

Economic Update, July 27, 2018
Submitted by Bob Moreo

Summary: Americans' confidence rose to the highest level since February 2001 on brighter assessments of the economy, the [Bloomberg Consumer Comfort Index](#) showed Thursday. Comparatively, the [University of Michigan Index of Consumer Sentiment](#) is somewhat tempered according to chief economist Richard Curtin. He says, "[Consumers'] mix of positive and negative expectations is similar to past expansions, and, as in the past, it will prevail as long as increases in inflation and interest rate hikes remain modest." Concerns about mortgage rates and housing affordability are providing reasons for caution going forward. The [Washington Post reports](#) that rising home-loan rates are contributing to a slowdown in the housing market and quotes Freddie Mac chief economist Sam Khater, who says that "the next few months will be key for gauging the health of the housing market. . . . Existing sales appear to have peaked, sales of newly built homes are slowing and unsold inventory is rising for the first time in three years. Meanwhile, affordability pressures are increasingly a concern in many markets, as the combination of continuous price gains and [higher mortgage rates](#) appear to be giving more prospective buyers a pause. This is why new and existing-home sales are not breaking out this summer despite the healthy economy and labor market."

Census Bureau

Wednesday, [New Residential Sales](#): "Sales of new single-family houses in June 2018 were at a seasonally adjusted annual rate of 631,000. . . . This is 5.3 percent below the revised May rate of 666,000, but is 2.4 percent above the June 2017 estimate of 616,000. The median sales price of new houses sold in June 2018 was \$302,100. The average sales price was \$363,300."

Thursday, [Quarterly Residential Vacancy and Homeownership](#): "The rental vacancy rate of 6.8 percent was 0.5 percentage points lower than the rate in the second quarter 2017 (7.3 percent) and not statistically different from the rate in the first quarter 2018 (7.0 percent). The homeowner vacancy rate of 1.5 percent was virtually unchanged from the rate in the second quarter 2017 and the rate in the first quarter 2018 (1.5 percent each). The homeownership rate of 64.3 percent was not statistically different from the rate in the second quarter 2017 (63.7 percent) nor from the rate in the first quarter 2018 (64.2 percent)."

Thursday, [Advance Report on Durable Goods](#): "New orders for manufactured durable goods in June increased \$2.5 billion or 1.0 percent to \$251.9 billion." This increase followed two consecutive monthly decreases, including a 0.3 percent decrease in May. "Shipments of manufactured durable goods in June, up ten of the last eleven months, increased \$4.1 billion or 1.7 percent to \$251.6 billion."

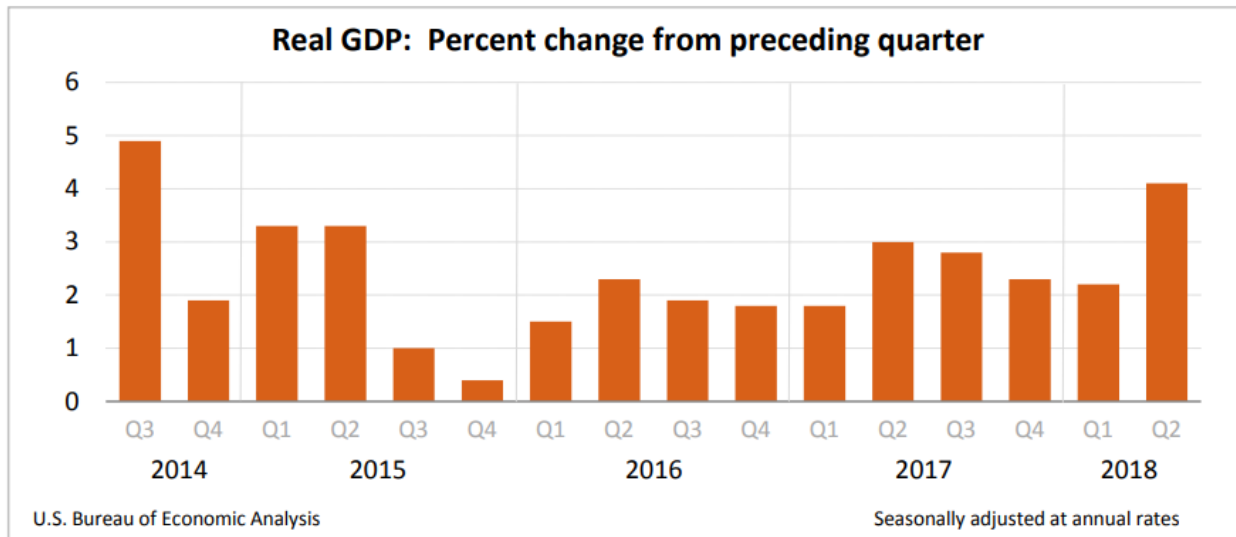
Thursday, [Monthly Advance Economic Indicators](#): "The international trade deficit was \$68.3 billion in June, up \$3.6 billion from \$64.8 billion in May. Exports of goods for June were \$141.9 billion, \$2.2 billion less than May exports. Imports of goods for June were \$210.3 billion, \$1.3 billion more than May imports. [Seasonally adjusted] wholesale inventories for June . . . were estimated at an end-of-month level of \$632.5 billion, virtually unchanged (± 0.2 percent) from May 2018, and were up 5.1 percent from June 2017. . . . [Seasonally adjusted] retail inventories for June . . . were estimated at an end-of-month level of \$635.5 billion, virtually unchanged (± 0.1 percent) from May 2018, and were up 1.7 percent from June 2017."

