murfreesboro-Franklin (2.3). It was unchanged in Cleveland (3.0) and Memphis (3.7).



Thursday, [Employment Cost Index](#): “Compensation costs for civilian workers increased 0.7 percent, seasonally adjusted, for the 3-month period ending in December 2018. . . . Wages and salaries (which make up about 70 percent of compensation costs) increased 0.6 percent and benefit costs (which make up the remaining 30 percent of compensation) increased 0.7 percent from September 2018.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 304,000 in January, and the unemployment rate edged up to 4.0 percent. . . . Job gains occurred in several industries, including leisure and hospitality, construction, health care, and transportation and warehousing.”

The Conference Board

Tuesday, [Consumer Confidence](#): The index “decreased in January, following a decline in December. The Index now stands at 120.2 (1985=100), down from 126.6 in December. The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—declined marginally, from 169.9 to 169.6. The Expectations Index—based on consumers’ short-term

outlook for income, business and labor market conditions—decreased from 97.7 last month to 87.3 this month.”

State Street

Wednesday, [Investor Confidence](#): The index “decreased to 70.2, down 9.4 points from December’s revised reading of 79.6. Confidence among North American investors worsened, with the North American ICI decreasing from 74.5 to 66.8. The European ICI decreased by 2.6 points to 90.3 and the Asia ICI decreased by 10.3 points to 100.2.”

University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment remained at month-end at its lowest level since Trump was elected. The end of the shutdown caused only a modest boost in the Sentiment Index. The typical impact of such ‘crisis’ events is short lived, with consumers quickly regaining lost confidence. That is unlikely to occur this time as the deadline for resolution has only been extended until mid February. If the standoff continues into late February, it could foster sustained declines in economic optimism among consumers. Even small spending cutbacks, occurring simultaneously across the majority of consumers, could push the economy into a recessionary downturn.”

Federal Reserve

Wednesday, [FOMC Statement](#): “Information received since the Federal Open Market Committee met in December indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Job gains have been strong, on average, in recent months, and the unemployment rate has remained low. Household spending has continued to grow strongly, while growth of business fixed investment has moderated from its rapid pace earlier last year. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent.”

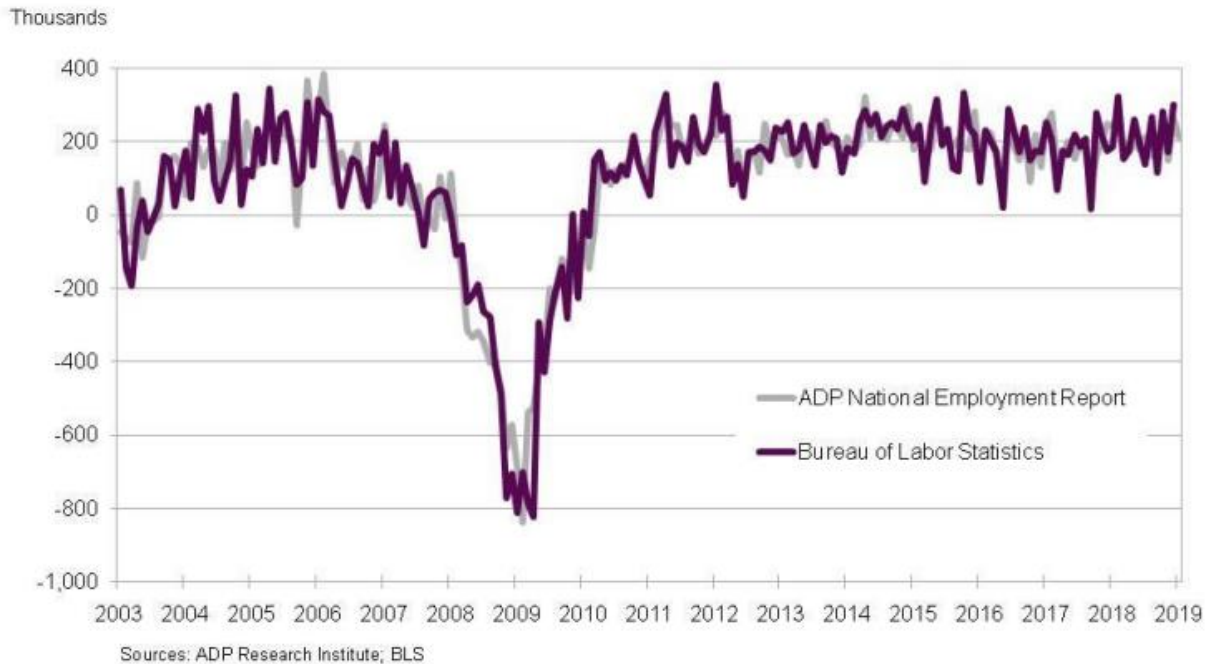
Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, decreased 3.0 percent on a seasonally adjusted basis from one week earlier. . . . The Refinance Index decreased 6 percent from the previous week. The seasonally adjusted Purchase Index decreased 2 percent from one week earlier.”

ADP

Wednesday, [Employment Report](#): “Private sector employment increased by 213,000 jobs from December to January. . . . ‘The labor market has continued its pattern of strong growth with little sign of a slowdown in sight,’ said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. ‘We saw significant growth in nearly all industries, with manufacturing adding the most jobs in more than four years. Midsized businesses continue to lead job creation, however the share of jobs was spread a bit more evenly across all company sizes this month.’”

Chart 2. Historical Trend – Change in Total Nonfarm Private Employment



Institute for Supply Management

Friday, [Purchasing Managers' Index](#): "Economic activity in the manufacturing sector expanded in January, and the overall economy grew for the 117th consecutive month. . . . The January PMI registered 56.6 percent, an increase of 2.3 percentage points from the December reading of 54.3 percent."