Bureau of Economic Analysis

Tuesday, [Gross Domestic Product by State](#): "Real gross domestic product (GDP) increased in 48 states and the District of Columbia in the first quarter of 2018. . . . The percent change in real GDP in the

first quarter ranged from 3.6 percent in Washington to -0.6 percent in North Dakota.” Real GDP in Tennessee increased by 2.1 percent, the 16th most among the states.

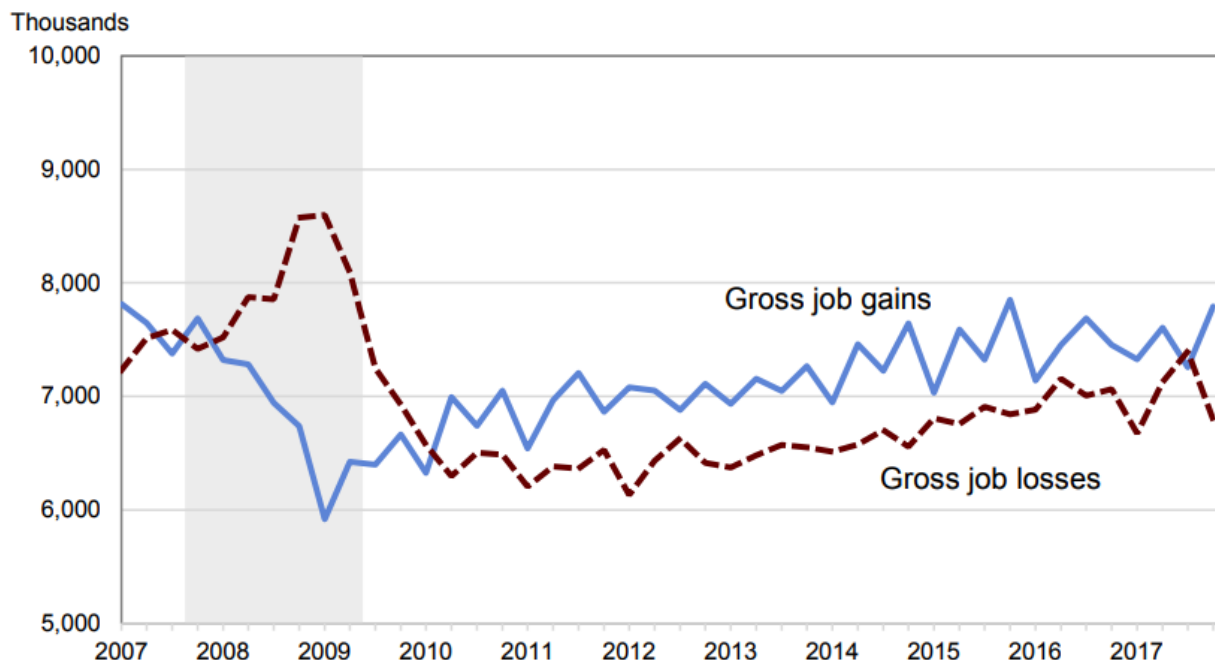
Friday, [National Income and Product Accounts](#): “Real gross domestic product increased at an annual rate of 4.1 percent in the second quarter of 2018. . . . In the first quarter, real GDP increased 2.2 percent.” Although this is the first advance estimate for the second quarter of 2018, and it may be revised, the 4.1 percent increase is the highest since the third quarter of 2014 (see figure). “For the period of expansion from the second quarter of 2009 to the first quarter of 2018, real GDP increased at an average annual rate of 2.2 percent.” The BEA also notes increases in personal income and the personal savings rate, observing that “current-dollar personal income increased \$183.7 billion in the second quarter, compared with an increase of \$215.8 billion in the first quarter. . . . Disposable personal income increased \$167.5 billion, or 4.5 percent, in the second quarter, compared with an increase of \$256.7 billion, or 7.0 percent, in the first quarter. . . . The personal saving rate—personal saving as a percentage of disposable personal income—was 6.8 percent in the second quarter, compared with 7.2 percent in the first quarter.”



Bureau of Labor Statistics

Wednesday, [Business Employment Dynamics](#): Private-sector businesses reported a net increase of nearly a million jobs during the fourth quarter of 2017. “From September 2017 to December 2017, gross job gains from opening and expanding private-sector establishments were 7.8 million, an increase of 537,000 jobs gained over the quarter. . . . Over this period, gross job losses from closing and contracting private-sector establishments were 6.8 million, a decrease of 602,000 jobs lost from the previous quarter . . . [yielding] a net employment gain of 999,000 jobs.”

**Chart 1. Total private sector gross job gains and gross job losses, seasonally adjusted
March 2007 - December 2017**



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

Department of Labor

Thursday, [Initial Claims](#): “In the week ending July 21, the advance figure for seasonally adjusted initial claims was 217,000, an increase of 9,000 from the previous week's revised level. . . . The 4-week moving average was 218,000, a decrease of 2,750 from the previous week's revised average.”

Federal Reserve Bank of Chicago

Monday, [Chicago Fed National Activity Index](#): “Led by improvements in production-related indicators, the [index] rebounded to +0.43 in June from -0.45 in May. . . . The index's three-month moving average . . . edged up to +0.16 in June from +0.10 in May.”

Wednesday, [National Financial Conditions Index](#): Indicating looser financial conditions, the NFCI ticked down to -0.83 in the week ending July 20. The index was at -0.81 the previous week and has been decreasing since a level of -0.73 was reported at the end of March. “Positive values of the NFCI have been historically associated with tighter-than-average financial conditions, while negative values have been historically associated with looser-than-average financial conditions.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): Mortgage applications for the week ending July 20, 2018, decreased 0.2 percent from one week earlier. “The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) remained unchanged at 4.77 percent. . . . The average contract interest rate for 30-year fixed-rate mortgages with jumbo loan balances (greater than \$453,100) increased to 4.72 percent from 4.66 percent. . . . The average contract interest rate for 30-year fixed-rate mortgages backed by the FHA remained unchanged at 4.78 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 4.23 percent from 4.22 percent.”

National Association of Realtors

Monday, [Existing Home Sales Index](#): “Existing-home sales decreased for the third straight month in June, as declines in the South and West exceeded sales gains in the Northeast and Midwest. . . . The ongoing supply and demand imbalance helped push June’s median sales price to a new all-time high. Total existing-home sales . . . decreased 0.6 percent to a seasonally adjusted annual rate of 5.38 million in June from a downwardly revised 5.41 million in May. With last month’s decline, sales are now 2.2 percent below a year ago. Lawrence Yun, NAR chief economist, says . . . “What is for sale in most areas is going under contract very fast and in many cases, has multiple offers. This dynamic is keeping home price growth elevated, pricing out would-be buyers and ultimately slowing sales.”

Bloomberg

Thursday, [Consumer Comfort Index](#): The index increased from 58.8 to 59, the seventh straight increase. “Americans’ confidence rose to the highest level since February 2001 on brighter assessments of the economy. . . . Confidence is rising . . . with data last week showing jobless claims fell to the lowest since 1969, while showing little concern about new tariffs and intensifying rhetoric surrounding trade issues. A more upbeat view of the economy outweighed weaker sentiment about the buying climate and household finances. Confidence among men increased while it fell among women, leaving the widest gap in more than 11 years.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): The index decreased to 97.9 in July. “Consumer sentiment posted a trivial 0.3 point one-month decline, remaining a half of an Index-point or less from the average in the prior twelve months (97.7) or since the start of 2017 (97.4). Despite the expectation of higher inflation and higher interest rates during the year ahead, consumers have kept their confidence at high levels due to favorable job and income prospects. . . . What is unique about the current situation is the potential impact of tariffs on the domestic economy. Concerns about tariffs greatly accelerated in the July survey.”